



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

September 6, 2013

MEMORANDUM

To: Representative Wright

From: Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2013 AB 338** (LRB-2505/1) by **DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

August 29, 2013

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Michael Wagner
Michael Oakleaf
Department of Revenue

SUBJECT: Technical Memorandum on AB 338 (LRB 2505/1) – Making the Angel and Early Stage Seed Investment Credits Refundable

The Department has the following technical concerns with the above-referenced bill:

- Under current law, the taxpayer is required to reduce their basis in the investment by the amount of the credit that is used to offset taxes in order to reflect the benefit that the taxpayer realizes from the credit. Because the bill makes the credits refundable, the taxpayer may realize a benefit greater than the amount of taxes offset by the credit. The author may wish to include in the bill amendments to sections 71.07 (5b) (d) 2. and (5d) (d) 4., 71.28 (5b) (d) 2., and 71.47 (5b) (d) 2. to require that the taxpayer's basis in the investment be reduced by the amount of the credit, rather than the amount used to offset taxes.
- The bill would apply for taxable years beginning on January 1, 2013. It is unlikely that the bill could be enacted in time to allow the department and outside tax preparation software developers the time needed to do necessary programming by the end of the year. In addition, tax forms are scheduled to be sent to the printers in October to ensure that they are available by the start of the new year. It would be preferable if the bill would first apply to taxable years beginning on January 1, 2014. If the bill is amended to make the credit effective for taxable years beginning on or after January 1, 2014 the fiscal effect would be the same as that for 2013 SB 260, which makes the same credits refundable but is effective for taxable years beginning on or after January 1, 2014.

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173 or via email at Michael.oakleaf@revenue.wi.gov.

cc: Rep. Wright