

State of Wisconsin



2017 Assembly Bill 259

Date of enactment: **April 3, 2018**
Date of publication*: **April 4, 2018**

2017 WISCONSIN ACT 231

AN ACT *to amend* 71.01 (6) (k) 1., 71.01 (6) (k) 3., 71.05 (6) (b) 28. (intro.), 71.05 (6) (b) 49. a., 71.05 (6) (b) 49. b., 71.05 (10) (i) 1., 71.05 (23) (b) 2., 71.08 (1) (d), 71.10 (1m) (c), 71.22 (4) (k) 1., 71.22 (4) (k) 3., 71.22 (4m) (k) 1., 71.22 (4m) (k) 3., 71.26 (2) (b) 11. a., 71.26 (2) (b) 11. d., 71.26 (3) (j), 71.30 (2m) (c), 71.34 (1g) (k) 1., 71.34 (1g) (k) 3., 71.42 (2) (k) 1., 71.42 (2) (k) 3., 71.80 (1m) (c), 71.98 (3), 73.16 (3) (b), 77.54 (9m) and 224.50 (2) (a); and *to create* 71.01 (6) (L), 71.05 (6) (b) 49. k., 71.22 (4) (L), 71.22 (4m) (L), 71.26 (2) (b) 12., 71.34 (1g) (L), 71.42 (2) (L), 71.98 (9), 73.16 (3) (c) and 77.54 (9a) (fc) of the statutes; **relating to:** the evidentiary standard for proving a transaction has economic substance; updating Internal Revenue Code references for state tax purposes; clarifying the duties of the College Savings Program Board; a sales and use tax exemption for title holding entities for certain tax-exempt charitable organizations; computing depletion for income and franchise tax purposes; and reliance by a taxpayer on past audits by the Department of Revenue.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.01 (6) (k) 1. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.01 (6) (k) 1. For taxable years beginning after December 31, 2016, and before January 1, 2018, for individuals and fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code as amended to December 31, 2016, except as provided in subds. 2. and 3. and s. 71.98 and subject to subd. 4.

SECTION 2. 71.01 (6) (k) 3. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.01 (6) (k) 3. For purposes of this paragraph, "Internal Revenue Code" does not include amendments to the federal Internal Revenue Code enacted after December 31, 2016, except that "Internal Revenue Code" includes sections 11024, 11025, and 13543 of P.L. 115-97.

SECTION 3. 71.01 (6) (L) of the statutes is created to read:

71.01 (6) (L) 1. For taxable years beginning after December 31, 2017, for individuals and fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve funds, "Internal Revenue Code" means the federal Internal Revenue Code as amended to December 31, 2017, except as provided in subds. 2. and 3. and s. 71.98 and subject to subd. 4.

2. For purposes of this paragraph, "Internal Revenue Code" does not include the following provisions of federal public laws for taxable years beginning after December 31, 2017: section 13113 of P.L. [103-66](#); sections 1, 3, 4, and 5 of P.L. [106-519](#); sections 101, 102, and 422 of P.L. [108-357](#); sections 1310 and 1351 of P.L. [109-58](#); section 11146 of P.L. [109-59](#); section 403 (q) of P.L. [109-135](#); section 513 of P.L. [109-222](#); sections 104 and 307 of P.L. [109-432](#); sections 8233 and 8235 of P.L. [110-28](#); section 11 (e) and (g) of P.L. [110-172](#); section

* Section 991.11, WISCONSIN STATUTES: Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication."

301 of P.L. 110-245; section 15351 of P.L. 110-246; section 302 of division A, section 401 of division B, and sections 312, 322, 502 (c), 707, and 801 of division C of P.L. 110-343; sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. 111-5; sections 211, 212, 213, 214, and 216 of P.L. 111-226; sections 2011 and 2122 of P.L. 111-240; sections 753, 754, and 760 of P.L. 111-312; section 1106 of P.L. 112-95; sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. 112-240; P.L. 114-7; section 1101 of P.L. 114-74; section 305 of division P of P.L. 114-113; sections 123, 125 to 128, 143, 144, 151 to 153, 165 to 167, 169 to 171, 189, 191, 307, 326, and 411 of division Q of P.L. 114-113; and sections 11011, 11012, 13201 (a) to (e) and (g), 13206, 13221, 13301, 13304 (a), (b), and (d), 13531, 13601, 13801, 14101, 14102, 14103, 14201, 14202, 14211, 14212, 14213, 14214, 14215, 14221, 14222, 14301, 14302, 14304, and 14401 of P.L. 115-97.

3. For purposes of this paragraph, "Internal Revenue Code" does not include amendments to the federal Internal Revenue Code enacted after December 31, 2017.

4. For purposes of this paragraph, the provisions of federal public laws that directly or indirectly affect the Internal Revenue Code, as defined in this paragraph, apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 4. 71.05 (6) (b) 28. (intro.) of the statutes, as affected by 2017 Wisconsin Act 59, is amended to read:

71.05 (6) (b) 28. (intro.) An amount paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or who is the claimant's child and the claimant's dependent ~~who is claimed under section 151 (e), as defined under section 152~~ of the Internal Revenue Code, to attend any university, college, technical college or a school approved under s. 440.52, that is located in Wisconsin or to attend a public vocational school or public institution of higher education in Minnesota under the Minnesota-Wisconsin reciprocity agreement under s. 39.47, calculated as follows:

SECTION 5. 71.05 (6) (b) 49. a. of the statutes is amended to read:

71.05 (6) (b) 49. a. Subject to the definitions provided in subd. 49. b. to g. and the limitations specified in subd. 49. h. to j. for taxable years beginning after December 31, 2013, and subject to the limitation in subd. 49. k. for taxable years beginning after December 31, 2017, tuition expenses that are paid by a claimant for tuition for a pupil to attend an eligible institution.

SECTION 6. 71.05 (6) (b) 49. b. of the statutes is amended to read:

71.05 (6) (b) 49. b. In this subdivision, "claimant" means an individual who claims a pupil as a dependent ~~under section 151 (e), as defined under section 152~~ of the Internal Revenue Code, on his or her tax return.

SECTION 7. 71.05 (6) (b) 49. k. of the statutes is created to read:

71.05 (6) (b) 49. k. For taxable years beginning after December 31, 2017, no modification may be claimed under this subdivision for an amount paid for tuition expenses, as described under this subdivision, if the source of the payment is an amount withdrawn from a college savings account, as described in s. 224.50.

SECTION 8. 71.05 (10) (i) 1. of the statutes is amended to read:

71.05 (10) (i) 1. Subject to the conditions in this paragraph, an individual may subtract up to \$10,000 from federal adjusted gross income if he or she, or his or her dependent ~~who is claimed under section 151 (e), as defined under section 152~~ of the Internal Revenue Code, while living, donates one or more of his or her human organs to another human being for human organ transplantation, as defined in s. 146.345 (1), except that in this paragraph, "human organ" means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. A subtract modification that is claimed under this paragraph may be claimed in the taxable year in which the human organ transplantation occurs.

SECTION 9. 71.05 (23) (b) 2. of the statutes is amended to read:

71.05 (23) (b) 2. An exemption of \$700 for each ~~individual for whom the taxpayer is entitled to an exemption for the taxable year under section 151 (e) dependent, as defined under section 152~~ of the Internal Revenue Code, of the taxpayer.

SECTION 10. 71.08 (1) (d) of the statutes is amended to read:

71.08 (1) (d) Subtract from the amount under par. (c) the appropriate amount under section 55 (d) ~~(1), (3), and (4)~~ of the federal Internal Revenue Code in effect for the taxable year; except that surviving spouses shall be treated as single individuals; except that the amount under par. (c), not the federal alternative minimum taxable income, shall be used in calculating the phase-out and except that for nonresidents and part-year residents the amount under section 55 (d) ~~(1), (3), and (4)~~ of the federal Internal Revenue Code in effect for the taxable year shall be prorated on the basis of the ratio of Wisconsin adjusted gross income to federal adjusted gross income.

SECTION 11. 71.10 (1m) (c) of the statutes is amended to read:

71.10 (1m) (c) With respect to ~~transactions~~ a transaction between members of a controlled group, as defined in section 267 (f) (1) of the Internal Revenue Code, ~~such transactions~~ the transaction shall be presumed to lack economic substance, and the taxpayer shall bear the burden of establishing by clear and ~~convincing~~ satisfactory evidence that ~~a~~ the transaction or ~~a~~ the series of transac-

tions between the taxpayer and one or more members of the controlled group has economic substance.

SECTION 12. 71.22 (4) (k) 1. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.22 (4) (k) 1. For taxable years beginning after December 31, 2016, and before January 1, 2018, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2016, except as provided in subds. 2. and 3. and subject to subd. 4., and except as provided in sub. (4m) and ss. 71.26 (2) (b) and (3), 71.34 (1g), 71.42 (2), and 71.98.

SECTION 13. 71.22 (4) (k) 3. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.22 (4) (k) 3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2016, except that “Internal Revenue Code” includes sections 11024, 11025, and 13543 of P.L. 115-97.

SECTION 14. 71.22 (4) (L) of the statutes is created to read:

71.22 (4) (L) 1. For taxable years beginning after December 31, 2017, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2017, except as provided in subds. 2. and 3. and subject to subd. 4., and except as provided in sub. (4m) and ss. 71.26 (2) (b) and (3), 71.34 (1g), 71.42 (2), and 71.98.

2. For purposes of this paragraph, “Internal Revenue Code” does not include the following provisions of federal public laws for taxable years beginning after December 31, 2017: section 13113 of P.L. [103-66](#); sections 1, 3, 4, and 5 of P.L. [106-519](#); sections 101, 102, and 422 of P.L. [108-357](#); sections 1310 and 1351 of P.L. [109-58](#); section 11146 of P.L. [109-59](#); section 403 (q) of P.L. [109-135](#); section 513 of P.L. [109-222](#); sections 104 and 307 of P.L. [109-432](#); sections 8233 and 8235 of P.L. [110-28](#); section 11 (e) and (g) of P.L. [110-172](#); section 301 of P.L. [110-245](#); section 15351 of P.L. [110-246](#); section 302 of division A, section 401 of division B, and sections 312, 322, 502 (c), 707, and 801 of division C of P.L. [110-343](#); sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. [111-5](#); sections 211, 212, 213, 214, and 216 of P.L. [111-226](#); sections 2011 and 2122 of P.L. [111-240](#); sections 753, 754, and 760 of P.L. [111-312](#); section 1106 of P.L. [112-95](#); sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. [112-240](#); P.L. [114-7](#); section 1101 of P.L. [114-74](#); section 305 of division P of P.L. [114-113](#); sections 123, 125 to 128, 143, 144, 151 to 153, 165 to 167, 169 to 171, 189, 191, 307, 326, and 411 of division Q of P.L. [114-113](#); and sections 11011, 11012, 13201 (a) to (e) and (g), 13206, 13221, 13301, 13304 (a), (b), and (d), 13531, 13601, 13801, 14101, 14102, 14103, 14201, 14202, 14211, 14212, 14213, 14214, 14215, 14221, 14222, 14301, 14302, 14304, and 14401 of P.L. [115-97](#).

3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2017.

4. For purposes of this paragraph, the provisions of federal public laws that directly or indirectly affect the Internal Revenue Code, as defined in this paragraph, apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 15. 71.22 (4m) (k) 1. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.22 (4m) (k) 1. For taxable years beginning after December 31, 2016, and before January 1, 2018, “Internal Revenue Code”, for corporations that are subject to a tax on unrelated business income under s. 71.26 (1) (a), means the federal Internal Revenue Code as amended to December 31, 2016, except as provided in subds. 2. and 3. and s. 71.98 and subject to subd. 4.

SECTION 16. 71.22 (4m) (k) 3. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.22 (4m) (k) 3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2016, except that “Internal Revenue Code” includes sections 11024, 11025, and 13543 of P.L. 115-97.

SECTION 17. 71.22 (4m) (L) of the statutes is created to read:

71.22 (4m) (L) 1. For taxable years beginning after December 31, 2017, “Internal Revenue Code”, for corporations that are subject to a tax on unrelated business income under s. 71.26 (1) (a), means the federal Internal Revenue Code as amended to December 31, 2017, except as provided in subds. 2. and 3. and s. 71.98 and subject to subd. 4.

2. For purposes of this paragraph, “Internal Revenue Code” does not include the following provisions of federal public laws for taxable years beginning after December 31, 2017: section 13113 of P.L. [103-66](#); sections 1, 3, 4, and 5 of P.L. [106-519](#); sections 101, 102, and 422 of P.L. [108-357](#); sections 1310 and 1351 of P.L. [109-58](#); section 11146 of P.L. [109-59](#); section 403 (q) of P.L. [109-135](#); section 513 of P.L. [109-222](#); sections 104 and 307 of P.L. [109-432](#); sections 8233 and 8235 of P.L. [110-28](#); section 11 (e) and (g) of P.L. [110-172](#); section 301 of P.L. [110-245](#); section 15351 of P.L. [110-246](#); section 302 of division A, section 401 of division B, and sections 312, 322, 502 (c), 707, and 801 of division C of P.L. [110-343](#); sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. [111-5](#); sections 211, 212, 213, 214, and 216 of P.L. [111-226](#); sections 2011 and 2122 of P.L. [111-240](#); sections 753, 754, and 760 of P.L. [111-312](#); section 1106 of P.L. [112-95](#); sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. [112-240](#); P.L. [114-7](#); section 1101 of P.L. [114-74](#); section 305 of division P of P.L. [114-113](#); sections 123, 125 to 128, 143, 144, 151 to 153,

165 to 167, 169 to 171, 189, 191, 307, 326, and 411 of division Q of P.L. [114-113](#); and sections 11011, 11012, 13201 (a) to (e) and (g), 13206, 13221, 13301, 13304 (a), (b), and (d), 13531, 13601, 13801, 14101, 14102, 14103, 14201, 14202, 14211, 14212, 14213, 14214, 14215, 14221, 14222, 14301, 14302, 14304, and 14401 of P.L. [115-97](#).

3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2017.

4. For purposes of this paragraph, the provisions of federal public laws that directly or indirectly affect the Internal Revenue Code, as defined in this paragraph, apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 18. 71.26 (2) (b) 11. a. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.26 (2) (b) 11. a. For taxable years beginning after December 31, 2016, and before January 1, 2018, for a corporation, conduit, or common law trust which qualifies as a regulated investment company, real estate mortgage investment conduit, real estate investment trust, or financial asset securitization investment trust under the Internal Revenue Code, “net income” means the federal regulated investment company taxable income, federal real estate mortgage investment conduit taxable income, federal real estate investment trust or financial asset securitization investment trust taxable income of the corporation, conduit, or trust as determined under the Internal Revenue Code.

SECTION 19. 71.26 (2) (b) 11. d. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.26 (2) (b) 11. d. For purposes of subd. 11. a., “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2016, except that “Internal Revenue Code” includes sections 11024, 11025, and 13543 of P.L. [115-97](#).

SECTION 20. 71.26 (2) (b) 12. of the statutes is created to read:

71.26 (2) (b) 12. a. For taxable years beginning after December 31, 2017, for a corporation, conduit, or common law trust which qualifies as a regulated investment company, real estate mortgage investment conduit, real estate investment trust, or financial asset securitization investment trust under the Internal Revenue Code, “net income” means the federal regulated investment company taxable income, federal real estate mortgage investment conduit taxable income, federal real estate investment trust or financial asset securitization investment trust taxable income of the corporation, conduit, or trust as determined under the Internal Revenue Code.

b. For purposes of subd. 12. a., “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2017, except as provided in

subd. 12. c. and d. and s. 71.98 and subject to subd. 12. e.

c. For purposes of subd. 12. a., “Internal Revenue Code” does not include the following provisions of federal public laws for taxable years beginning after December 31, 2017: section 13113 of P.L. [103-66](#); sections 1, 3, 4, and 5 of P.L. [106-519](#); sections 101, 102, and 422 of P.L. [108-357](#); sections 1310 and 1351 of P.L. [109-58](#); section 11146 of P.L. [109-59](#); section 403 (q) of P.L. [109-135](#); section 513 of P.L. [109-222](#); sections 104 and 307 of P.L. [109-432](#); sections 8233 and 8235 of P.L. [110-28](#); section 11 (e) and (g) of P.L. [110-172](#); section 301 of P.L. [110-245](#); section 15351 of P.L. [110-246](#); section 302 of division A, section 401 of division B, and sections 312, 322, 502 (c), 707, and 801 of division C of P.L. [110-343](#); sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. [111-5](#); sections 211, 212, 213, 214, and 216 of P.L. [111-226](#); sections 2011 and 2122 of P.L. [111-240](#); sections 753, 754, and 760 of P.L. [111-312](#); section 1106 of P.L. [112-95](#); sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. [112-240](#); P.L. [114-7](#); section 1101 of P.L. [114-74](#); section 305 of division P of P.L. [114-113](#); sections 123, 125 to 128, 143, 144, 151 to 153, 165 to 167, 169 to 171, 189, 191, 307, 326, and 411 of division Q of P.L. [114-113](#); and sections 11011, 11012, 13201 (a) to (e) and (g), 13206, 13221, 13301, 13304 (a), (b), and (d), 13531, 13601, 13801, 14101, 14102, 14103, 14201, 14202, 14211, 14212, 14213, 14214, 14215, 14221, 14222, 14301, 14302, 14304, and 14401 of P.L. [115-97](#).

d. For purposes of subd. 12. a., “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2017.

e. For purposes of subd. 12. a., the provisions of federal public laws that directly or indirectly affect the Internal Revenue Code, as defined in this subdivision, apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 21. 71.26 (3) (j) of the statutes is amended to read:

71.26 (3) (j) Sections 243, 244, 245, [245A](#), 246 and 246A are excluded and replaced by the rule that corporations may deduct from income dividends received from a corporation with respect to its common stock if the corporation receiving the dividends owns, directly or indirectly, during the entire taxable year at least 70 percent of the total combined voting stock of the payor corporation. In this paragraph, “dividends received” means gross dividends minus taxes on those dividends paid to a foreign nation and claimed as a deduction under this chapter. The same dividends may not be deducted more than once.

SECTION 22. 71.30 (2m) (c) of the statutes is amended to read:

71.30 (2m) (c) With respect to ~~transactions~~ a transaction between members of a controlled group, as defined

in section 267 (f) (1) of the Internal Revenue Code, such transactions the transaction shall be presumed to lack economic substance, and the taxpayer shall bear the burden of establishing by clear and convincing satisfactory evidence that ~~a~~ the transaction or ~~a~~ the series of transactions between the taxpayer and one or more members of the controlled group has economic substance.

SECTION 23. 71.34 (1g) (k) 1. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.34 (1g) (k) 1. For taxable years beginning after December 31, 2016, and before January 1, 2018, for tax option corporations, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2016, except as provided in subds. 2., 3., and 5. and s. 71.98 and subject to subd. 4.

SECTION 24. 71.34 (1g) (k) 3. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.34 (1g) (k) 3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2016, except that “Internal Revenue Code” includes sections 11024, 11025, and 13543 of P.L. 115-97.

SECTION 25. 71.34 (1g) (L) of the statutes is created to read:

71.34 (1g) (L) 1. For taxable years beginning after December 31, 2017, for tax option corporations, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2017, except as provided in subds. 2., 3., and 5. and s. 71.98 and subject to subd. 4.

2. For purposes of this paragraph, “Internal Revenue Code” does not include the following provisions of federal public laws for taxable years beginning after December 31, 2017: section 13113 of P.L. [103-66](#); sections 1, 3, 4, and 5 of P.L. [106-519](#); sections 101, 102, and 422 of P.L. [108-357](#); sections 1310 and 1351 of P.L. [109-58](#); section 11146 of P.L. [109-59](#); section 403 (q) of P.L. [109-135](#); section 513 of P.L. [109-222](#); sections 104 and 307 of P.L. [109-432](#); sections 8233 and 8235 of P.L. [110-28](#); section 11 (e) and (g) of P.L. [110-172](#); section 301 of P.L. [110-245](#); section 15351 of P.L. [110-246](#); section 302 of division A, section 401 of division B, and sections 312, 322, 502 (c), 707, and 801 of division C of P.L. [110-343](#); sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. [111-5](#); sections 211, 212, 213, 214, and 216 of P.L. [111-226](#); sections 2011 and 2122 of P.L. [111-240](#); sections 753, 754, and 760 of P.L. [111-312](#); section 1106 of P.L. [112-95](#); sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. [112-240](#); P.L. [114-7](#); section 1101 of P.L. [114-74](#); section 305 of division P of P.L. [114-113](#); sections 123, 125 to 128, 143, 144, 151 to 153, 165 to 167, 169 to 171, 189, 191, 307, 326, and 411 of division Q of P.L. [114-113](#); and sections 11011, 11012, 13201 (a) to (e) and (g), 13206, 13221, 13301, 13304 (a), (b), and (d), 13531, 13601, 13801, 14101, 14102, 14103,

14201, 14202, 14211, 14212, 14213, 14214, 14215, 14221, 14222, 14301, 14302, 14304, and 14401 of P.L. [115-97](#).

3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2017.

4. For purposes of this paragraph, the provisions of federal public laws that directly or indirectly affect the Internal Revenue Code, as defined in this paragraph, apply for Wisconsin purposes at the same time as for federal purposes

5. For purposes of this paragraph, section [1366](#) (f) of the Internal Revenue Code (relating to pass-through of items to shareholders) is modified by substituting the tax under s. 71.35 for the taxes under sections [1374](#) and [1375](#) of the Internal Revenue Code.

SECTION 26. 71.42 (2) (k) 1. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.42 (2) (k) 1. For taxable years beginning after December 31, 2016, and before January 1, 2018, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2016, except as provided in subds. 2. to 4. and s. 71.98 and subject to subd. 5.

SECTION 27. 71.42 (2) (k) 3. of the statutes, as created by [2017 Wisconsin Act 59](#), is amended to read:

71.42 (2) (k) 3. For purposes of this paragraph, “Internal Revenue Code” does not include amendments to the federal Internal Revenue Code enacted after December 31, 2016, except that “Internal Revenue Code” includes sections 11024, 11025, and 13543 of P.L. 115-97.

SECTION 28. 71.42 (2) (L) of the statutes is created to read:

71.42 (2) (L) 1. For taxable years beginning after December 31, 2017, “Internal Revenue Code” means the federal Internal Revenue Code as amended to December 31, 2017, except as provided in subds. 2. to 4. and s. 71.98 and subject to subd. 5.

2. For purposes of this paragraph, “Internal Revenue Code” does not include the following provisions of federal public laws for taxable years beginning after December 31, 2017: section 13113 of P.L. [103-66](#); sections 1, 3, 4, and 5 of P.L. [106-519](#); sections 101, 102, and 422 of P.L. [108-357](#); sections 1310 and 1351 of P.L. [109-58](#); section 11146 of P.L. [109-59](#); section 403 (q) of P.L. [109-135](#); section 513 of P.L. [109-222](#); sections 104 and 307 of P.L. [109-432](#); sections 8233 and 8235 of P.L. [110-28](#); section 11 (e) and (g) of P.L. [110-172](#); section 301 of P.L. [110-245](#); section 15351 of P.L. [110-246](#); section 302 of division A, section 401 of division B, and sections 312, 322, 502 (c), 707, and 801 of division C of P.L. [110-343](#); sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. [111-5](#); sections 211, 212, 213, 214, and 216 of P.L. [111-226](#); sections 2011 and 2122 of P.L. [111-240](#); sections 753, 754, and 760 of P.L. [111-312](#);

section 1106 of P.L. 112-95; sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. 112-240; P.L. 114-7; section 1101 of P.L. 114-74; section 305 of division P of P.L. 114-113; sections 123, 125 to 128, 143, 144, 151 to 153, 165 to 167, 169 to 171, 189, 191, 307, 326, and 411 of division Q of P.L. 114-113; and sections 11011, 11012, 13201 (a) to (e) and (g), 13206, 13221, 13301, 13304 (a), (b), and (d), 13531, 13601, 13801, 14101, 14102, 14103, 14201, 14202, 14211, 14212, 14213, 14214, 14215, 14221, 14222, 14301, 14302, 14304, and 14401 of P.L. 115-97.

3. For purposes of this paragraph, "Internal Revenue Code" does not include amendments to the federal Internal Revenue Code enacted after December 31, 2017.

4. For purposes of this paragraph, "Internal Revenue Code" does not include section 847 of the federal Internal Revenue Code.

5. For purposes of this paragraph, the provisions of federal public laws that directly or indirectly affect the Internal Revenue Code, as defined in this paragraph, apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 29. 71.80 (1m) (c) of the statutes is amended to read:

71.80 (1m) (c) With respect to ~~transactions~~ a transaction between members of a controlled group, as defined in section 267 (f) (1) of the Internal Revenue Code, ~~such transactions~~ the transaction shall be presumed to lack economic substance, and the taxpayer shall bear the burden of establishing by clear and ~~convincing~~ satisfactory evidence that ~~a~~ the transaction or ~~a~~ the series of transactions between the taxpayer and one or more members of the controlled group has economic substance.

SECTION 30. 71.98 (3) of the statutes is amended to read:

71.98 (3) DEPRECIATION, DEPLETION, AND AMORTIZATION. For taxable years beginning after December 31, 2013, and for purposes of computing depreciation and amortization, the Internal Revenue Code means the federal Internal Revenue Code in effect for federal purposes on January 1, 2014, except that sections 13201 (f), 13203, 13204, and 13205 of P.L. 115-97 apply at the same time as for federal purposes. For taxable years beginning after December 31, 2013, and for purposes of computing depletion, the Internal Revenue ~~code~~ Code means the federal Internal Revenue ~~code~~ Code in effect for federal purposes for the year in which the property is placed in service.

SECTION 31. 71.98 (9) of the statutes is created to read:

71.98 (9) ROLLOVER AMOUNTS, AIRLINE CARRIER BANKRUPTCY. For taxable years beginning after December 31, 2011, section 1106 of P.L. 112-95, as amended by P.L. 113-243 and section 307 of Division Q of P.L. 114-113, as it relates to the treatment of distributions to qualified airline employees that are rolled over into an

individual retirement account, due to airline carrier bankruptcy. This provision does not apply to federal provisions relating to extensions of time to file amended federal returns. A qualified airline employee may file a claim for a refund to exclude income provided under this subsection pursuant to the time period specified in s. 71.75 (2) or no later than 180 days after the effective date of this subsection [LRB inserts date].

SECTION 32. 73.16 (3) (b) of the statutes is amended to read:

73.16 (3) (b) ~~This subsection~~ Paragraph (a) does not apply to any period associated with an audit determination, if the period begins after the promulgation of a rule, dissemination of written guidance to the public or to the person who is subject to the audit determination, the effective date of a statute, or the date on which a tax appeals commission or court decision becomes final and conclusive and if the rule, guidance, statute, or decision imposes the liability as a result of the tax issue described in par. (a) 1. ~~This subsection does not apply to any period associated with an audit determination if the taxpayer did not give the department employee adequate and accurate information regarding the tax issue in the prior audit determination or if the tax issue was settled in the prior audit determination by a written agreement between the department and the taxpayer.~~

SECTION 33. 73.16 (3) (c) of the statutes is created to read:

73.16 (3) (c) Paragraph (a) does not apply to any period associated with an audit determination if any of the following applies:

1. The department establishes by clear and satisfactory evidence that the taxpayer provided incomplete or false information relevant to the tax issue in the prior audit determination.

2. The tax issue was settled in the prior audit determination by a written agreement between the department and the taxpayer that was entered into before the effective date of this subdivision [LRB inserts date].

3. The tax issue was settled in the prior audit determination by a written agreement between the department and the taxpayer that was entered into on or after the effective date of this subdivision [LRB inserts date], and in which the parties acknowledged that the department did not adopt the taxpayer's position on the tax issue.

SECTION 36. 77.54 (9a) (fc) of the statutes is created to read:

77.54 (9a) (fc) An entity described under section 501 (c) (2) of the Internal Revenue Code that is exempt from federal income tax under section 501 (a) of the Internal Revenue Code and that is organized for the exclusive purpose of holding title to property, collecting income from that property, and turning over the entire amount of that income, less expenses, to an entity described under par. (f).

SECTION 37. 77.54 (9m) of the statutes is amended to read:

77.54 (9m) The sales price from the sale of and the storage, use, or other consumption of tangible personal property, or items or property under s. 77.52 (1) (b) or (c), sold to a construction contractor ~~who~~ that, in fulfillment of a real property construction activity, transfers the tangible personal property, or items or property under s. 77.52 (1) (b) or (c), to an entity described under sub. (9a) (b), (c), (d), (em), ~~or~~ (f), or (fc), if such tangible personal property, or items or property, becomes a component of a facility in this state that is owned by the entity. In this subsection, “facility” means any building, shelter, parking lot, parking garage, athletic field, athletic park, storm sewer, water supply system, or sewerage and waste water treatment facility, but does not include a highway, street, or road.

SECTION 38. 224.50 (2) (a) of the statutes, as affected by [2017 Wisconsin Act 59](#), is amended to read:

224.50 (2) (a) Except as provided in s. 224.51, establish and administer a college savings program that allows an individual, trust, legal guardian, or entity described under [26 USC 529](#) (e) (1) (C) to establish a college savings account to cover tuition, fees, and the costs of room and board, books, supplies, and equipment required for the enrollment or attendance of a beneficiary at an eligible educational institution, as defined under [26 USC 529](#), and to cover tuition expenses in connection with enrollment or attendance at an elementary or secondary public, private, or religious school, as described in section 11032

of [P.L. 115-97](#), related to qualified tuition programs under [26 USC 529](#).

SECTION 39. Initial applicability.

(1) EVIDENTIARY STANDARD TO PROVE TRANSACTION HAS ECONOMIC SUBSTANCE. The treatment of sections 71.10 (1m) (c), 71.30 (2m) (c), and 71.80 (1m) (c) of the statutes first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(2) RELIANCE ON PAST AUDITS. The treatment of section 73.16 (3) (b) and (c) of the statutes first applies to an audit determination issued on the effective date of this subsection, regardless of when a prior audit determination was issued.

(3) DEPRECIATION, DEPLETION, AND AMORTIZATION. The treatment of section 71.98 (3) of the statutes first applies retroactively to taxable years beginning after December 31, 2013.

(4) BUILDING MATERIALS EXEMPTION. The treatment of section 77.54 (9m) of the statutes first applies retroactively to contracts entered into on September 1, 2017.

SECTION 40. Effective dates. This act takes effect on the day after publication, except as follows:

(1) SALES AND USE TAX EXEMPTION FOR TITLE HOLDING ENTITIES. The treatment of section 77.54 (9a) (fc) and (9m) of the statutes takes effect retroactively to September 1, 2017.