



State of Wisconsin
2017 - 2018 LEGISLATURE

LRB-1132/P2
JK:jld&amn

DOA:.....Quinn, BB0152 - Captive insurance companies under combined reporting

FOR 2017-2019 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Currently, a corporation engaged in a unitary business with one or more corporations must report to DOR its share of income from the unitary business in the amount determined by the combined report filed by the agent of all such corporations. This requirement, however, does not apply to a corporation if all its income is exempt from state taxation. Under the bill, the reporting requirement applies to a captive insurance company even if its income is exempt from taxation. A “captive insurance company” is defined in the bill as a corporation that insures the risks primarily of itself or persons to which it is related.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

SECTION 1. 71.255 (2) (a) of the statutes is amended to read:

71.255 (2) (a) A corporation, not including a corporation of which all its income is exempt from taxation under s. 71.26 (1) or 71.45 (1), except as provided in par. (am), engaged in a unitary business with one or more other corporations in the same commonly controlled group shall report its share of income from that unitary business in the amount determined by a combined report filed by a designated agent of the unitary business, as determined under sub. (7). The combined report shall include the income, determined under sub. (3), and apportionment factor or factors determined under sub. (5), of every corporation in the commonly controlled group that is engaged in the unitary business, except as provided in pars. ~~(b)~~ (am) to (f).

SECTION 2. 71.255 (2) (am) of the statutes is created to read:

71.255 (2) (am) A captive insurance company is subject to the requirements of par. (a) even if all of its income is exempt from taxation under s. 71.45 (1), but the captive insurance company's share of business income of the combined group, as determined in sub. (5), is exempt from taxation. For purposes of this paragraph, a "captive insurance company" means a corporation that insures the risks primarily of itself or persons to which it is related, as determined under section 267 (b) of the Internal Revenue Code, including a subsidiary captive insurance company, an association captive insurance company, an industrial insured captive insurance company, and a captive insurance company that is organized as a protected cell company.

SECTION 9338. Initial applicability; Revenue.

(1) CAPTIVE INSURANCE COMPANIES. The treatment of section 71.255 (2) (a) and (am) of the statutes first applies to taxable years beginning on January 1, 2017.

(END)