



## 1995 ASSEMBLY BILL 766

January 2, 1996 – Introduced by Representatives AINSWORTH, MUSSER, OWENS, ALBERS, HAHN, HASENOHRL, OTT, WARD, SERATTI, SILBAUGH, FREESE, OURADA and SPRINGER, cosponsored by Senator DRZEWIECKI. Referred to Committee on Rural Affairs.

1     **AN ACT to amend** 71.08 (1) (intro.) and 71.26 (2) (a); and **to create** 71.07 (9a),  
2             71.10 (4) (gb), 71.28 (7), 71.30 (3) (ed), 71.47 (7) and 71.49 (1) (ed) of the statutes;  
3             **relating to:** creating a wood energy producers' income tax and franchise tax  
4             credit.

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### *Analysis by the Legislative Reference Bureau*

This bill creates an income tax and franchise tax credit for persons who process residue from harvesting or producing timber into certain kinds of products that are sold to be used as energy sources. The credit, which is not refundable, is equal to \$5 per ton of those products.

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

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

5             **SECTION 1.** 71.07 (9a) of the statutes is created to read:  
6             71.07 (9a) WOOD ENERGY PRODUCERS' CREDIT. (a) In this subsection:  
7             1. "Forestry industry residue" means the residue from normal timber  
8             harvesting or production; including timber thinnings from timber stand  
9             improvements, hogged wood, chipped wood, slash, sawdust, shavings, edgings,  
10            slabs, leaves and bark.

1           2. "Processed wood products" means wood pellets, cubes, flour and any other  
2 product, except charcoal, resulting from thermal, chemical or mechanical processes  
3 that alter wood residue so that it can be used as an energy source.

4           3. "Wood energy producer" means a person who engages in the business of  
5 producing processed wood products.

6           (b) Any wood energy producer may credit against taxes otherwise due under  
7 this subchapter, up to the amount of those taxes, an amount equal to the result  
8 obtained by multiplying \$5 by the number of tons of processed wood products that,  
9 during the taxable year, the wood energy producer sells for use as an energy source.

10          (c) Any person who receives a credit under this subsection may carry forward  
11 to the next 4 taxable years the amount of the credit that is not offset against taxes  
12 for the year of the production to the extent that that amount is not offset against  
13 those taxes otherwise due in all of the years between the year for which the credit  
14 was computed and the year for which the carry-forward is claimed.

15          (d) Section 71.28 (4) (g) to (i), as it applies to the credit under s. 71.28 (4), applies  
16 to the credit under this subsection.

17          **SECTION 2.** 71.08 (1) (intro.) of the statutes, as affected by 1995 Wisconsin Act  
18 27, is amended to read:

19          71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married  
20 couple filing jointly, trust or estate under s. 71.02, not considering the credits under  
21 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2ds), (2fd), (3m), (6), (9a) and (9e), 71.28  
22 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1fd) and (2m) and 71.47 (1dd), (1de), (1di), (1dj),  
23 (1dL), (1ds), (1fd) and (2m) and subchs. VIII and IX and payments to other states  
24 under s. 71.07 (7), is less than the tax under this section, there is imposed on that

1 natural person, married couple filing jointly, trust or estate, instead of the tax under  
2 s. 71.02, an alternative minimum tax computed as follows:

3 **SECTION 3.** 71.10 (4) (gb) of the statutes is created to read:

4 71.10 (4) (gb) Wood energy producers' credit under s. 71.07 (9a).

5 **SECTION 4.** 71.26 (2) (a) of the statutes is amended to read:

6 71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means  
7 the gross income as computed under the internal revenue code as modified under  
8 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
9 computed under s. 71.28 (1) ~~and~~, (3) to (5) and (7) plus the amount of the credit  
10 computed under s. 71.28 (1di), (1dj), (1dL) and (1ds) and not passed through by a  
11 partnership, limited liability company or tax-option corporation that has added that  
12 amount to the partnership's, limited liability company's or tax-option corporation's  
13 income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or  
14 other disposition of assets the gain from which would be wholly exempt income, as  
15 defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and  
16 minus deductions, as computed under the internal revenue code as modified under  
17 sub. (3), plus or minus, as appropriate, an amount equal to the difference between  
18 the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned or  
19 otherwise disposed of in a taxable transaction during the taxable year, except as  
20 provided in par. (b) and s. 71.45 (2).

21 **SECTION 5.** 71.28 (7) of the statutes is created to read:

22 71.28 (7) WOOD ENERGY PRODUCERS' CREDIT. (a) In this subsection:

23 1. "Forestry industry residue" means the residue from normal timber  
24 harvesting or production; including timber thinnings from timber stand

1 improvements, hogged wood, chipped wood, slash, sawdust, shavings, edgings,  
2 slabs, leaves and bark.

3 2. "Processed wood products" means wood pellets, cubes, flour and any other  
4 product, except charcoal, resulting from thermal, chemical or mechanical processes  
5 that alter wood residue so that it can be used as an energy source.

6 3. "Wood energy producer" means a person who engages in the business of  
7 producing processed wood products.

8 (b) Any wood energy producer may credit against taxes otherwise due under  
9 this subchapter, up to the amount of those taxes, an amount equal to the result  
10 obtained by multiplying \$5 by the number of tons of processed wood products that,  
11 during the taxable year, the wood energy producer sells for use as an energy source.

12 (c) Any person who receives a credit under this subsection may carry forward  
13 to the next 4 taxable years the amount of the credit that is not offset against taxes  
14 for the year of the production to the extent that that amount is not offset against  
15 those taxes otherwise due in all of the years between the year for which the credit  
16 was computed and the year for which the carry-forward is claimed.

17 (d) Subsection (4) (g) (to (i), as it applies to the credit under sub. (4), applies to  
18 the credit under this subsection.

19 **SECTION 6.** 71.30 (3) (ed) of the statutes is created to read:

20 71.30 (3) (ed) Wood energy producers' credit under s. 71.28 (7).

21 **SECTION 7.** 71.47 (7) of the statutes is created to read:

22 71.47 (7) WOOD ENERGY PRODUCERS' CREDIT. (a) In this subsection:

23 1. "Forestry industry residue" means the residue from normal timber  
24 harvesting or production; including timber thinnings from timber stand

1 improvements, hogged wood, chipped wood, slash, sawdust, shavings, edgings,  
2 slabs, leaves and bark.

3 2. "Processed wood products" means wood pellets, cubes, flour and any other  
4 product, except charcoal, resulting from thermal, chemical or mechanical processes  
5 that alter wood residue so that it can be used as an energy source.

6 3. "Wood energy producer" means a person who engages in the business of  
7 producing processed wood products.

8 (b) Any wood energy producer may credit against taxes otherwise due under  
9 this subchapter, up to the amount of those taxes, an amount equal to the result  
10 obtained by multiplying \$5 by the number of tons of processed wood products that,  
11 during the taxable year, the wood energy producer sells for use as an energy source.

12 (c) Any person who receives a credit under this subsection may carry forward  
13 to the next 4 taxable years the amount of the credit that is not offset against taxes  
14 for the year of the production to the extent that that amount is not offset against  
15 those taxes otherwise due in all of the years between the year for which the credit  
16 was computed and the year for which the carry-forward is claimed.

17 (d) Section 71.28 (4) (g) (to (i), as it applies to the credit under s. 71.28 (4),  
18 applies to the credit under this subsection.

19 **SECTION 8.** 71.49 (1) (ed) of the statutes is created to read:

20 71.49 (1) (ed) Wood energy producers' credit under s. 71.47 (7).

21 **SECTION 9. Initial applicability; revenue.**

22 (1) WOOD ENERGY PRODUCERS' CREDIT. This act first applies to taxable years  
23 beginning on the January 1 after publication.

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(END)