

November 1987 Spec. Sess.
Senate Bill 3

Date of enactment: May 27, 1988
Date of publication: June 6, 1988

1987 Wisconsin Act 411

AN ACT to repeal 71.01 (3) (a), 71.01 (4) (g) 11, 71.016, 71.02 (1) (intro.), 71.02 (1) (af), 71.02 (1) (at), 71.02 (1) (bf) 1, 71.02 (1) (bg) 15, 71.02 (1) (bg) 17, 71.02 (1) (c) (intro.), 71.02 (1) (c) 12, 71.02 (1) (f), 71.02 (2) (d) 13, 71.02 (2) (fr) 2, 71.02 (2) (me), 71.02 (4) (title), 71.04 (3) (b) 2, 71.04 (7) (f) 15, 71.05 (1) (a) 31, 71.05 (1) (b) 1, 71.05 (1) (b) 16, 71.07 (1), 71.07 (1g) (b), 71.07 (1m) (b) 14, 71.07 (2) (intro.), 71.07 (2) (cm) 8, 71.07 (2) (cr) 7, 71.09 (7) (a) 2, 71.09 (7) (a) 7, 71.09 (10), 71.09 (11) (a) 1. c, 71.09 (11) (a) 3 and 3m, 71.09 (11) (a) 5, 71.09 (11) (a) 7, 71.09 (11) (bm), 71.09 (11) (h) (intro.), 71.09 (12m) (title), 71.09 (12m) (a), 71.09 (12r) (a), 71.09 (12r) (L), 71.10 (1) (intro.), 71.10 (2) (d), 71.10 (3) (a) and (b), 71.10 (10) (d), 71.11 (44) (a), 71.13 (1) (d), 71.21 (1m) (am), 71.21 (11) and (12) (intro.) and (c), 71.22 (1) (a), 71.22 (7) and (8) (intro.), 71.22 (8) (b), 71.23, 71.25 (5) (a) 15, 71.25 (9) (f) 15, 71.26 (3) (w), 71.34 (1), 71.60 (1) (intro.), 71.60 (4), 71.65 (1) (L), 71.65 (2) (f), 71.65 (2) (g) and 71.80 (3) (a) and (b); to renumber 71.02 (1) (c) 13 and 14, 71.04, 71.042 (7), 71.05 (1) (a) 32, 71.05 (1) (b) 17, 71.05 (1) (t), 71.05 (2tm), 71.07 (1m) (b) 24, 71.07 (2) (cr) 16, 71.10 (10) (em), 71.11 (2r), 71.11 (44) (c) 13, 71.22 (3m) and 71.26 (2) (b); to renumber and amend 71.01 (4) (g) 12, 71.01 (6), 71.02 (1) (bf) 2 and 3, 71.02 (1) (bg) (intro.), 71.02 (1) (bh), 71.02 (1) (bhm), 71.02 (1) (d), 71.02 (2) (d) 14 and 15, 71.02 (2) (ej), 71.02 (4), 71.04 (3) (b) 1, 71.05 (1) (a) 32, 71.05 (1) (b) 14, 71.05 (1) (b) 17, 71.07 (2) (f), 71.09 (10m), 71.09 (12di), 71.09 (12dj), 71.09 (12dL), 71.09 (12ds), 71.09 (12p), 71.09 (12q), 71.09 (12r) (h), 71.10 (1m), 71.11 (44) (gr), 71.207, 71.22 (4), 71.42 (2), 71.65 (1) (fp), 71.65 (1) (fr), 71.65 (1) (go), 71.65 (1) (gp), 71.65 (2) (fb), 71.65 (2) (fc), 71.65 (2) (fg), 71.65 (2) (fh) and 71.80 (3) (intro.); to amend 20.835 (2) (b), 20.835 (2) (cm) and (cn), 71.01 (10) (b), 71.01 (16), 71.03 (1), 71.04 (1) (a), 71.04 (7) (e) 8, 71.04 (7) (f) 7, 71.05 (6) (a) 14, 71.05 (6) (b) 1, 71.05 (6) (b) 9, 71.07 (10) (b), 71.08 (1) (intro.), 71.08 (4), 71.09 (1) (am), 71.09 (11) (intro.), 71.09 (11) (c), 71.10 (4) (i), 71.20 (1), 71.21 (1), 71.21 (3), 71.22 (1), 71.24 (1), 71.25 (5) (a) 14, 71.25 (6), 71.25 (9) (e) 8, 71.25 (9) (f) 7, 71.26 (1) (a), 71.26 (2) (a), 71.26 (3) (n), 71.28 (1) (title), 71.28 (1) (a), 71.28 (4) (a), 71.28 (4) (i), 71.29 (1) (a), 71.29 (7) (intro.), 71.29 (7) (b), 71.30 (3) (e), 71.30 (3) (f), 71.42 (1), 71.44 (1), 71.47 (1) (title), 71.47 (1) (a), 71.47 (3) (a), 71.47 (3) (i), 71.49 (1) (e), 71.49 (1) (f), 71.52 (2), 71.52 (7), 71.58 (1) (c), 71.58 (3) and (4), 71.58 (6), 71.58 (8), 71.59 (1) (b) (intro.), 71.60 (2), 71.75 (4), 71.78 (1), 71.80 (5), 71.84 (1), 71.84 (2), 71.85 (1), 71.91 (3) and 560.70 (6) and (7); to repeal and recreate subchapter XIII (title) of chapter 71 and 71.26 (3) (p); and to create 71.14 (4), 71.25 (9) (f) 16, 71.28 (1di), 71.28 (1dj), 71.28 (1dL), 71.28 (1ds), 71.28 (6), 71.28 (7), 71.29 (3m) (title), 71.365 (9) (title), 71.44 (1m), 71.47 (1di), 71.47 (1dj), 71.47 (1dL), 71.47 (1ds), 71.47 (3) (fm), 71.47 (5), 71.47 (6), 71.49 (1) (eg), (em) and (er) and 71.80 (3m) (title) of the statutes, relating to resolving conflicts between 1987 Wisconsin Act 312 and other acts and making those acts consistent.

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

SECTION 1. 20.835 (2) (b) of the statutes, as created by 1987 Wisconsin Act 92, is amended to read:

20.835 (2) (b) *Claim of right credit.* A sum sufficient to make the payments under s. ~~71.09 (12er)~~ 71.07 (1).

SECTION 2. 20.835 (2) (cm) and (cn) of the statutes, as created by 1987 Wisconsin Act 328, are amended to read:

20.835 (2) (cm) *Development zones jobs credit.* A sum sufficient to make the payments under s. ~~71.09 (12dj) (d)~~ ss. 71.07 (2dj) (d), 71.28 (1dj) (d) and 71.47 (1dj) (d).

(cn) *Development zones sales tax credit.* A sum sufficient to make the payments under s. ~~71.09 (12ds)~~ ss. 71.07 (2ds) (c), 71.28 (1ds) (c) and 71.47 (1ds) (c).

SECTION 3. 71.01 (3) (a) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 4. 71.01 (4) (g) 11 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 5. 71.01 (4) (g) 12 of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.42 (2) (b) and amended to read:

71.42 (2) (b) For taxable years that begin after December 31, 1987, "internal revenue code" means the federal internal revenue code as amended to December 31, 1987. Amendments to the federal internal revenue code enacted after December 31, 1987, do not apply to this ~~subdivision paragraph~~ with respect to taxable years beginning after December 31, 1987.

SECTION 6. 71.01 (6) of the statutes, as affected by 1987 Wisconsin Act 312, is renumbered 71.01 (6) (a) and amended to read:

71.01 (6) (a) For taxable year 1987 ~~and subsequent years~~, for natural persons 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, 1986, as it applies to taxable year 1987 ~~and subsequent years~~, except that for taxable years that end after July 1, 1987, and before December 31, 1987, "internal reve-

nue code” does not include changes to the federal internal revenue code made by sections 142, 802 and 803 and subtitle A of title XI of P.L. 99-514. Amendments to the internal revenue code enacted after December 31, 1986, do not apply to this subsection paragraph with respect to taxable year 1987 and thereafter, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 7. 71.01 (10) (b) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.01 (10) (b) Has no more than ~~200~~ 500 employees covered by Wisconsin unemployment insurance, including employes of any corporation that owns more than 50% of the stock of the issuing corporation.

SECTION 8. 71.01 (16) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.01 (16) “Wisconsin taxable income” of natural persons means Wisconsin adjusted gross income less the Wisconsin standard deduction, with losses, depreciation, recapture of benefits, offsets, depletion, deductions, penalties, expenses and other negative income items determined according to the manner that income is or would be allocated, except that the negative income items on individual or separate returns for net rents and other net returns which are marital property attributable to the investment, rental, licensing or other use of nonmarital property shall be allocated to the owner of the property.

SECTION 9. 71.016 of the statutes, as affected by 1987 Wisconsin Acts 27, 92 and 399, is repealed.

SECTION 10. 71.02 (1) (intro.) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 11. 71.02 (1) (af) of the statutes, as created by 1987 Wisconsin Act 399, is repealed.

SECTION 12. 71.02 (1) (at) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 13. 71.02 (1) (bf) 1 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 14. 71.02 (1) (bf) 2 and 3 of the statutes, as created by 1987 Wisconsin Act 399, are renumbered 71.22 (4) (b) and (c) and amended to read:

71.22 (4) (b) Except as provided in ~~pars. (bh), (bhm), (bj) and (e) and s. 71.01 (4) (g) sub. (4m) and ss. 71.26 (2) (b) and (3), 71.34 (1g) and 71.42 (2)~~, “internal revenue code”, for taxable years that end after July 1, 1988, and before December 31, 1988, means the federal internal revenue code as amended to December 31, 1986, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

(c) Except as provided in ~~pars. (bh), (bhm), (bj) and (e) and s. 71.01 (4) (g) sub. (4m) and ss. 71.26 (2) (b)~~

and (3), 71.34 (1g) and 71.42 (2), “internal revenue code”, for taxable years that begin after December 31, 1987, means the federal internal revenue code as amended to December 31, 1987. Amendments to the federal internal revenue code enacted after December 31, 1987, do not apply to this subdivision paragraph with respect to taxable years beginning after December 31, 1987.

SECTION 15. 71.02 (1) (bg) (intro.) of the statutes, as created by 1987 Wisconsin Act 399, is repealed.

SECTION 16. 71.02 (1) (bg) 15 of the statutes, as affected by 1987 Wisconsin Acts 27 and 328, is repealed.

SECTION 17. 71.02 (1) (bg) 17 of the statutes, as affected by 1987 Wisconsin Acts 27, 92 and 399, is repealed.

SECTION 18. 71.02 (1) (bh) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.34 (1g) and amended to read:

71.34 (1g) (a) “Internal revenue code” for tax-option corporations, for taxable year 1987, means the federal internal revenue code as amended to December 31, 1986, as it applies to taxable year 1987, except that for taxable years 1987 that end after July 1 and before December 31 “internal revenue code” does not include changes to the federal internal revenue code made by sections 142, 801, 802 and 803 of P.L. 99-514, except that section 1366 (f) (relating to pass-through of items to shareholders) is modified by substituting the tax under s. ~~71.016~~ 71.35 for the taxes under sections 1374 and 1375. Amendments to the federal internal revenue code enacted after December 31, 1986, do not apply to this subdivision paragraph, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

(b) “Internal revenue code” for tax-option corporations, for taxable years that end after July 1, 1988, and before December 31, 1988, means the federal internal revenue code as amended to December 31, 1986, except that section 1366 (f) (relating to pass-through of items to shareholders) is modified by substituting the tax under s. ~~71.016~~ 71.35 for the taxes under sections 1374 and 1375, and except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

(c) “Internal revenue code” for tax-option corporations, for taxable years that begin after December 31, 1987, means the federal internal revenue code as amended to December 31, 1987, except that section 1366 (f) (relating to pass-through of items to shareholders) is modified by substituting the tax under s. ~~71.016~~ 71.35 for the taxes under sections 1374 and 1375. Amendments to the federal internal revenue code enacted after December 31, 1987, do not apply to this subdivision paragraph with respect to taxable years beginning after December 31, 1987.

SECTION 19. 71.02 (1) (bhm) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.22 (4m) and amended to read:

71.22 (4m) "Internal revenue code", for corporations that are subject to a tax on unrelated business income under s. ~~71.01 (3)~~ 71.26 (1) (a), means the federal internal revenue code as amended to December 31, 1987, except that that code does not include amendments to the federal internal revenue code enacted after December 31, 1987.

SECTION 20. 71.02 (1) (c) (intro.) of the statutes, as affected by 1987 Wisconsin Acts 27 and 328, is repealed.

SECTION 21. 71.02 (1) (c) 12 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 22. 71.02 (1) (c) 13 and 14 of the statutes, as created by 1987 Wisconsin Act 399, are renumbered 71.26 (2) (b) 2 and 3.

SECTION 23. 71.02 (1) (d) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is renumbered 71.34 (1), and 71.34 (1) (intro.) (e), as renumbered, are amended to read:

71.34 (1) (intro.) "Net income or loss" of a tax-option corporation means net income or loss computed under the internal revenue code, as defined under ~~par. (bh)~~ sub. (1g), except that:

(e) An addition shall be made for the amount of credit computed under s. ~~71.043~~ 71.28 (3) and used by the corporation in the current year.

SECTION 24. 71.02 (1) (f) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 25. 71.02 (2) (d) 13 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 26. 71.02 (2) (d) 14 and 15 of the statutes, as created by 1987 Wisconsin Act 399, are renumbered 71.01 (6) (b) and (c) and amended to read:

71.01 (6) (b) For taxable years that end after July 1, 1988, and before December 31, 1988, for natural persons 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, 1986, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes. Amendments to the internal revenue code enacted after December 31, 1986, except those made by P.L. 100-203, do not apply to this ~~subdivision~~ paragraph for taxable years that end after July 1, 1988, and before December 31, 1988.

(c) For taxable years that begin after December 31, 1987, for natural persons 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, 1987. Amendments to the federal internal revenue code enacted after December 31, 1987, do not apply to

this ~~subdivision~~ paragraph with respect to taxable years beginning after December 31, 1987.

SECTION 27. 71.02 (2) (ej) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.01 (8m) and amended to read:

71.01 (8m) "Partner" does not include a partner of a publicly traded partnership treated as a corporation under ~~sub. (1) (af)~~ s. 71.22 (1).

SECTION 28. 71.02 (2) (fr) 2 of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 29. 71.02 (2) (me) of the statutes, as affected by 1987 Wisconsin Act 393, is repealed.

SECTION 30. 71.02 (4) (title) of the statutes, as created by 1987 Wisconsin Act 399, is repealed.

SECTION 31. 71.02 (4) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.01 (7m) and amended to read:

71.01 (7m) Notwithstanding ~~subs. (1) (e) and (2) (d)~~ sub. (6), for natural persons, fiduciaries, trusts and estates, at the taxpayer's option, "internal revenue code" for taxable years beginning after December 31, 1987, includes any revisions to section 67 (c) of the internal revenue code adopted after January 1, 1988, that relate to the indirect expenses of regulated investment companies.

SECTION 32. 71.03 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.03 (1) DEFINITION. In this section, "gross income" means all income, from whatever source derived and in whatever form realized, whether in money, property or services, which is not exempt from Wisconsin income taxes. "Gross income" includes, but is not limited to, the following items: compensation for services, including salaries, wages and fees, commissions and similar items; gross income derived from business; gains derived from dealings in property; interest; rents; royalties; dividends; alimony and separate maintenance payments; annuities; income from life insurance and endowment contracts; pensions; income from discharge of indebtedness; distributive shares of partnership gross income except distributive shares of the income of publicly traded partnerships treated as corporations under s. 71.22 (1); income in respect of a decedent; and income from an interest in an estate or trust. "Gross income" from a business or farm consists of the total gross receipts without reduction for cost of goods sold, expenses or any other amounts. The gross rental amounts received from rental properties are included in gross income without reduction for expenses or any other amounts. "Gross income" from the sale of securities, property or other assets consists of the gross selling price without reduction for the cost of the assets, expenses of sale or any other amounts. "Gross income" from an annuity, retirement plan or profit sharing plan consists of the gross amount received without reduction for the employee's contribution to the annuity or plan.

SECTION 33. 71.04 of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.265.

SECTION 34. 71.04 (1) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.04 (1) (a) All income or loss of resident individuals and resident estates and trusts shall follow the residence of the individual, estate or trust. Income or loss of nonresident individuals and nonresident estates and trusts from business, not requiring apportionment under sub. (4), (10) or (11), shall follow the situs of the business from which derived. All items of income, loss and deductions of nonresident individuals and nonresident estates and trusts derived from a tax-option corporation not requiring apportionment under sub. (9) shall follow the situs of the business of the corporation from which derived. Income or loss of nonresident individuals and nonresident estates and trusts derived from rentals and royalties from real estate or tangible personal property, or from the operation of any farm, mine or quarry, or from the sale of real property or tangible personal property shall follow the situs of the property from which derived. Income from personal services of nonresident individuals, including income from professions, shall follow the situs of the services. Income of nonresident individuals, estates and trusts from the state lottery under ch. 565 is taxable by this state. Income of nonresident individuals, nonresident trusts and nonresident estates from pari-mutuel winnings and purses subject to s. 562.07 (4) (a) is taxable by this state. All other income or loss of nonresident individuals and nonresident estates and trusts, including income or loss derived from land contracts, mortgages, stocks, bonds and securities or from the sale of similar intangible personal property, shall follow the residence of such persons, except as provided in par. (b) and sub. (9).

SECTION 35. 71.04 (3) (b) 1 of the statutes, as affected by 1987 Wisconsin Act 312, is renumbered 71.04 (3) (b) and amended to read:

71.04 (3) (b) *Part-year residents, nonresidents.* ~~General~~ All partners who are residents of this state for less than a full taxable year or who are nonresidents shall compute taxes for that year on their share of partnership income or loss under this chapter for the part of the taxable year during which they are nonresidents by recognizing their proportionate share of all items of income, loss or deduction attributable to a business in, services performed in, or rental of property in, this state.

SECTION 36. 71.04 (3) (b) 2 of the statutes, as affected by 1987 Wisconsin Act 312, is repealed.

SECTION 37. 71.04 (7) (e) 8 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.04 (7) (e) 8. A ~~general~~ partner's share of the partnership's gross receipts.

SECTION 38. 71.04 (7) (f) 7 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.04 (7) (f) 7. ~~Gain~~ Gross receipts and gain or loss from the sale of intangible assets, except those under par. (e) 1.

SECTION 39. 71.04 (7) (f) 15 of the statutes, as affected by 1987 Wisconsin Act 312, is repealed.

SECTION 40. 71.042 (7) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.365 (9).

SECTION 41. 71.05 (1) (a) 31 of the statutes, as affected by 1987 Wisconsin Act 92 and 399, is repealed.

SECTION 42. 71.05 (1) (a) 32 of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.05 (6) (a) 15 and amended to read:

71.05 (6) (a) 15. The amount of the credits claimed under s. ~~71.09 (12di), (12dj), (12dL) and (12ds)~~ 71.07 (2di), (2dj), (2dL) and (2ds).

SECTION 43. 71.05 (1) (a) 32 of the statutes, as affected by 1987 Wisconsin Act 393, is renumbered 71.05 (6) (a) 16.

SECTION 44. 71.05 (1) (b) 1 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 45. 71.05 (1) (b) 14 of the statutes, as affected by 1987 Wisconsin Act 399, is renumbered 71.05 (6) (b) 10 and amended to read:

71.05 (6) (b) 10. Farm losses added to income under par. (a) ~~26~~ 10 in any of the 15 preceding years, to the extent that they are not offset against farm income of any year between the loss year and the taxable year for which the modification under this subdivision is claimed and to the extent that they do not exceed the net profits or net gains from the sale or exchange of capital or business assets in the current taxable year from the same farming business or portion of that business to which the limits on deductible farm losses under par. (a) ~~26~~ 10 applied in the loss year.

SECTION 46. 71.05 (1) (b) 16 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 47. 71.05 (1) (b) 17 of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.05 (6) (b) 11, and amended to read:

71.05 (6) (b) 11. The amount of recapture under s. ~~71.09 (12di)~~ 71.07 (2di) (e).

SECTION 48. 71.05 (1) (b) 17 of the statutes, as created by 1987 Wisconsin Act 393, is renumbered 71.05 (6) (b) 12.

SECTION 49. 71.05 (1) (t) of the statutes, as created by 1987 Wisconsin Act 393, is renumbered 71.05 (12) (d).

SECTION 50. 71.05 (2tm) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.365 (1m).

SECTION 51. 71.05 (6) (a) 14 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.05 (6) (a) 14. Any amount received as a proportionate share of the earnings and profits of a corporation that is an S corporation for federal income tax purposes if those earnings and profits accumulated during a year for which the shareholders have elected under s. 71.365 (4) not to be a tax-option corporation, to the extent not included in federal adjusted gross income for the current year.

SECTION 52. 71.05 (6) (b) 1 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.05 (6) (b) 1. The amount of any interest or dividend income which is by federal law exempt from taxation by this state less the related expense in regard to both the distributable and nondistributable interest and dividend income on a fiduciary return.

SECTION 53. 71.05 (6) (b) 9 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.05 (6) (b) 9. On assets held more than one year and on all assets acquired from a decedent, 60% of the capital gain as computed under the internal revenue code, not including capital gains for which the federal tax treatment is determined under section 406 of P.L. 99-514 and not including amounts treated as ordinary income for federal income tax purposes because of the recapture of depreciation or any other reason. For purposes of this subdivision, the capital gains and capital losses for all assets shall be netted before application of the percentage.

SECTION 54. 71.07 (1) of the statutes, as affected by 1987 Wisconsin Acts 27, 119, 354 and 399, is repealed.

SECTION 55. 71.07 (1g) (b) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 56. 71.07 (1m) (b) 14 of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 57. 71.07 (1m) (b) 24 of the statutes, as created by 1987 Wisconsin Act 354, is renumbered 71.25 (5) (a) 24.

SECTION 58. 71.07 (2) (intro.) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 59. 71.07 (2) (cm) 8 of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 60. 71.07 (2) (cr) 7 of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 61. 71.07 (2) (cr) 16 of the statutes, as affected by 1987 Wisconsin Act 354, is renumbered 71.04 (7) (f) 16.

SECTION 62. 71.07 (2) (f) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.25 (13) and amended to read:

71.25 (13) (title) UNRELATED BUSINESS TAXABLE INCOME. The unrelated business taxable income of organizations that are subject to tax on that income under s. ~~71.01 (3) (a)~~ and of trusts 71.26 (1) (a) shall be apportioned under the department of revenue's rules.

SECTION 63. 71.07 (10) (b) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.07 (10) (b) The credits under s. 71.28 (4) and (5) may not be claimed by partners, including partners of a publicly traded partnership treated as a corporation under s. 71.22 (1), or shareholders of a tax-option corporation.

SECTION 64. 71.08 (1) (intro.) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust or estate under s. 71.02, not considering the credits under s. 71.07 ~~(2di), (2dj), (2dL), (2ds)~~ and (6) and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

SECTION 65. 71.08 (4) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.08 (4) TAX BENEFIT RULE. The department of revenue shall promulgate rules to provide that the amount under sub. (1) ~~(e)~~ may be reduced to prevent the inclusion of any amounts, except the federal standard deductions, itemized deductions and personal exemptions, that do not reflect a benefit in respect to the tax imposed under s. 71.02.

SECTION 66. 71.09 (1) (am) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.09 (1) (am) If no return is filed, or a return is filed the tax computed on which is less than 75% of the tax properly due and the addition-to-tax interest under s. 71.84 (1) is \$300 or more, "return" means a return that would show the tax properly due. If a return is timely filed and if either the tax computed on it is at least 75% of the tax properly due or the addition-to-tax interest under s. 71.84 (1) is less than \$300, "return" means that timely return. If a return is filed late and if either the tax computed on it is at least 75% of the tax properly due or the addition-to-tax interest under s. 71.84 (1) is less than \$300, "return" means the first return filed after the due date or after the due date as extended.

SECTION 67. 71.09 (7) (a) 2 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 68. 71.09 (7) (a) 7 of the statutes, as affected by 1987 Wisconsin Acts 27 and 378, is repealed.

SECTION 69. 71.09 (10) of the statutes, as affected by 1987 Wisconsin Act 393, is repealed.

SECTION 70. 71.09 (10m) of the statutes, as created by 1987 Wisconsin Act 393, is renumbered 71.80 (3m), and 71.80 (3m) (a), (b) 2 and 3, (c) and (d), as renumbered, are amended to read:

71.80 (3m) (a) Against any liability of either spouse or both spouses in respect to an amount owed the department, a certification under s. 46.255 that is subject to s. 766.55 (2) (b) or a debt under s. ~~71.405~~ 71.93 that is subject to s. 766.55 (2) (b) and that was incurred during marriage by a spouse after December 31, 1985, or after both spouses are domiciled in this state, whichever is later, except as provided in s. ~~71.11 (2), (2m) and (2r)~~ 71.10 (6) (a) and (b) and (6m).

(b) 2. In respect to a debt under s. ~~71.405~~ 71.93 or a certification under s. 46.255 if that debt or certification is not subject to s. 766.55 (2) (b).

3. In respect to an amount subject to s. ~~71.11 (2), (2m) and (2r)~~ 71.10 (6) (a) and (b) and (6m).

(c) If the department of revenue determines that a spouse is otherwise entitled to a state tax refund or homestead or farmland credit, it shall notify the spouses under s. ~~71.11 (22)~~ 71.74 (11) that the state intends to reduce any state tax refund or homestead or farmland preservation credit due the spouses by the amount credited against any liability under par. (a) or (b) or both.

(d) If a spouse does not receive notice under par. (c) and if the department of revenue incorrectly credits the state tax overpayment, refund or homestead or farmland preservation credit of a spouse or spouses against a liability under par. (a) or (b) or both, a claim for refund of the incorrectly credited amount may be filed under s. ~~71.10 (4) (e)~~ 71.75 (5) within 2 years after the notice under par. (c).

SECTION 71. 71.09 (11) (intro.) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.09 (11) (title) EXCEPTIONS TO INTEREST. (intro.) No ~~addition to tax~~ interest is required under s. 71.84 (1) if any of the following conditions apply:

SECTION 72. 71.09 (11) (a) 1. c of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 73. 71.09 (11) (a) 3 and 3m of the statutes, as affected by 1987 Wisconsin Act 399, are repealed.

SECTION 74. 71.09 (11) (a) 5 of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 75. 71.09 (11) (a) 7 of the statutes, as affected by 1987 Wisconsin Acts 27, 378 and 399, is repealed.

SECTION 76. 71.09 (11) (bm) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 77. 71.09 (11) (c) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.09 (11) (c) The secretary of revenue determines that because of casualty, disaster or other unusual circumstances it is not equitable to impose ~~an addition to tax~~ interest.

SECTION 78. 71.09 (11) (h) (intro.) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 79. 71.09 (12di) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.07 (2di), and 71.07 (2di) (a) 4, (c) and (h), as renumbered, are amended to read:

71.07 (2di) (a) 4. No credit is allowed under this subsection for property which is the basis for a credit under sub. ~~(12dL)~~ (2dL).

(c) The carry-over provisions of ~~sub. (12r) (f) and (g) s. 71.28 (4) (e) and (f)~~ as they relate to the credit under ~~that subsection s. 71.28 (4)~~ relate to the credit under this subsection and apply as if the development zone continued to exist.

(h) ~~Subsection (12r) (j) and (k) Section 71.28 (4) (g) and (h)~~ as it applies to the credit under ~~that subsection s. 71.28 (4)~~ applies to the credit under this subsection.

SECTION 80. 71.09 (12dj) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.07 (2dj), and 71.07 (2dj) (f) and (g), as renumbered, are amended to read:

71.07 (2dj) (f) The rules under sub. ~~(12di)~~ (2di) (f) and (g) as they apply to the credit under that subsection apply to the credit under this subsection.

(g) ~~Subsection (12r) (j) and (k) Section 71.28 (4) (g) and (h)~~ as it applies to the credit under ~~that subsection s. 71.28 (4)~~ applies to the credit under this subsection.

SECTION 81. 71.09 (12dL) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.07 (2dL), and 71.07 (2dL) (b), (d), (f) and (g), as renumbered, are amended to read:

71.07 (2dL) (b) No credit is allowed under this subsection for property which is the basis for a credit under sub. ~~(12di)~~ (2di).

(d) The carry-over provisions of ~~sub. (12r) (f) and (g) s. 71.28 (4) (e) and (f)~~ as they relate to the credit under ~~that subsection s. 71.28 (4)~~ relate to the credit under this subsection and apply as if the development zone continued to exist.

(f) ~~Subsection (12di) (2di)~~ (d), (f) and (g) as it applies to the credit under that subsection applies to the credit under this subsection.

(g) ~~Subsection (12r) (j) and (k) Section 71.28 (4) (g) and (h)~~ as it applies to the credit under ~~that subsection s. 71.28 (4)~~ applies to the credit under this subsection.

SECTION 82. 71.09 (12ds) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.07 (2ds), and 71.07 (2ds) (a) 3, (e) and (f), as renumbered, are amended to read:

71.07 (2ds) (a) 3. "Investment credit property" means tangible personal property that is purchased by a person who uses it at a location in a development

zone and that is eligible for the credit under sub. ~~(12di)~~ (2di).

(e) The rules under sub. ~~(12di)~~ (2di) (f) and (g) as they apply to the credit under that subsection apply to the credit under this subsection.

(f) ~~Subsection (12r) (j) and (k) Section 71.28 (4) (g) and (h) as it applies to the credit under that subsection~~ s. 71.28 (4) applies to the credit under this subsection.

SECTION 83. 71.09 (12m) (title) of the statutes, as created by 1987 Wisconsin Act 399, is repealed.

SECTION 84. 71.09 (12m) (a) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 85. 71.09 (12p) of the statutes, as created by 1987 Wisconsin Act 395, is renumbered 71.07 (9m), and 71.07 (9m) (e), as renumbered, is amended to read:

71.07 (9m) (e) The provisions of ~~sub. (12r) (d), (f), (j) and (k) s. 71.28 (4) (c), (e), (g) and (h), as they apply to the credit under that subsection~~ s. 71.28 (4), apply to the credit under this subsection.

SECTION 86. 71.09 (12q) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.07 (9r), and 71.07 (9r) (f) and (g), as renumbered, are amended to read:

71.07 (9r) (f) No person may claim a credit under this subsection and under sub. ~~(12p) (9m)~~ for the same expenses.

(g) The provisions of ~~sub. (12r) (d), (f) and (j) to (L) s. 71.28 (4) (c), (e) and (g) to (i), as they apply to the credit under that subsection~~ s. 71.28 (4), apply to the credit under this subsection.

SECTION 87. 71.09 (12r) (a) of the statutes, as affected by 1987 Wisconsin Acts 27 and 328, is repealed.

SECTION 88. 71.09 (12r) (h) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.28 (4) (fm) and amended to read:

71.28 (4) (fm) *End of benefits.* The rules under sub. ~~(12di)~~ (1di) (f) and (g) as they apply to the credit under that subsection apply to the increase in the credit under this subsection caused by conducting research exclusively in a development zone.

SECTION 89. 71.09 (12r) (L) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 90. 71.10 (1) (intro.) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 91. 71.10 (1m) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.24 (1m) and amended to read:

71.24 (1m) (title) UNRELATED BUSINESS INCOME STATEMENT. Every corporation subject to a tax on unrelated business income under s. ~~71.01 (3) 71.26 (1)~~ (a), if that corporation is required to file for federal income tax purposes, shall furnish to the department of revenue a true and accurate statement on or before the date on or before which it is required to file for federal income tax purposes. The requirements about

manner, form and subscription under sub. (1) apply to statements under this subsection.

SECTION 92. 71.10 (2) (d) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 93. 71.10 (3) (a) and (b) of the statutes, as affected by 1987 Wisconsin Act 399, are repealed.

SECTION 94. 71.10 (4) (i) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX, homestead credit under subch. VIII, development zones sales tax credit under s. 71.07 (2ds), development zones jobs credit under s. 71.07 (2di), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

SECTION 95. 71.10 (10) (d) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 96. 71.10 (10) (em) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.75 (5m).

SECTION 97. 71.11 (2r) of the statutes, as created by 1987 Wisconsin Act 393, is renumbered 71.10 (6m).

SECTION 98. 71.11 (44) (a) of the statutes, as affected by 1987 Wisconsin Act 246, is repealed.

SECTION 99. 71.11 (44) (c) 13 of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.78 (4) (m).

SECTION 100. 71.11 (44) (gr) of the statutes, as created by 1987 Wisconsin Act 246, is renumbered 71.78 (10) and amended to read:

71.78 (10) (title) DIVULGING INFORMATION TO REQUESTER. The department of revenue shall inform each requester of the total amount of taxes withheld under ~~s. 71.20 subch. X~~ during any reporting period and reported on a return filed by any city, village, town, county, school district, special purpose district or vocational, technical and adult education district; whether that amount was paid by the statutory due date; the amount of any tax, fees, penalties or interest assessed by the department; and the total amount due or assessed under ~~s. 71.20 subch. X~~ but unpaid by the filer, except that the department may not divulge tax return information that in the department's opinion violates the confidentiality of that information with respect to any person other than the units of government and districts specified in this ~~paragraph subsection~~ subsection. The department shall provide to the requester a written explanation if it fails to divulge information on grounds of confidentiality. The department shall collect from the person requesting the information a fee of \$4 for each return.

SECTION 101. 71.13 (1) (d) of the statutes, as affected by 1987 Wisconsin Act 393, is repealed.

SECTION 102. 71.14 (4) of the statutes is created to read:

71.14 (4) The unrelated business taxable income of trusts shall be apportioned under the department of revenue's rules.

SECTION 103. 71.20 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.20 (1) Every partnership, except publicly traded partnerships treated as corporations under s. 71.22 (1), shall furnish to the department a true and accurate statement, on or before April 15 of each year, except that returns for fiscal years ending on some other date than December 31 shall be furnished on or before the 15th day of the 4th month following the close of such fiscal year, in such manner and form and setting forth such facts as the department deems necessary to enforce this chapter. The statement shall be subscribed by one of the members of the partnership.

SECTION 104. 71.207 of the statutes, as created by 1987 Wisconsin Act 354, is renumbered 71.67 (5) and amended to read:

71.67 (5) WITHHOLDING FROM PARI-MUTUEL WAGER WINNINGS. (a) *Wager winnings*. A person holding a license to sponsor and manage races under s. 562.05 (3) or (4) shall withhold from the amount of any payment of pari-mutuel winnings under s. 562.065 (3) (a) or (3m) (a) an amount determined by multiplying the amount of the payment by the highest rate applicable to individuals under s. ~~71.09 (1g)~~ 71.06 (1) (a) to (c) if the amount of the payment is more than \$1,000.

(b) *Deposits*. The licensee under s. 562.05 (3) or (4) shall deposit the amounts withheld under this ~~section subsection~~, on a monthly basis, as would an employer depositing under s. ~~71.20 (4)~~ 71.65 (3) (a).

SECTION 105. 71.21 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.21 (1) The net income of a partnership, except publicly traded partnerships treated as corporations under s. 71.22 (1), shall be computed in the same manner and on the same basis as provided for computation of the income of persons other than corporations.

SECTION 106. 71.21 (1m) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 107. 71.21 (3) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.21 (3) The credits under s. 71.28 (4) and (5) may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1), or by partners, including partners of a publicly traded partnership.

SECTION 108. 71.21 (11) and (12) (intro.) and (c) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, are repealed.

SECTION 109. 71.22 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.22 (1) "Corporation" includes corporations, publicly traded partnerships treated as corporations in section 7704 of the internal revenue code, joint stock companies, associations ~~or~~ and common law

trusts ~~organized or conducted for profit~~, unless the context requires otherwise.

SECTION 110. 71.22 (1) (a) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 111. 71.22 (3m) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.29 (3m).

SECTION 112. 71.22 (4) of the statutes, as affected by 1987 Wisconsin Act 312, is renumbered 71.22 (4) (a) and amended to read:

71.22 (4) (a) Except as provided in sub. (5) and ss. 71.26 (2) (b) and (3), 71.34 (1g) and 71.42 (2), "internal revenue code", for taxable year 1987 ~~and subsequent years~~, means the federal internal revenue code as amended to December 31, 1986, as it applies to taxable year 1987 ~~and subsequent years, except that that code does not include amendments, except that for taxable years 1987 that end after July 1 and before December 31~~ "internal revenue code" does not include changes to the federal internal revenue code made by sections 142, 801, 802 and 803 of P.L. 99-514. Amendments to the federal internal revenue code enacted after December 31, 1986, and except that that code is modified as provided in s. 71.26 (2) and (3) do not apply to this paragraph with respect to taxable year 1987, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 113. 71.22 (7) and (8) (intro.) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, are repealed.

SECTION 114. 71.22 (8) (b) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 115. 71.23 of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 116. 71.24 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.24 (1) FILING RETURNS. Every corporation, except corporations all of whose income is exempt from taxation and except as provided in sub. (1m), shall furnish to the department a true and accurate statement, on or before March 15 of each year (except that returns for fiscal years ending on some other date than December 31 shall be furnished on or before the 15th day of the 3rd month following the close of such fiscal year) in such manner and form and setting forth such facts as the department deems necessary to enforce this chapter. Such statement shall be subscribed by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized so to act. In the case of a return made for a corporation by a fiduciary such fiduciary shall subscribe the return. The fact that an individual's name is subscribed on the return shall be prima facie evidence that such individual is authorized to subscribe the return on behalf of the corporation.

SECTION 117. 71.25 (5) (a) 14 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.25 (5) (a) 14. A ~~general~~ partner's share of income or loss from a partnership.

SECTION 118. 71.25 (5) (a) 15 of the statutes, as affected by 1987 Wisconsin Act 312, is repealed.

SECTION 119. 71.25 (6) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.25 (6) ALLOCATION AND SEPARATE ACCOUNTING AND APPORTIONMENT FORMULA. Corporations engaged in business within and without the state shall be taxed only on such income as is derived from business transacted and property located within the state. The amount of such income attributable to Wisconsin may be determined by an allocation and separate accounting thereof, when the business of such corporation within the state is not an integral part of a unitary business, but the department of revenue may permit an allocation and separate accounting in any case in which it is satisfied that the use of such method will properly reflect the income taxable by this state. In all cases in which allocation and separate accounting is not permissible, the determination shall be made in the following manner: for all businesses except financial organizations ~~and~~, public utilities ~~and corporations or associations that are subject to a tax on unrelated business income under s. 71.26 (1) (a)~~ there shall first be deducted from the total net income of the taxpayer the part thereof (less related expenses, if any) that follows the situs of the property or the residence of the recipient. The remaining net income shall be apportioned to Wisconsin by use of an apportionment fraction composed of a sales factor under sub. (9) representing 50% of the fraction, a property factor under sub. (7) representing 25% of the fraction and a payroll factor under sub. (8) representing 25% of the fraction.

SECTION 120. 71.25 (9) (e) 8 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.25 (9) (e) 8. A ~~general~~ partner's share of the partnership's gross receipts.

SECTION 121. 71.25 (9) (f) 7 of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.25 (9) (f) 7. Gain Gross receipts and gain or loss from the sale of intangible assets, except those under par. (e) 1.

SECTION 122. 71.25 (9) (f) 15 of the statutes, as affected by 1987 Wisconsin Act 312, is repealed.

SECTION 123. 71.25 (9) (f) 16 of the statutes is created to read:

71.25 (9) (f) 16. Pari-mutuel wager winnings and purses subject to s. 562.065 (3) (a) and (b) and (3m) (a) and (b).

SECTION 124. 71.26 (1) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.26 (1) (a) *Certain corporations.* Income of railroad corporations and sleeping car companies, of car line companies from operation of car line equipment as defined in s. 76.39, and corporations organized under ch. 185 or operating under subch. I of ch. 616 which are bona fide cooperatives operated without pecuniary profit to any shareholder or member, or operated on a cooperative plan pursuant to which they determine and distribute their proceeds in substantial compliance with s. 185.45, and the income, except the unrelated business taxable income as defined in section 512 of the internal revenue code, of all religious, scientific, educational, benevolent or other corporations or associations of individuals not organized or conducted for pecuniary profit. This paragraph does not apply to the income of mutual savings banks, mutual loan corporations or savings and loan associations. This paragraph applies to the income of credit unions except to the income of any credit union that is derived from public deposits for any taxable year in which the credit union is approved as a public depository under ch. 34 and acts as a depository of state or local funds under s. 186.113 (20). For purposes of this paragraph, the income of a credit union that is derived from public deposits is the product of the credit union's gross annual income for the taxable year multiplied by a fraction, the numerator of which is the average monthly balance of public deposits in the credit union during the taxable year, and the denominator of which is the average monthly balance of all deposits in the credit union during the taxable year.

SECTION 125. 71.26 (2) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means the gross income as computed under the internal revenue code as modified under sub. (3) minus the amount of recapture under s. 71.28 (1d) plus the amount of credit computed under s. 71.28 (1), ~~(1di), (1dj), (1dL), (1ds)~~ and (3) to (5) plus the amount of losses from the sale or other disposition of assets the gain from which would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus deductions, as computed under the internal revenue code as modified under sub. (3), plus or minus, as appropriate, an amount equal to the difference between the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned or otherwise disposed of in a taxable transaction during the taxable year, except as provided in par. (b) and s. 71.45 (2).

SECTION 126. 71.26 (2) (b) of the statutes, as affected by 1987 Wisconsin Act 312, is renumbered 71.26 (2) (b) 1 and amended to read:

71.26 (2) (b) 1. For taxable year 1987 ~~and subsequent years~~, for a corporation, conduit or common law trust which qualifies as a regulated investment company, real estate mortgage investment conduit or

real estate investment trust under the internal revenue code as amended to December 31, 1986, as it applies to taxable year 1987 ~~and subsequent years~~, "net income" means the federal regulated investment company taxable income, federal real estate mortgage investment conduit taxable income or federal real estate investment trust taxable income of the corporation, conduit or trust as determined under the internal revenue code as amended to December 31, 1986, as it applies to taxable year 1987 ~~and subsequent years~~, without regard to sub. (3) and s. 71.22 (4), except that for taxable years that end after July 1, 1987, and before December 31, 1987, "internal revenue code" does not include changes to the federal internal revenue code made by sections 142, 801, 802 and 803 of P.L. 99-514 and except that property that, under s. 71.02 (1) (c) 8 to 11, 1985 stats., is required to be depreciated for taxable years 1983 to 1986 under the internal revenue code as amended to December 31, 1980, shall continue to be depreciated under the internal revenue code as amended to December 31, 1980. Amendments to the internal revenue code enacted after December 31, 1986, do not apply to this paragraph subdivision with respect to taxable year 1987 and thereafter, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 127. 71.26 (3) (n) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain corporate acquisitions) are modified so that they apply to losses under sub. (4) and credits under s. 71.28 (1di), (1dL) and (3) to (5) instead of to federal credits and federal net operating losses.

SECTION 128. 71.26 (3) (p) of the statutes, as affected by 1987 Wisconsin Act 312, is repealed and recreated to read:

71.26 (3) (p) Sections 501 to 511 and 513 to 528 (relating to exempt organizations) are excluded, except as they pertain to the definitions of unrelated business taxable income in section 512, and replaced by the treatment of exemptions under sub. (1).

SECTION 129. 71.26 (3) (w) of the statutes, as affected by 1987 Wisconsin Act 312, is repealed.

SECTION 130. 71.28 (1) (title) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.28 (1) (title) COMMUNITY DEVELOPMENT FINANCE CREDIT.

SECTION 131. 71.28 (1) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.28 (1) (a) Any corporation which contributes an amount to the community development finance authority under s. 233.03, 1985 stats., or to the housing and economic development authority under s.

234.03 (32) and, in the same year, purchases common stock or partnership interests of the community development finance company issued under s. 233.05 (2), 1985 stats., or 234.95 (2) in an amount no greater than the contribution to the authority may credit against taxes otherwise due an amount equal to 75% of the purchase price of the stock or partnership interests. The credit received under this paragraph may not exceed 75% of the contribution to the community development finance authority.

SECTION 132. 71.28 (1di) of the statutes is created to read:

71.28 (1di) DEVELOPMENT ZONES INVESTMENT CREDIT. (a) Except as provided in par. (f) and s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter 2.5% of the amount expended to purchase tangible personal property, or 1.75% of the amount expended to purchase tangible personal property that is expensed under section 179 of the internal revenue code for purposes of the taxes under this chapter, except that:

1. The investment must be in property that is used only in the conduct of business operations at a location in a development zone under subch. V of ch. 560 or, if the property is mobile, the base of operations of the property must be a location in a development zone.

2. The credit under this subsection may be claimed only by the person who purchased the property the investment in which is the basis for the credit.

3. If the credit is claimed for used property, the claimant may not have used the property at a location outside the development zone.

4. No credit is allowed under this subsection for property which is the basis for a credit under sub. (1dL).

(b) The credit, including any credits carried over, may be offset only against the amount of the tax otherwise due under this chapter attributable to income from the business operations of the claimant in the development zone and against the tax attributable to income from directly related business operations of the claimant. Partnerships and tax-option corporations may not claim the credit under this subsection. Partners and shareholders of tax-option corporations may claim the partnership's or corporation's credit in proportion to their ownership interest and may offset it against the tax attributable to their income from business operations in the development zone and against the tax attributable to income from directly related business operations.

(c) The carry-over provisions of sub. (4) (e) and (f) as they relate to the credit under that subsection relate to the credit under this subsection and apply as if the development zone continued to exist.

(d) No credit may be allowed under this subsection unless the claimant includes with the claimant's return:

1. A copy of the claimant's certification for tax benefits under s. 560.765 (3).

2. A statement from the department of development verifying the amount of the investment and verifying that the investment fulfills the requirements under par. (a).

(e) The recapture provisions under section 47 (a) (5) of the internal revenue code as amended to December 31, 1985, as they apply to the credit under section 46 of the internal revenue code, apply to the credit under this subsection, except that those provisions also apply if the property for which the credit is claimed is moved out of the development zone or, for mobile property, if the base of operations is moved out of the zone.

(f) If the certificate for tax benefits of a person who has claimed a credit under this subsection is revoked or the development zone in respect to which a person has claimed a credit under this subsection ceases to exist:

1. That person may claim no credits under this subsection for the taxable year that includes the day on which the certification is revoked or the zone ceases to exist.

2. That person may carry over no unused credits from previous taxable years to the taxable year that includes the day on which the certification is revoked or the zone ceases to exist or to succeeding taxable years.

(g) If a person who has claimed a credit under this subsection ceases business operations in the development zone during any of the taxable years that that zone exists, that person may not carry over to any taxable year following the year during which operations cease any unused credits from the taxable year during which operations cease or from previous taxable years.

(h) Subsection (4) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 133. 71.28 (1dj) of the statutes is created to read:

71.28 (1dj) DEVELOPMENT ZONES JOBS CREDIT. (a) In this subsection:

1. "Dislocated farmer" means a person who immediately before becoming unemployed was a farmer and who meets the definition of a dislocated worker under 29 USC 1652 (a) (4).

2. "Person unemployed as a result of a business facility closing" means a person who is not currently employed in a full-time job and who has been unemployed for a period of 60 days or more within the last 2 years as a result of a business facility closing in this state. In this subdivision, "a business facility closing" means termination, within one year, of at least 50% of

the employees of a business that before that termination had at least 20 full-time employees.

3. "Person whose unemployment benefits have expired" means a person who is not currently employed in a full-time job, who has received unemployment compensation benefits under ch. 108 for 60 days or more within the last 2 years and whose unemployment compensation benefits have expired.

(am) Except as provided under par. (f) or s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter an amount calculated as follows:

1. Modify "member of a targeted group", as defined in section 51 (d) of the internal revenue code, to include dislocated farmers, persons unemployed as a result of a business action subject to s. 109.07 (1) and persons whose unemployment benefits have expired.

2. Modify "designated local agency", as defined in section 51 (d) (15) of the internal revenue code, to include the job training partnership act organization for the area that includes the development zone in which the employe in respect to whom the credit under this subsection is claimed works and the department of development if the criteria used for certification are the same as those used by the person who is the designated local agency for the purposes of that section.

3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 30-day period beginning with the first day of employment of the employe by the claimant.

4. Modify "qualified wages" as defined in section 51 (b) of the internal revenue code to exclude wages that are paid to employes for work at any location that is not in a development zone under subch. V of ch. 560 and to exclude wages paid to leased or rented employes by the person to whom they are leased or rented. For purposes of this subdivision, mobile employes work at their base of operations and leased or rented employes work at the location where they perform services.

5. Calculate the credit under section 51 of the internal revenue code.

6. For persons for whom a credit may be claimed under subd. 5, modify "qualified wages" under section 51 (b) of the internal revenue code so that those wages are based on the wages attributable to service rendered during the one-year period beginning with the date one year after the date on which the individual begins work for the employer.

7. Modify section 51 of the internal revenue code as under subsd. 1 to 4.

8. Calculate the credit under section 51 of the internal revenue code based on qualified wages for the 2nd year as determined under subsd. 6 and 7.

9. Add the amounts under subsd. 5 and 8.

(b) In computing the credit under this subsection, the wages of leased or rented employes may be

claimed only by their employer, not by the person to whom they are rented or leased.

(c) The credit under this subsection may not be claimed by partnerships and tax-option corporations but may be claimed by partners and shareholders of tax-option corporations in proportion to their ownership interests.

(d) If the allowable amount of the credit under par. (am) exceeds the taxes otherwise due under this chapter on or measured by the claimant's income, the amount of the credit not used as an offset against those taxes shall be certified to the department of administration for payment to the claimant by check, share draft or other draft.

(e) No credit may be allowed under this subsection unless the claimant includes with the claimant's return:

1. A copy of the claimant's certification for tax benefits under s. 560.765 (3).

2. Federal withholding forms or equivalent information for the wages paid to employes for whom the credit under this subsection is claimed.

3. A statement from the department of development verifying the information under subd. 2 and verifying that the employes were hired for work only in a development zone or are mobile employes whose base of operations is in a development zone.

4. A copy of any claims for the credit under section 51 of the internal revenue code that are based on wages that also are the basis for a claim under this subsection.

(f) The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection apply to the credit under this subsection.

(g) Subsection (4) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 134. 71.28 (1dL) of the statutes is created to read:

71.28 (1dL) DEVELOPMENT ZONES LOCATION CREDIT.
(a) Except as provided under par. (f) or s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter an amount equal to 2.5% of the amount expended, in respect to projects begun after the designation of a development zone under s. 560.71, to acquire, construct, rehabilitate, remodel or repair real property in a development zone under subch. V of ch. 560.

(b) No credit is allowed under this subsection for property which is the basis for a credit under sub. (1di).

(c) The credit under par. (a), including any credits carried over, may be offset only against the amount of the tax otherwise due under this chapter attributable to income from the business operations of the claimant in the development zone and against the tax attrib-

utable to income from directly related business operations.

(d) The carry-over provisions of sub. (4) (e) and (f) as they relate to the credit under that subsection relate to the credit under this subsection and apply as if the development zone continued to exist.

(e) Partnerships and tax-option corporations may not claim the credit under this subsection. Partners and shareholders of tax-option corporations may claim the partnership's or corporation's credit in proportion to their ownership interest and may offset it against the tax attributable to their income from business operations in the development zone and against the tax attributable to income from directly related business operations.

(f) Subsection (1di) (d), (f) and (g) as it applies to the credit under that subsection applies to the credit under this subsection.

(g) Subsection (4) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 135. 71.28 (1ds) of the statutes is created to read:

71.28 (1ds) DEVELOPMENT ZONES SALES TAX CREDIT.
(a) In this subsection:

1. "Development zone" means a zone designated under s. 560.71.

2. "Eligible property" means construction materials and supplies and other materials used to construct, rehabilitate, repair or remodel real property located in a development zone and investment credit property.

3. "Investment credit property" means tangible personal property that is purchased by a person who uses it at a location in a development zone and that is eligible for the credit under sub. (1di).

(b) Except as provided in par. (e) and s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter the taxes paid under subchs. III and V of ch. 77 on their purchases, leases and rentals of eligible property. Partnerships and tax-option corporations may not claim the credit under this subsection. Partners and shareholders of tax-option corporations may claim the partnership's or corporation's credit in proportion to their ownership interest.

(c) If the allowable amount of the credit under par. (b) exceeds the taxes otherwise due under this chapter on or measured by the claimant's income, the amount of the credit not used as an offset against those taxes shall be certified to the department of administration for payment to the claimant by check, share draft or other draft.

(d) No credit may be allowed under this subsection unless the claimant submits with the claimant's return:

1. A copy of the claimant's certification for tax benefits under s. 560.765 (3).

2. A statement from the department of development verifying the amount of taxes paid under subchs. III and V of ch. 77 for eligible property by the claimant.

3. Copies of original invoices, receipts or equivalent records that show the amount of taxes paid under subchs. III and V of ch. 77 for eligible property by the claimant.

(e) The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection apply to the credit under this subsection.

(f) Subsection (4) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 136. 71.28 (4) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.28 (4) (a) *Credit*. For taxable year 1986 and subsequent years, any corporation may credit against taxes otherwise due under this chapter an amount equal to 5%, or 10% in the case of research conducted exclusively in a development zone under subch. V of ch. 560, of the amount obtained by subtracting from the corporation's qualified research expenses, as defined in section 41 of the internal revenue code, except that "qualified research expenses" includes only expenses incurred by the claimant, incurred for research conducted in this state for the taxable year the corporation's base period research expenses, as defined in section 41 of the internal revenue code. A claim for a 10% credit may be allowed only if the claimant submits with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.765 (3) and a statement from the department of development verifying the claimant's qualified research expenses for research conducted exclusively in a development zone. The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection apply to claims for the 10% credit. Section 73.03 (35) applies to the 10% credit.

SECTION 137. 71.28 (4) (i) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.28 (4) (i) *Nonclaimants*. The credit under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1), or tax-option corporation or by partners, including partners of a publicly traded partnership, or shareholders of a tax-option corporation.

SECTION 138. 71.28 (6) of the statutes is created to read:

71.28 (6) **HISTORIC STRUCTURE CREDIT**. (a) Any person may credit against taxes otherwise due under this chapter, up to the amount of those taxes, an amount equal to 5% of the costs of qualified rehabilitation expenditures, as defined in section 48 (g) 2 of the internal revenue code, as amended to December 31, 1987, for certified historic structures.

(b) Any person may carry forward to the next 15 taxable years the credit under par. (a) not offset against taxes for the year the expense was incurred to the extent not offset by those taxes otherwise due in all intervening years between the year for which the credit was computed and the year for which the carry-forward is claimed.

(d) The Wisconsin adjusted basis of the property shall be reduced by the amount of any credit awarded under this subsection.

(e) The provisions of sub. (4) (c), (e), (g) and (h), as they apply to the credit under that subsection, apply to the credit under this subsection.

(f) The individual partners and shareholders in a tax-option corporation may claim the credit under this subsection based on eligible costs incurred by a partnership or tax-option corporation, in proportion to the ownership interest of each partner or shareholder.

SECTION 139. 71.28 (7) of the statutes is created to read:

71.28 (7) **REHABILITATION OF NONDEPRECIABLE HISTORIC PROPERTY**. (a) For taxable years 1989 and 1990, any person may credit against taxes otherwise due under this chapter an amount equal to 25% of the approved costs of preservation or rehabilitation of historic property, except that the credit may not exceed \$50,000 for any preservation or rehabilitation project.

(b) The department of revenue shall approve the credit under this subsection if all of the following conditions are met:

1. The costs are incurred and the claim is submitted by the owner of the historic property.

2. The historic property is nondepreciable.

3. The state historical society certifies that:

a. The property is listed on the national register of historic places in Wisconsin or the state register of historic places or is located in a historic district which is listed in the national register of historic places in Wisconsin or the state register of historic places and is certified by the state historic preservation officer as being of historic significance to the district.

b. The proposed preservation or rehabilitation complies with standards promulgated under s. 44.02 (24).

c. The property is subject to an easement, covenant or similar restriction running with the land which is held by the state historical society or by an entity approved by the state historical society, which protects the historic features of the property and which, at the time the credit is received, will remain effective for a term of at least 20 years.

4. The preservation or rehabilitation work is completed within 2 years after the commencement date, except in the case of any preservation or rehabilitation which is initially planned for completion in phases, in

which case the work shall be completed within 5 years after the commencement date.

5. The expenditures for preservation or rehabilitation of the historic property which are approved under subd. 3. b and are incurred within the time period in subd. 4 exceed the Wisconsin adjusted basis of the historic property on the date that preservation or rehabilitation is commenced or \$1,000, whichever is greater.

6. The costs are not incurred to acquire any building or interest in a building or to enlarge existing building.

7. The costs were not incurred before the state historical society approved the preservation or rehabilitation under subd. 3. b.

(c) The Wisconsin adjusted basis of the historic property shall be reduced by the amount of any credit awarded under this subsection.

(d) Applications for credit under this subsection shall be made on a form prescribed by the department of revenue and shall be attached to the claimant's tax return under this chapter.

(e) Any person may carry forward to the next 5 taxable years the credit under par. (a) not offset against taxes for the year the expense was incurred to the extent not offset by those taxes otherwise due in all intervening years between the year for which the credit was computed and the year for which the carry-forward is claimed.

(f) No person may claim a credit under this subsection and under sub. (6) for the same expenses.

(g) The provisions of sub. (4) (c), (e) and (g) to (i), as they apply to the credit under that subsection, apply to the credit under this subsection.

SECTION 140. 71.29 (1) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.29 (1) (a) If no return is filed, or a return is filed the tax computed on which is less than 75% of the tax properly due and the addition to tax interest under s. 71.84 (2) is \$300 or more, "return" means a return that would show the tax properly due. If a return is timely filed and if either the tax computed on it is at least 75% of the tax properly due or the addition to tax interest under s. 71.84 (2) is less than \$300, "return" means that timely return. If a return is filed late and if either the tax computed on it is at least 75% of the tax properly due or the addition to tax interest under s. 71.84 (2) is less than \$300, "return" means the first return filed after the due date or after the due date as extended.

SECTION 141. 71.29 (3m) (title) of the statutes is created to read:

71.29 (3m) (title) REFUNDS.

SECTION 142. 71.29 (7) (intro.) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.29 (7) (title) EXCEPTION TO INTEREST. (intro.) No addition to tax interest is required under s. 71.84

(2) for a corporation if any of the following conditions apply:

SECTION 143. 71.29 (7) (b) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.29 (7) (b) The preceding taxable year was 12 months ~~and~~, the corporation had no liability under s. 71.23 (1) or (2) for that year ~~and the corporation has a Wisconsin net income of less than \$250,000 for the current taxable year.~~

SECTION 144. 71.30 (3) (e) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.30 (3) (e) Community development finance ~~authority~~ credit under s. 71.28 (1).

SECTION 145. 71.30 (3) (f) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.30 (3) (f) The total of farmland preservation credit under subch. IX, the development zones sales tax credit under s. 71.28 (1ds), the development zones job credit under s. 71.28 (1dj) and estimated tax payments under s. 71.29.

SECTION 146. 71.34 (1) of the statutes, as created by 1987 Wisconsin Act 312, is repealed.

SECTION 147. 71.365 (9) (title) of the statutes is created to read:

71.365 (9) (title) ADJUSTMENT UNDER RULES.

SECTION 148. 71.42 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.42 (1) "Corporation" means insurance corporations, insurance joint stock companies, insurance associations and insurance common law trusts ~~organized or conducted for profit~~, unless the context requires otherwise.

SECTION 149. 71.42 (2) of the statutes, as affected by 1987 Wisconsin Act 312, is renumbered 71.42 (2) (a) and amended to read:

71.42 (2) (a) For taxable year 1987 ~~and subsequent years~~, "internal revenue code" means the federal internal revenue code as amended to December 31, 1986, as it applies to taxable year 1987 ~~and subsequent years~~. Amendments to the internal revenue code enacted after December 31, 1986, do not apply to this ~~subsection paragraph~~ with respect to taxable year 1987 ~~and thereafter~~, except that changes to the internal revenue code made by P.L. 100-203 apply for Wisconsin purposes at the same time as for federal purposes.

SECTION 150. 71.44 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.44 (1) (a) Every corporation, except corporations all of whose income is exempt from taxation and except as provided in sub. (1m), shall furnish to the department a true and accurate statement, on or before March 15 of each year (except that returns for fiscal years ending on some other date than December 31 shall be furnished on or before the 15th day of the

3rd month following the close of such fiscal year) in such manner and form and setting forth such facts as the department deems necessary to enforce this chapter. Such statement shall be subscribed by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized so to act. In the case of a return made for a corporation by a fiduciary such fiduciary shall subscribe the return. The fact that an individual's name is subscribed on the return shall be prima facie evidence that such individual is authorized to subscribe the return on behalf of the corporation.

SECTION 151. 71.44 (1m) of the statutes is created to read:

71.44 (1m) Every corporation subject to a tax on unrelated business income under s. 71.26 (1) (a), if that corporation is required to file for federal income tax purposes, shall furnish to the department of revenue a true and accurate statement on or before the date on or before which it is required to file for federal income tax purposes. The requirements about manner, form and subscription under sub. (1) apply to statements under this subsection.

SECTION 152. 71.47 (1) (title) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.47 (1) (title) COMMUNITY DEVELOPMENT FINANCE CREDIT.

SECTION 153. 71.47 (1) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.47 (1) (a) Any corporation which contributes an amount to the community development finance authority under s. 233.03, 1985 stats., or to the housing and economic development authority under s. 234.03 (32) and in the same year purchases common stock or partnership interests of the community development finance company issued under s. 233.05 (2), 1985 stats., or 234.95 (2) in an amount no greater than the contribution to the authority, may credit against taxes otherwise due an amount equal to 75% of the purchase price of the stock or partnership interests. The credit received under this paragraph may not exceed 75% of the contribution to the community development finance authority.

SECTION 154. 71.47 (1di) of the statutes is created to read:

71.47 (1di) DEVELOPMENT ZONES INVESTMENT CREDIT. (a) Except as provided in par. (f) and s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter 2.5% of the amount expended to purchase tangible personal property, or 1.75% of the amount expended to purchase tangible personal property that is expensed under section 179 of the internal revenue code for purposes of the taxes under this chapter, except that:

1. The investment must be in property that is used only in the conduct of business operations at a location in a development zone under subch. V of ch. 560 or, if the property is mobile, the base of operations of the property must be a location in a development zone.

2. The credit under this subsection may be claimed only by the person who purchased the property the investment in which is the basis for the credit.

3. If the credit is claimed for used property, the claimant may not have used the property at a location outside the development zone.

4. No credit is allowed under this subsection for property which is the basis for a credit under sub. (1dL).

(b) The credit, including any credits carried over, may be offset only against the amount of the tax otherwise due under this chapter attributable to income from the business operations of the claimant in the development zone and against the tax attributable to income from directly related business operations of the claimant. Partnerships and tax-option corporations may not claim the credit under this subsection. Partners and shareholders of tax-option corporations may claim the partnership's or corporation's credit in proportion to their ownership interest and may offset it against the tax attributable to their income from business operations in the development zone and against the tax attributable to income from directly related business operations.

(c) The carry-over provisions of sub. (3) (e) and (f) as they relate to the credit under that subsection relate to the credit under this subsection and apply as if the development zone continued to exist.

(d) No credit may be allowed under this subsection unless the claimant includes with the claimant's return:

1. A copy of the claimant's certification for tax benefits under s. 560.765 (3).

2. A statement from the department of development verifying the amount of the investment and verifying that the investment fulfills the requirements under par. (a).

(e) The recapture provisions under section 47 (a) (5) of the internal revenue code as amended to December 31, 1985, as they apply to the credit under section 46 of the internal revenue code, apply to the credit under this subsection, except that those provisions also apply if the property for which the credit is claimed is moved out of the development zone or, for mobile property, if the base of operations is moved out of the zone.

(f) If the certificate for tax benefits of a person who has claimed a credit under this subsection is revoked or the development zone in respect to which a person has claimed a credit under this subsection ceases to exist:

1. That person may claim no credits under this subsection for the taxable year that includes the day on

which the certification is revoked or the zone ceases to exist.

2. That person may carry over no unused credits from previous taxable years to the taxable year that includes the day on which the certification is revoked or the zone ceases to exist or to succeeding taxable years.

(g) If a person who has claimed a credit under this subsection ceases business operations in the development zone during any of the taxable years that that zone exists, that person may not carry over to any taxable year following the year during which operations cease any unused credits from the taxable year during which operations cease or from previous taxable years.

(h) Subsection (3) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 155. 71.47 (1dj) of the statutes is created to read:

71.47 (1dj) DEVELOPMENT ZONES JOBS CREDIT. (a) In this subsection:

1. "Dislocated farmer" means a person who immediately before becoming unemployed was a farmer and who meets the definition of a dislocated worker under 29 USC 1652 (a) (4).

2. "Person unemployed as a result of a business facility closing" means a person who is not currently employed in a full-time job and who has been unemployed for a period of 60 days or more within the last 2 years as a result of a business facility closing in this state. In this subdivision, "a business facility closing" means termination, within one year, of at least 50% of the employes of a business that before that termination had at least 20 full-time employes.

3. "Person whose unemployment benefits have expired" means a person who is not currently employed in a full-time job, who has received unemployment compensation benefits under ch. 108 for 60 days or more within the last 2 years and whose unemployment compensation benefits have expired.

(am) Except as provided under par. (f) or s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter an amount calculated as follows:

1. Modify "member of a targeted group", as defined in section 51 (d) of the internal revenue code, to include dislocated farmers, persons unemployed as a result of a business action subject to s. 109.07 (1) and persons whose unemployment benefits have expired.

2. Modify "designated local agency", as defined in section 51 (d) (15) of the internal revenue code, to include the job training partnership act organization for the area that includes the development zone in which the employe in respect to whom the credit under this subsection is claimed works and the department of development if the criteria used for certification are

the same as those used by the person who is the designated local agency for the purposes of that section.

3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 30-day period beginning with the first day of employment of the employe by the claimant.

4. Modify "qualified wages" as defined in section 51 (b) of the internal revenue code to exclude wages that are paid to employes for work at any location that is not in a development zone under subch. V of ch. 560 and to exclude wages paid to leased or rented employes by the person to whom they are leased or rented. For purposes of this subdivision, mobile employes work at their base of operations and leased or rented employes work at the location where they perform services.

5. Calculate the credit under section 51 of the internal revenue code.

6. For persons for whom a credit may be claimed under subd. 5, modify "qualified wages" under section 51 (b) of the internal revenue code so that those wages are based on the wages attributable to service rendered during the one-year period beginning with the date one year after the date on which the individual begins work for the employer.

7. Modify section 51 of the internal revenue code as under subds. 1 to 4.

8. Calculate the credit under section 51 of the internal revenue code based on qualified wages for the 2nd year as determined under subds. 6 and 7.

9. Add the amounts under subds. 5 and 8.

(b) In computing the credit under this subsection, the wages of leased or rented employes may be claimed only by their employer, not by the person to whom they are rented or leased.

(c) The credit under this subsection may not be claimed by partnerships and tax-option corporations but may be claimed by partners and shareholders of tax-option corporations in proportion to their ownership interests.

(d) If the allowable amount of the credit under par. (am) exceeds the taxes otherwise due under this chapter on or measured by the claimant's income, the amount of the credit not used as an offset against those taxes shall be certified to the department of administration for payment to the claimant by check, share draft or other draft.

(e) No credit may be allowed under this subsection unless the claimant includes with the claimant's return:

1. A copy of the claimant's certification for tax benefits under s. 560.765 (3).

2. Federal withholding forms or equivalent information for the wages paid to employes for whom the credit under this subsection is claimed.

3. A statement from the department of development verifying the information under subd. 2 and veri-

fying that the employees were hired for work only in a development zone or are mobile employees whose base of operations is in a development zone.

4. A copy of any claims for the credit under section 51 of the internal revenue code that are based on wages that also are the basis for a claim under this subsection.

(f) The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection apply to the credit under this subsection.

(g) Subsection (3) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 156. 71.47 (1dL) of the statutes is created to read:

71.47 (1dL) DEVELOPMENT ZONES LOCATION CREDIT.

(a) Except as provided under par. (f) or s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter an amount equal to 2.5% of the amount expended, in respect to projects begun after the designation of a development zone under s. 560.71, to acquire, construct, rehabilitate, remodel or repair real property in a development zone under subch. V of ch. 560.

(b) No credit is allowed under this subsection for property which is the basis for a credit under sub. (1di).

(c) The credit under par. (a), including any credits carried over, may be offset only against the amount of the tax otherwise due under this chapter attributable to income from the business operations of the claimant in the development zone and against the tax attributable to income from directly related business operations.

(d) The carry-over provisions of sub. (3) (e) and (f) as they relate to the credit under that subsection relate to the credit under this subsection and apply as if the development zone continued to exist.

(e) Partnerships and tax-option corporations may not claim the credit under this subsection. Partners and shareholders of tax-option corporations may claim the partnership's or corporation's credit in proportion to their ownership interest and may offset it against the tax attributable to their income from business operations in the development zone and against the tax attributable to income from directly related business operations.

(f) Subsection (1di) (d), (f) and (g) as it applies to the credit under that subsection applies to the credit under this subsection.

(g) Subsection (3) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 157. 71.47 (1ds) of the statutes is created to read:

71.47 (1ds) DEVELOPMENT ZONES SALES TAX CREDIT.

(a) In this subsection:

1. "Development zone" means a zone designated under s. 560.71.

2. "Eligible property" means construction materials and supplies and other materials used to construct, rehabilitate, repair or remodel real property located in a development zone and investment credit property.

3. "Investment credit property" means tangible personal property that is purchased by a person who uses it at a location in a development zone and that is eligible for the credit under sub. (1di).

(b) Except as provided in par. (e) and s. 73.03 (35), for any taxable year for which the person is certified under s. 560.765 (3) for tax benefits, any person may claim as a credit against taxes otherwise due under this chapter the taxes paid under subchs. III and V of ch. 77 on their purchases, leases and rentals of eligible property. Partnerships and tax-option corporations may not claim the credit under this subsection. Partners and shareholders of tax-option corporations may claim the partnership's or corporation's credit in proportion to their ownership interest.

(c) If the allowable amount of the credit under par. (b) exceeds the taxes otherwise due under this chapter on or measured by the claimant's income, the amount of the credit not used as an offset against those taxes shall be certified to the department of administration for payment to the claimant by check, share draft or other draft.

(d) No credit may be allowed under this subsection unless the claimant submits with the claimant's return:

1. A copy of the claimant's certification for tax benefits under s. 560.765 (3).

2. A statement from the department of development verifying the amount of taxes paid under subchs. III and V of ch. 77 for eligible property by the claimant.

3. Copies of original invoices, receipts or equivalent records that show the amount of taxes paid under subchs. III and V of ch. 77 for eligible property by the claimant.

(e) The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection apply to the credit under this subsection.

(f) Subsection (3) (g) and (h) as it applies to the credit under that subsection applies to the credit under this subsection.

SECTION 158. 71.47 (3) (a) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.47 (3) (a) *Credit*. For taxable year 1986 and subsequent years, any corporation may credit against taxes otherwise due under this chapter an amount equal to 5%, or 10% in the case of research conducted exclusively in a development zone under subch. V of ch. 560, of the amount obtained by subtracting from the corporation's qualified research expenses, as

defined in section 41 of the internal revenue code, except that "qualified research expenses" includes only expenses incurred by the claimant, incurred for research conducted in this state for the taxable year the corporation's base period research expenses, as defined in section 41 of the internal revenue code. A claim for a 10% credit may be allowed only if the claimant submits with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.765 (3) and a statement from the department of development verifying the claimant's qualified research expenses for research conducted exclusively in a development zone. The rules under sub. (1d) (f) and (g) as they apply to the credit under that subsection apply to claims for the 10% credit. Section 73.03 (35) applies to the 10% credit.

SECTION 159. 71.47 (3) (fm) of the statutes is created to read:

71.47 (3) (fm) *End of benefits.* The rules under sub. (1d), (f) and (g) as they apply to the credit under that subsection apply to the increase in the credit under this subsection caused by conducting research exclusively in a development zone.

SECTION 160. 71.47 (3) (i) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.47 (3) (i) *Nonclaimants.* The credit under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1), or tax-option corporation or by partners, including partners of a publicly traded partnership, or shareholders of a tax-option corporation.

SECTION 161. 71.47 (5) of the statutes is created to read:

71.47 (5) HISTORIC STRUCTURE CREDIT. (a) Any person may credit against taxes otherwise due under this chapter, up to the amount of those taxes, an amount equal to 5% of the costs of qualified rehabilitation expenditures, as defined in section 48 (g) 2 of the internal revenue code, as amended to December 31, 1987, for certified historic structures.

(b) Any person may carry forward to the next 15 taxable years the credit under par. (a) not offset against taxes for the year the expense was incurred to the extent not offset by those taxes otherwise due in all intervening years between the year for which the credit was computed and the year for which the carry-forward is claimed.

(d) The Wisconsin adjusted basis of the property shall be reduced by the amount of any credit awarded under this subsection.

(e) The provisions of sub. (3) (c), (e), (g) and (h), as they apply to the credit under that subsection, apply to the credit under this subsection.

(f) The individual partners and shareholders in a tax-option corporation may claim the credit under this subsection based on eligible costs incurred by a partnership or tax-option corporation, in proportion

to the ownership interest of each partner or shareholder.

SECTION 162. 71.47 (6) of the statutes is created to read:

71.47 (6) REHABILITATION OF NONDEPRECIABLE HISTORIC PROPERTY. (a) For taxable years 1989 and 1990, any person may credit against taxes otherwise due under this chapter an amount equal to 25% of the approved costs of preservation or rehabilitation of historic property, except that the credit may not exceed \$50,000 for any preservation or rehabilitation project.

(b) The department of revenue shall approve the credit under this subsection if all of the following conditions are met:

1. The costs are incurred and the claim is submitted by the owner of the historic property.

2. The historic property is nondepreciable.

3. The state historical society certifies that:

a. The property is listed on the national register of historic places in Wisconsin or the state register of historic places or is located in a historic district which is listed in the national register of historic places in Wisconsin or the state register of historic places and is certified by the state historic preservation officer as being of historic significance to the district.

b. The proposed preservation or rehabilitation complies with standards promulgated under s. 44.02 (24).

c. The property is subject to an easement, covenant or similar restriction running with the land which is held by the state historical society or by an entity approved by the state historical society, which protects the historic features of the property and which, at the time the credit is received, will remain effective for a term of at least 20 years.

4. The preservation or rehabilitation work is completed within 2 years after the commencement date, except in the case of any preservation or rehabilitation which is initially planned for completion in phases, in which case the work shall be completed within 5 years after the commencement date.

5. The expenditures for preservation or rehabilitation of the historic property which are approved under subd. 3. b and are incurred within the time period in subd. 4 exceed the Wisconsin adjusted basis of the historic property on the date that preservation or rehabilitation is commenced or \$1,000, whichever is greater.

6. The costs are not incurred to acquire any building or interest in a building or to enlarge existing building.

7. The costs were not incurred before the state historical society approved the preservation or rehabilitation under subd. 3. b.

(c) The Wisconsin adjusted basis of the historic property shall be reduced by the amount of any credit awarded under this subsection.

(d) Applications for credit under this subsection shall be made on a form prescribed by the department of revenue and shall be attached to the claimant's tax return under this chapter.

(e) Any person may carry forward to the next 5 taxable years the credit under par. (a) not offset against taxes for the year the expense was incurred to the extent not offset by those taxes otherwise due in all intervening years between the year for which the credit was computed and the year for which the carry-forward is claimed.

(f) No person may claim a credit under this subsection and under sub. (5) for the same expenses.

(g) The provisions of sub. (3) (c), (e) and (g) to (i), as they apply to the credit under that subsection, apply to the credit under this subsection.

SECTION 163. 71.49 (1) (e) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.49 (1) (e) Community development finance ~~authority~~ credit under s. 71.47 (1).

SECTION 164. 71.49 (1) (eg), (em) and (er) of the statutes are created to read:

71.49 (1) (eg) Development zones investment credit under s. 71.47 (1di).

(em) Development zones location credit under s. 71.47 (1dL).

(er) Historic structure credit under s. 71.47 (5).

SECTION 165. 71.49 (1) (f) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.49 (1) (f) The total of farmland preservation credit under subch. IX, development zones sales tax credit under s. 71.47 (1ds), development zones jobs credit under s. 71.47 (1dj) and estimated tax payments under s. 71.48.

SECTION 166. 71.52 (2) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.52 (2) "Gross rent" means rental paid at arm's length, solely for the right of occupancy of a homestead, ~~exclusive of.~~ "Gross rent" does not include, whether expressly set out in the rental agreement or not, charges for any medical services; other personal services such as laundry, transportation, counseling, grooming, recreational and therapeutic services; shared living expenses, including but not limited to food, supplies and utilities unless utility payments are included in the gross rent paid to the landlord; and food furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. "Gross rent" includes the rental paid to a landlord for parking of a mobile home, exclusive of any charges for food furnished by the landlord as a part of the rental agreement, plus parking fees paid under s. 66.058 (3) (c) for a rented mobile home. If a homestead is an integral part of a multipurpose or multidwelling building, "gross rent" is the percentage of the gross rent on that part of the

multipurpose or multidwelling building occupied by the household as a principal residence plus the same percentage of the gross rent on the land surrounding it, not exceeding one acre, that is reasonably necessary for use of the multipurpose or multidwelling building as a principal residence, except as the limitations under s. 71.54 (2) (b) apply. If the homestead is part of a farm, "gross rent" is the rent on up to 120 acres of the land contiguous to the claimant's principal residence plus the rent on all improvements to real property on that land, except as the limitations under s. 71.54 (2) (b) apply. If a claimant and persons who are not members of the claimant's household reside in a homestead, the claimant's "gross rent" is the gross rent paid by the claimant to the landlord for the homestead ~~divided by the number of adults residing in the homestead and not related to the claimant as husband or wife.~~

SECTION 167. 71.52 (7) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.52 (7) "Property taxes accrued" means real or personal property taxes or monthly parking permit fees under s. 66.058 (3) (c), exclusive of special assessments, delinquent interest and charges for service, levied on a homestead owned by the claimant or a member of the claimant's household. "Real or personal property taxes" means those levied under ch. 70, less the tax credit, if any, afforded in respect of such property by s. 79.10. If a homestead is owned by 2 or more persons or entities as joint tenants or tenants in common or is owned as marital property or survivorship marital property and one or more such persons, entities or owners is not a member of the claimant's household, property taxes accrued is that part of property taxes accrued levied on such homestead, reduced by the tax credit under s. 79.10, that reflects the ownership percentage of the claimant and the claimant's household. A marital property agreement or unilateral statement under ch. 766 has no effect in computing property taxes accrued for a person whose homestead is not the same as the homestead of that person's spouse. For purposes of this subsection, property taxes are "levied" when the tax roll is delivered to the local treasurer ~~with the warrant~~ for collection. If a homestead is sold or purchased during the calendar year of the levy, the property taxes accrued for the seller and the buyer are the amount of the tax levy prorated to each in proportion to the periods of time each both owned and occupied the homestead during the year to which the claim relates. The seller may use the closing agreement pertaining to the sale of the homestead, the property tax bill for the year before the year to which the claim relates or the property tax bill for the year to which the claim relates as the basis for computing property taxes accrued, but those taxes are allowable only for the portion of the year during which the seller owned and occupied the sold homestead. If a household owns and occupies 2 or more homesteads in the same calendar year, prop-

erty taxes accrued is the sum of the prorated property taxes accrued attributable to the household for each of such homesteads. If the household owns and occupies the homestead for part of the calendar year and rents a homestead for part of the calendar year, it may include both the proration of taxes on the homestead owned and rent constituting property taxes accrued with respect to the months the homestead is rented in computing the amount of the claim under s. 71.54 (1). If a homestead is an integral part of a multipurpose or multidwelling building, property taxes accrued are the percentage of the property taxes accrued on that part of the multipurpose or multidwelling building occupied by the household as a principal residence plus that same percentage of the property taxes accrued on the land surrounding it, not exceeding one acre, that is reasonably necessary for use of the multipurpose or multidwelling building as a principal residence, except as the limitations of s. 71.54 (2) (b) apply. If the homestead is part of a farm, property taxes accrued are the property taxes accrued on up to 120 acres of the land contiguous to the claimant's principal residence and include the property taxes accrued on all improvements to real property located on such land, except as the limitations of s. 71.54 (2) (b) apply.

SECTION 168. 71.58 (1) (c) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.58 (1) (c) For partnerships except publicly traded partnerships treated as corporations under s. 71.22 (1), "claimant" means each individual partner.

SECTION 169. 71.58 (3) and (4) of the statutes, as affected by 1987 Wisconsin Act 312, are amended to read:

71.58 (3) "Farmland" means 35 or more acres of real property in this state owned by the claimant or any member of the claimant's household during the income year for which a credit under this subchapter is claimed if the farmland, during that year, produced not less than \$6,000 in gross farm profits resulting from the farmland's agricultural use, as defined in s. 91.01 (1), or if the farmland, during that year and the 2 years immediately preceding that year, produced not less than \$18,000 in such profits, or if at least 35 acres of the farmland, during all or part of that year, was enrolled in the conservation reserve program under 16 USC 3831 to 3836.

(4) "Gross farm profits" means gross receipts, excluding rent, from agricultural use, as defined in s. 91.01 (1) including the fair market value at the time of disposition of payments in kind for placing land in federal programs or payments from the federal dairy termination program under 7 USC 1446 (d), less the cost or other basis of livestock or other items purchased for resale which are sold or otherwise disposed of during the income year.

SECTION 170. 71.58 (6) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.58 (6) "Household income" means all of the income of the claimant, and the claimant's spouse and the farm income, including wages, earned on the farm to which the credit applies of all minor dependents attributable to the income year while members of the household.

SECTION 171. 71.58 (8) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.58 (8) "Property taxes accrued" means property taxes, exclusive of special assessments, delinquent interest and charges for service, levied on the farmland and improvements owned by the claimant or any member of the claimant's household in any calendar year under ch. 70, less the tax credit, if any, afforded in respect of the property by s. 79.10. "Property taxes accrued" shall not exceed \$6,000. If farmland is owned by a tax-option corporation or by 2 or more persons or entities as joint tenants, tenants in common or partners or is marital property or survivorship marital property and one or more such persons, entities or owners is not a member of the claimant's household, "property taxes accrued" is that part of property taxes levied on the farmland ~~€~~ reduced by the tax credit under s. 79.10) ~~;~~ that reflects the ownership percentage of the claimant and the claimant's household. For purposes of this subsection, property taxes are "levied" when the tax roll is delivered to the local treasurer ~~with the warrant~~ for collection. If farmland is sold during the calendar year of the levy the "property taxes accrued" for the seller ~~and buyer shall be~~ is the amount of the tax levy, reduced by the tax credit under s. 79.10, prorated to each in the closing agreement pertaining to the sale of the farmland ~~or, if not so provided for in the closing agreement, the tax levy shall be prorated between the seller and buyer in proportion to months of their respective ownership, except that if the seller does not reimburse the buyer for any part of those property taxes there are no "property taxes accrued" for the seller, and the "property taxes accrued" for the buyer is the property taxes levied on the farmland, reduced by the tax credit under s. 79.10, minus, if the seller reimburses the buyer for part of the property taxes, the amount prorated to the seller in the closing agreement. With the claim for credit under this subchapter, the seller shall submit a copy of the closing agreement and the buyer shall submit a copy of the closing agreement and a copy of the property tax bill.~~

SECTION 172. 71.59 (1) (b) (intro.) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.59 (1) (b) (intro.) Every claimant under this subchapter shall supply, at the request of the department, in support of the claim, a copy of the property tax bill relating to the farmland, certification by the claimant that all taxes owed by the claimant on the property for which the claim is made for the year before the year for which the claim is made have been paid and a copy of the farmland preservation agreement or a certifi-

cate of the appropriate zoning authority. The farmland preservation agreement shall contain provisions specified under s. 91.13 (8) including either a provision requiring farming operations to be conducted in substantial accordance with a soil and water conservation plan prepared under s. 92.104 or a provision requiring farming operations to be conducted in compliance with reasonable soil and water conservation standards established under s. 92.105. The certificate of the zoning authority shall certify:

SECTION 173. 71.60 (1) (intro.) of the statutes, as affected by 1987 Wisconsin Acts 27 and 328, is repealed.

SECTION 174. 71.60 (2) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.60 (2) If the farmland is subject to a certified ordinance under subch. V of ch. 91, or an agreement under subch. II of ch. 91, in effect at the close of the year for which the credit is claimed, the amount of the claim is 10% of the property taxes accrued or the amount determined under sub. (1), whichever is greater.

SECTION 175. 71.60 (4) of the statutes, as affected by 1987 Wisconsin Acts 27 and 399, is repealed.

SECTION 176. 71.65 (1) (fp) of the statutes, as created by 1987 Wisconsin Act 395, is renumbered 71.10 (4) (dm) and amended to read:

71.10 (4) (dm) Historic structure credit under s. ~~71.09 (12p)~~ 71.07 (9m).

SECTION 177. 71.65 (1) (fr) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.10 (1) (dr) and amended to read:

71.10 (1) (dr) Historic rehabilitation credit under s. ~~71.09 (12q)~~ 71.07 (9r).

SECTION 178. 71.65 (1) (go) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.10 (4) (gg) and amended to read:

71.10 (4) (gg) Development zones investment credit under s. ~~71.09 (12di)~~ 71.07 (2di).

SECTION 179. 71.65 (1) (gp) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.10 (4) (gr) and amended to read:

71.10 (4) (gr) Development zones location credit under s. ~~71.09 (12dL)~~ 71.07 (2dL).

SECTION 180. 71.65 (1) (L) of the statutes, as affected by 1987 Wisconsin Acts 92 and 328, is repealed.

SECTION 181. 71.65 (2) (f) of the statutes, as affected by 1987 Wisconsin Act 399, is repealed.

SECTION 182. 71.65 (2) (fb) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.30 (3) (eg) and amended to read:

71.30 (3) (eg) Development zones investment credit under s. ~~71.09 (12di)~~ 71.28 (1di).

SECTION 183. 71.65 (2) (fc) of the statutes, as created by 1987 Wisconsin Act 328, is renumbered 71.30 (3) (em) and amended to read:

71.30 (3) (em) Development zones location credit under s. ~~71.09 (12dL)~~ 71.28 (1dL).

SECTION 184. 71.65 (2) (fg) of the statutes, as created by 1987 Wisconsin Act 395, is renumbered 71.30 (3) (ep) and amended to read:

71.30 (3) (ep) Historic structure credit under s. ~~71.09 (12p)~~ 71.28 (6).

SECTION 185. 71.65 (2) (fh) of the statutes, as created by 1987 Wisconsin Act 399, is renumbered 71.30 (3) (er) and amended to read:

71.30 (3) (er) Historic rehabilitation credit under s. ~~71.09 (12q)~~ 71.28 (7).

SECTION 186. 71.65 (2) (g) of the statutes, as affected by 1987 Wisconsin Act 328, is repealed.

SECTION 187. 71.75 (4) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.75 (4) Except as provided in ~~sub. subs.~~ sub. (5) and (5m), no refund shall be made and no credit shall be allowed for any year, the income of which was assessed as a result of a field audit, and which assessment has become final under s. 71.88 (1) (a) or (2) (a), 71.89 (2), 73.01 or 73.015, and no refund shall be made and no credit shall be allowed on any item of income or deduction, assessed as a result of an office audit, the assessment of which shall have become final under s. 71.88 (1) (a) or (2) (a), 71.89 (2), 73.01 or 73.015.

SECTION 188. 71.78 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.78 (1) DIVULGING INFORMATION. Except as provided in ~~sub. subs.~~ (4) and (10), no person may divulge or circulate or offer to obtain, divulge or circulate any information derived from an income, franchise, withholding, fiduciary, partnership or gift tax return or tax credit claim, including information which may be furnished by the department of revenue as provided in this section. This subsection does not prohibit publication by any newspaper of information lawfully derived from such returns or claims for purposes of argument or prohibit any public speaker from referring to such information in any address. This subsection does not prohibit the department of revenue from publishing statistics classified so as not to disclose the identity of particular returns, or claims or reports and the items thereof. This subsection does not prohibit employes or agents of the department of revenue from offering or submitting any return, including joint returns and combined individual income tax returns, claim, schedule, exhibit, writing or audit report or a copy of, and any information derived from, any of those documents as evidence into the record of any contested matter involving the department in proceedings or litigation on state tax matters if that evidence has reasonable probative value.

SECTION 189. 71.80 (3) (intro.) of the statutes, as affected by 1987 Wisconsin Act 312, is renumbered 71.80 (3) and amended to read:

71.80 (3) (title) CREDITING OF OVERPAYMENTS ON INDIVIDUAL OR SEPARATE RETURNS. In the case of any

overpayment, homestead or farmland preservation credit or refund on an individual or separate return, the department of revenue, within the applicable period of limitations, may credit the amount of overpayment, homestead or farmland preservation credit or refund including any interest allowed, against any liability, in respect to any tax collected by the department, a debt under s. 71.93 or a certification under s. 46.255 on the part of the person who made the overpayment, or received the homestead and farmland preservation credits or the refund and shall refund any balance to the person. ~~For married persons, the department of revenue may credit overpayments or refunds resulting from joint returns under this chapter.~~ The department shall presume that the overpayment, homestead and farmland preservation credits or refund is nonmarital property of the filer. Within 2 years after the crediting, the spouse or former spouse of the person filing the return may file a claim for a refund of amounts credited by the department if the spouse or former spouse shows by clear and convincing evidence that all or part of the state tax overpayment, homestead and farmland preservation credits or refund was nonmarital property of the nonobligated spouse.

SECTION 190. 71.80 (3) (a) and (b) of the statutes, as affected by 1987 Wisconsin Act 312, are repealed.

SECTION 191. 71.80 (3m) (title) of the statutes is created to read:

71.80 (3m) (title) CREDITING OF OVERPAYMENTS ON JOINT RETURNS.

SECTION 192. 71.80 (5) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.80 (5) PENALTIES NOT DEDUCTIBLE. No penalty imposed by this chapter, or by subch. III of ch. 77 ~~or amounts added to the tax under s. 71.84 (1) or (2)~~ may be deducted from gross income in arriving at net income taxable under this chapter.

SECTION 193. Subchapter XIII (title) of chapter 71 of the statutes, as affected by 1987 Wisconsin Act 312, is repealed and recreated to read:

CHAPTER 71
SUBCHAPTER XIII
INTEREST AND PENALTIES

SECTION 194. 71.84 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.84 (1) INDIVIDUALS AND FIDUCIARIES. Except as provided in s. 71.09 (11), in the case of any underpayment of estimated tax by an individual, estate or trust, except as provided under s. 71.09, there shall be added to the aggregate tax for the taxable year ~~an amount determined~~ interest at the rate of 12% per year on the amount of the underpayment for the period of the underpayment. In this subsection, “the period of the underpayment” means the time period from the due date of the instalment until either the 15th day of the 4th month beginning after the end of the taxable year or the date of payment, whichever is earlier.

SECTION 195. 71.84 (2) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.84 (2) CORPORATIONS. Except as provided in s. 71.29 (7), in the case of any underpayment of estimated tax under s. 71.29 or 71.48 there shall be added to the aggregate tax for the taxable year ~~an amount determined~~ interest at the rate of 12% per year on the amount of the underpayment for the period of the underpayment. In this subsection, “period of the underpayment” means the time period from the due date of the instalment until either the 15th day of the 3rd month beginning after the end of the taxable year or the date of payment, whichever is earlier. Any estimated taxes not paid by the 15th day of the 3rd month following the close of the taxable year, along with any ~~addition to the tax~~ interest due, shall accrue delinquent interest under s. 71.91 (1) (a).

SECTION 196. 71.85 (1) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.85 (1) PENALTIES NOT DEDUCTIBLE. No penalty imposed by this chapter, including penalties imposed under ~~ss. s.~~ s. 71.83 (1) (a) 3, 4 and 5 and (b) 2, 3 and 4 and (2) (a) 1, 4 and 5 ~~and 71.84 (1),~~ or by subch. III of ch. 77 ~~or amounts added to the tax under s. 71.84 (1) or (2)~~ may be deducted from gross income in arriving at net income taxable under this chapter.

SECTION 197. 71.91 (3) of the statutes, as affected by 1987 Wisconsin Act 312, is amended to read:

71.91 (3) MARITAL OBLIGATIONS. All tax obligations to this state, including interest, penalties and costs thereon, incurred during marriage by a spouse after December 31, 1985, or after ~~the establishment of a marital domicile~~ both spouses are domiciled in this state, whichever is later, are incurred in the interest of the marriage or family and may be satisfied only under ss. 766.55 (2) (b) and 859.18. However, if one spouse is relieved of liability under s. 71.10 (6) (a) or (b) ~~or (6m),~~ the tax obligation to this state of the other spouse may be satisfied only under s. 766.55 (2) (d) ~~or by set-off under ss. 71.55 (1), 71.61 (1) or 71.80 (3) or (3m).~~

SECTION 198. 560.70 (6) and (7) of the statutes, as created by 1987 Wisconsin Act 328, are amended to read:

560.70 (6) “Target population” means the residents of a development zone and persons who are members of targeted groups for the purposes of the credit under ~~s. 71.09 (12dj)~~ ss. 71.07 (2dj), 71.28 (1dj) and 71.47 (1dj).

(7) “Tax benefits” means the development zones investment credit under ~~s. 71.09 (12di)~~ ss. 71.07 (2di), 71.28 (1di) and 71.47 (1di), the development zones jobs credit under ~~s. 71.09 (12dj)~~ ss. 71.07 (2dj), 71.28 (1dj) and 71.47 (1dj), the development zones location credit under ~~s. 71.09 (12dL)~~ ss. 71.07 (2dL), 71.28 (1dL) and 71.47 (1dL) the development zones sales tax credit under ~~s. 71.09 (12ds)~~ ss. 71.07 (2ds), 71.28

(1ds) and 71.47 (1ds) and the additional 5% credit under ~~s. 71.09 (12r) (a)~~ ss. 71.28 (4) and 71.47 (3).

SECTION 199. **Nonstatutory provisions; revenue.** (1) NO SUBSTANTIVE CHANGES. The legislature intends to make no substantive changes by this act.

SECTION 200. **Initial applicability.** (1) The treatment of sections 71.09 (12p) and (12q) and 71.28 (6)

and (7) of the statutes first applies to taxable year 1989 for projects begun after December 31, 1988.

(2) The treatment of section 71.29 (7) (b) of the statutes first applies to taxable year 1989.

SECTION 201. **Effective date.** This act takes effect on January 2, 1989.
