

1 70.40 (3) The tax provided for in this section shall be separately
2 assessed to the person chargeable therewith by the assessor and shall be
3 included in the assessment roll annually submitted by the assessor to the
4 town, village or city clerk and shall be entered by the clerk on the tax roll.
5 The tax shall be paid and collected as taxes on personal property are paid and
6 collected in the town, city or village where the dock is situated, and shall
7 be deductible from gross income for income tax purposes as personal property
8 taxes are deductible ~~under s. 71.04 (3) by corporations in computing net~~
9 income under s. 71.02 (1) (c) (intro.). Taxes collected under this section
10 shall be divided as follows: ~~10%~~ 30% to the state general fund, ~~20%~~ ~~to the~~
11 ~~investment and local impact fund created under s. 70.395 (2)~~ and 70% to the
12 town, city or village in which the taxes are collected, which shall be
13 remitted and accounted for in the same manner as the state and county taxes
14 collected from property are remitted and paid.

15 SECTION 1260mb. 70.41 (3) of the statutes is amended to read:

16 70.41 (3) ASSESSMENT AND COLLECTION OF TAX ON GRAIN STORAGE. The tax
17 under this section shall be separately assessed to the person chargeable
18 therewith by the assessor and shall be included in the assessment roll annu-
19 ally submitted by the assessor to the town, village or city clerk and shall be
20 entered by the clerk on the tax roll. The tax shall be paid and collected in
21 the same manner as taxes on personal property are paid and collected in the
22 taxing district where the elevator or warehouse is situated, ~~and when paid may~~
23 ~~be credited to or offset against income taxes in the same manner as personal~~
24 ~~property taxes are credited or offset under s. 71.21, 1923 stats.~~

25 SECTION 1260mbm. 70.415 (3) of the statutes is amended to read:

26 70.415 (3) The tax provided for in this section shall be separately
27 assessed to the person chargeable therewith by the assessor and shall be
28 included in the assessment roll annually submitted by the assessor to the

1 town, village or city clerk and shall be entered by the clerk on the tax roll.
2 The tax shall be paid and collected in the same manner as taxes on personal
3 property are paid and collected in the town, city or village where the scrap
4 iron or scrap steel dock or other steel dock is situated, and the entire pro-
5 ceeds of the tax shall be retained by the town, city or village. The tax when
6 paid shall be deductible from gross income for income tax purposes as personal
7 property taxes are deductible ~~under s. 71.04 (3) by corporations in computing~~
8 net income under s. 71.02 (1) (c) (intro.).

9 SECTION 1260mc. 70.42 (3) of the statutes is amended to read:

10 70.42 (3) The tax provided for in this section shall be separately
11 assessed to the person chargeable therewith by the assessor and shall be
12 included in the assessment roll annually submitted by the assessor to the
13 town, village or city clerk and shall be entered by the clerk on the tax roll.
14 The tax shall be paid and collected in the same manner as taxes on personal
15 property are paid and collected in the taxing district where the coal dock is
16 situated, and when paid shall be deductible from gross income for income tax
17 purposes as personal property taxes are deductible ~~under s. 71.04 (3) by cor-~~
18 porations in computing net income under s. 71.02 (1) (c) (intro.). Taxes
19 collected under this section shall be divided as follows: 10% to the state,
20 20% to the county, and 70% to the town, city or village in which the taxes are
21 collected, which shall be remitted and accounted for in the same manner as the
22 state and county taxes collected from property are remitted and paid.

23 SECTION 1260mcm. 70.421 (3) of the statutes is amended to read:

24 70.421 (3) The tax provided for shall be separately assessed to the
25 person chargeable therewith by the assessor and shall be included in the
26 assessment roll annually submitted by such assessor to the town, village or
27 city clerk and shall be entered by said clerk on the tax roll. Such tax shall
28 be paid and collected in the taxing district where such refinery is situated,

1 and shall be deductible from gross income for income tax purposes in the same
2 manner as personal property taxes are deductible ~~under s. 71.04 (3) by cor-~~
3 porations in computing net income under s. 71.02 (1) (c) (intro.). Such tax
4 shall be paid and collected in the same manner as taxes on personal property
5 are paid and collected in the taxing district where such refinery is situated,
6 and the entire proceeds of such tax shall be retained by such taxing district.

7 ••87b0472/1••SECTION 1260md. 70.47 (12) of the statutes is amended to
8 read:

9 70.47 (12) NOTICE OF DECISION. Prior to final adjournment, the board of
10 review shall provide the objector, or the appropriate party under sub. (10),
11 notice by personal delivery or by mail, return receipt required, of the amount
12 of the assessment as finalized by the board and an explanation of appeal
13 rights and procedures under sub. (14) and ~~s.~~ ss. 70.85 and 74.73. Upon
14 delivering or mailing the notice under this subsection, the clerk of the board
15 of review shall prepare an affidavit specifying the date when that notice was
16 delivered or mailed.

17 ••87b1323/1 •• 87b1754/2••SECTION 1260mf. 70.47 (13) of the statutes is
18 amended to read:

19 70.47 (13) CERTIORARI. ~~Appeal~~ Except as provided in s. 70.85, appeal
20 from the determination of the board of review shall be by an action for
21 certiorari commenced within 90 days after final adjournment of the board. The
22 action shall be given preference. If the court on the appeal finds any error
23 in the proceedings of the board which renders the assessment or the proceed-
24 ings void, it shall remand the assessment to the board for further proceedings
25 in accordance with the court's determination and retain jurisdiction of the
26 matter until the board has determined an assessment in accordance with the
27 court's order. For this purpose, if final adjournment of the board occurs

1 prior to the court's decision on the appeal, the court may order the governing
2 body of the assessing authority to reconvene the board.

3 ••87b0502/2••SECTION 1260mg. 70.65 (2) of the statutes, as affected by
4 1985 Wisconsin Act 29, is amended to read:

5 70.65 (2) The aggregate amount of state, county, local, school and other
6 general property taxes ~~minus credits applied under s. 79.10 (9), except~~
7 ~~credits determined under s. 79.10 (7m)~~, shall be carried in a single column in
8 the tax roll opposite the parcel or tract of land against which the tax is
9 levied, or, in case of personal property, in a single column opposite the name
10 of the person against whom the tax is levied. Each tax bill or receipt shall
11 show the purpose for which the taxes are to be used, giving the breakdown for
12 state, county, local, school and other general property taxes. The tax roll
13 shall indicate all corrections made under ss. 70.43 and 70.44.

14 ••87b1323/1 •• 87b1754/2••SECTION 1260mm. 70.85 of the statutes is
15 created to read:

16 70.85 REVALUATION. (1) If the department of revenue, on a written com-
17 plaint filed with the department within 20 days after the taxpayer's receipt
18 of the determination of the board of review for any taxation district or
19 within 30 days after the date specified on the affidavit under s. 70.47 (12)
20 if there is no return receipt, determines that the assessment of one or more
21 descriptions of property in the taxation district, the fair market value of
22 which does not exceed \$1,000,000 as determined by the department of revenue,
23 is radically out of proportion to the general average of the assessment of all
24 other property in the district and the assessment can be satisfactorily cor-
25 rected without a reassessment of the entire district, the department of
26 revenue may revalue the property and equalize the assessment without the in-
27 tervention of a board of review, if the revaluation can be accomplished before
28 November 1 of the year in which the assessment is made or within 60 days of

1 the receipt of the written complaint, whichever is later. The valuation so
2 fixed by the department shall be substituted for the original valuation in the
3 assessment and tax rolls and taxes computed and paid on it accordingly. No
4 assessment may be raised except on the written complaint of 3 or more tax-
5 payers and only if the party to whom the property is assessed has been duly
6 notified of the intention in time to appear and be heard before, or file the
7 party's objections with, the department in relation to it. Appeal from the
8 determination of the department shall be by an action for certiorari in the
9 circuit court of the county in which the property is located, which shall be
10 given preference.

11 (2) In this section, for those taxation districts that are under a county
12 assessor system, the term "local assessor" includes the county assessor and
13 the term "board of review" includes the county board of review.

14 (3) A filing fee in the amount of \$100 shall be required and submitted
15 with any complaint filed with the department under this section. If the
16 department determines that no change in the property assessment is required,
17 the costs related to the department's determination shall be paid by the
18 department. If the department determines that a change in the property
19 assessment is required, the costs related to the department's determination
20 shall be paid by the assessment district. Past due accounts shall be certi-
21 fied by the department of revenue on or before the 4th Monday of August of
22 each year and included in the next apportionment of state special charges to
23 local units of government.

24 (4) (a) Value to be used in setting tax rate. If the department of
25 revenue has not completed the revaluation prior to the time set by a munici-
26 pality for establishing its current tax rate, the municipality shall use the
27 total value, including contested values, shown in the assessment roll in
28 setting its tax rate.

1 (b) Tax levies; refunds. If the department of revenue has not completed
2 the revaluation prior to the time of the tax levy with respect to a particular
3 objection to value, the tax levy on such property or person shall be based on
4 the contested assessed value of the property. A tax bill shall be sent to,
5 and paid by, the person subject to such tax levy as though there had been no
6 objection filed, except that the payment shall be considered to be made under
7 protest. The entire tax bill shall be paid even though the department of
8 revenue has reduced the assessment prior to the time for full payment of the
9 tax billed. If the department of revenue reduces the value of the property in
10 question, the taxpayer may file a claim for refund of taxes resulting from the
11 reduction in value. Such claim for refund shall be filed with the clerk of
12 the municipality on or before November 1 and shall be payable to the taxpayer
13 from the municipality in January of the succeeding year, plus interest thereon
14 at the rate of eight-tenths of one percent per month.

15 ••87b0471/1••SECTION 1260mr. 70.99 (1) of the statutes is amended to
16 read:

17 70.99 (1) A county assessor system may be established for any county by
18 passage of a resolution or ordinance adopting such a system by an approving
19 vote of 60% a majority of the entire membership of the county board. After
20 passage of this enabling resolution or ordinance by the county board, the
21 county executive, or the county administrator, or the chairperson of the
22 county board with the approval of the county board, shall appoint a county
23 assessor from a list of candidates provided by the department of revenue who
24 have passed an examination and have been certified by the department of
25 revenue as qualified for performing the functions of the office. Certifi-
26 cation shall be granted to all persons demonstrating proficiency by passing an
27 examination administered by the department. The persons selected for listing
28 shall first have been given a comprehensive examination, approved by the

1 department of revenue, relating to the work of county assessor. A person
2 appointed as county assessor shall thereafter have permanent tenure, after
3 successfully serving the probationary period in effect in the county, and may
4 be removed or suspended only for the reasons named in s. 17.14 (1) or for such
5 cause as would sustain the suspension or removal of a state employe under
6 state civil service rules. If employes of a county are under a county civil
7 service program, the county assessor may, and any person appointed as a member
8 of his or her staff shall, be incorporated into the county civil service pro-
9 gram but tenure is dependent on the foregoing provision.

10 ••87-2022/4••SECTION 1265. 70.99 (14) of the statutes is created to read:
11 70.99 (14) A county may discontinue a county assessor system by passage
12 of a resolution or ordinance by an approving vote of 60% of the entire
13 membership of the county board. The effective date of the resolution or
14 ordinance shall be December 31. A county shall, on or before December 1 of
15 the year preceding the year when the resolution or ordinance is effective,
16 notify all municipalities in the county of its intent to discontinue its
17 county assessor system. As soon as practicable after the effective date of
18 the resolution or ordinance, the county shall transfer to the proper munici-
19 pality all assessment records, books, maps, aerial photographs, appraisal
20 cards and other assessment data in its possession.

21 ••87b1323/1 •• 87b1754/2••SECTION 1265ad. 70.995 (8) (f) of the statutes
22 is amended to read:

23 70.995 (8) (f) No manufacturing property assessment may be reviewed in a
24 proceeding under s. 70.75 or 70.85, but such assessment may be reviewed in
25 reassessment proceedings under s. 70.75 (1).

26 SECTION 1265b. 71.01 (1) of the statutes is amended to read:

27 71.01 (1) (title) INCOME TAX. For the purpose of raising revenue for the
28 state and the counties, cities, villages and towns, there shall be assessed,

1 levied, collected and paid a tax on all net incomes of individuals and
2 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve
3 funds subject to the tax under sub. (2), and on all Wisconsin net incomes of
4 corporations as hereinafter provided, by every natural person residing within
5 the state or by his or her personal representative in case of death, and
6 trusts administered within the state; by every nonresident natural person and
7 trust of this state, upon such income as is derived from property located or
8 business transacted within the state, and also by every nonresident natural
9 person upon such income as is derived from the performance of personal ser-
10 vices within the state; and by every corporation not subject to the franchise
11 tax under sub. (2), which owns property within this state or whose business
12 within this state during the taxable year, except as provided under sub. (2m),
13 consists exclusively of foreign commerce, interstate commerce, or both; except
14 as hereinafter exempted. Every natural person domiciled in the state shall be
15 deemed to be residing within the state for the purposes of determining
16 liability for income taxes and surtaxes. In determining whether or not an
17 individual resides within this state for purposes of this subsection con-
18 tributions made to charitable organizations in this state are not relevant.
19 This section shall not be construed to prevent or affect the correction of
20 errors or omissions in the assessments of income for former years under s.
21 71.11 (16) and (20).

22 SECTION 1265f. 71.01 (1g) of the statutes is amended to read:

23 71.01 (1g) MARITAL PROPERTY AGREEMENTS. The department of revenue shall
24 notify a taxpayer whose separate return is under audit that a marital property
25 agreement or unilateral statement under ch. 766 is effective for tax purposes
26 for any period during which both spouses are domiciled in this state only if
27 it is filed with the department before any assessment resulting from the audit
28 is issued. A marital property agreement or unilateral statement under ch. 766

1 does not affect the determination of the income that is taxable by this state,
2 or of the person who is required to report taxable income to this state,
3 during the period that one or both spouses are not domiciled in this state or
4 if it was not filed with the department before an assessment was issued.

5 SECTION 1265k. 71.01 (2) of the statutes is amended to read:

6 71.01 (2) FRANCHISE TAX ON CORPORATIONS. For the privilege of exercising
7 its franchise or doing business in this state in a corporate capacity, except
8 as provided under sub. (2m), every domestic or foreign corporation, except
9 corporations specified in sub. (3), and every nuclear decommissioning trust
10 or reserve fund shall annually pay a franchise tax according to or measured by
11 its entire Wisconsin net income of the preceding ~~income~~ taxable year at the
12 rates set forth in s. 71.09 (2n). In addition, except as provided in subs.
13 (2m) and (3), a corporation that ceases doing business in this state and a
14 nuclear decommissioning trust or reserve fund that is terminated shall pay a
15 special franchise tax according to or measured by its entire Wisconsin net
16 income for the ~~income~~ taxable year during which the corporation ceases doing
17 business in this state or the nuclear decommissioning trust or reserve fund is
18 terminated at the rates under s. 71.09 (2n). Every corporation organized
19 under the laws of this state shall be deemed to be residing within this state
20 for the purposes of this franchise tax. All provisions of this chapter and
21 ch. 73 relating to ~~net~~ income taxation of corporations shall apply to fran-
22 chise taxes imposed under this subsection, unless the context requires
23 otherwise. The tax imposed by this subsection on national banking associa-
24 tions shall be in lieu of all taxes imposed by this state on national banking
25 associations to the extent it is not permissible to tax such associations
26 under federal law. The tax imposed by this subsection on insurance companies
27 subject to taxation under this chapter, except societies, organizations or
28 corporations under ch. 613 operating by virtue of s. 148.03, 447.13, 449.15 or

1 613.80, shall be based on Wisconsin net income computed under sub. (4), and no
2 other provision of this chapter relating to computation of taxable income for
3 other corporations shall apply to such insurance companies. All other provi-
4 sions of this chapter shall apply to insurance companies subject to taxation
5 under this chapter unless the context clearly requires otherwise. The tax
6 imposed upon societies, organizations or corporations under ch. 613 operating
7 by virtue of s. 148.03, 447.13, 449.15 or 613.80, shall be upon such Wisconsin
8 net income as is determined by application to such companies of those provi-
9 sions of the internal revenue code applicable to mutual insurance companies,
10 other than life insurance companies or mutual marine insurance companies,
11 having total receipts over \$500,000 subject to any applicable addition or
12 subtraction as provided in sub. (4) (a).

13 ••87b1629/3 •• 87b1990/en••SECTION 1265m. 71.01 (3) (e) of the statutes
14 is created to read:

15 71.01 (3) (e) Fifty percent of the interest on loans made to a business
16 in a development zone, as defined under s. 66.467 (1) (b), after that zone is
17 designated.

18 ••87b1594/8 •• 87b1922/en••SECTION 1265n. 71.01 (3) (g) of the statutes
19 is created to read:

20 71.01 (3) (g) Amounts received under s. 144.027.

21 SECTION 1265p. 71.01 (4) (a) (intro.) of the statutes is amended to read:

22 71.01 (4) (a) (intro.) Insurers subject to taxation under this chapter,
23 except insurers under ch. 613 operating by virtue of s. 148.03, 447.13, 449.15
24 or 613.80, ~~beginning with calendar year 1972 and thereafter, shall be taxed on~~
25 ~~the basis of pay a tax according to or measured by net income. Such tax shall~~
26 ~~first be is payable on or before March 15, 1973, and thereafter~~ under s. 71.10
27 (1). "Net income" of an insurer subject to taxation under this chapter means
28 federal taxable income as determined in accordance with the provisions of the

1 ~~internal revenue code applicable to the insurer with respect to determination~~
2 ~~of federal income tax payable by the company, adjusted as follows:~~

3 SECTION 1265s. 71.01 (4) (a) 2 of the statutes is repealed.

4 SECTION 1265w. 71.01 (4) (a) 6g of the statutes is created to read:

5 71.01 (4) (a) 6g. By adding or subtracting, as appropriate, the differ-
6 ence between the federal basis and the Wisconsin basis of any asset sold,
7 exchanged, abandoned or otherwise disposed of in a taxable transaction during
8 the taxable year.

9 SECTION 1265y. 71.01 (4) (a) 6j of the statutes is created to read:

10 71.01 (4) (a) 6j. By adding or subtracting, as appropriate, the amount
11 required to reflect the fact that property that, under s. 71.01 (4) (g) 7 to
12 10, 1985 stats., is required to be depreciated for taxable years 1983 to 1986
13 under the internal revenue code as amended to December 31, 1980, shall con-
14 tinue to be depreciated under the internal revenue code as amended to December
15 31, 1980.

16 SECTION 1266b. 71.01 (4) (a) 6m of the statutes, as affected by 1987
17 Wisconsin Act (this act), is repealed.

18 SECTION 1266f. 71.01 (4) (a) 6m. a to g of the statutes are amended to
19 read:

20 71.01 (4) (a) 6m. a. Expenses allowable under section 162 or 212 of the
21 internal revenue code and not disallowed under section 274 of the internal
22 revenue code with respect to an activity, except admissions to an organized
23 athletic event or other public event or performance that takes place in
24 Wisconsin, that is of the type generally considered to constitute
25 entertainment, amusement or recreation, or with respect to a facility used in
26 connection with those activities, except to the extent that food, beverage and
27 facility expenses are allowed as a deduction under subd. 6m. c.

1 b. Business gifts allowable as a deduction under section 162 or 212 of
2 the internal revenue code and not disallowed under section 274 of the internal
3 revenue code, except for gifts of Wisconsin agricultural commodities, as
4 defined under s. 96.01 (3), made directly or indirectly to any individual to
5 the extent that those gifts of Wisconsin agricultural commodities when added
6 to prior expenses of the taxpayer for gifts of Wisconsin agricultural commod-
7 ities made to that individual during the same taxable year do not exceed \$15.

8 c. All business meal expenses allowable under section 162 or 212 of the
9 internal revenue code and not disallowed under section 274 of the internal
10 revenue code that are not incurred in a clear business setting, and 50% of the
11 excess, including tax and gratuities, over \$25 times the number of persons
12 participating in the meal, except expenses for food and beverages furnished
13 primarily for employes on the taxpayer's premises.

14 d. Business travel expenses allowable under section 162,~~212~~ or 212 of
15 the internal revenue code and not disallowed under section 274 of the internal
16 revenue code for trips lasting one year or more in one city.

17 e. Business travel expenses allowable under section 162,~~212~~ or 212 of
18 the internal revenue code and not disallowed under section 274 of the internal
19 revenue code for travel by luxury water transportation in excess of otherwise
20 available business transportation.

21 f. Travel expenses allowable under section 162,~~212~~ or 212 of the
22 internal revenue code and not disallowed under section 274 of the internal
23 revenue code for conventions, meetings or seminars held on cruise ships and
24 not treated as income.

25 g. Business travel expenses allowable under section 162,~~212~~ or 212 of
26 the internal revenue code and not disallowed under section 274 of the internal
27 revenue code for travel as a form of education.

28 SECTION 1266k. 71.01 (4) (a) 7 of the statutes is amended to read:

1 71.01 (4) (a) 7. By subtracting from federal taxable income dividends
2 received from Wisconsin corporations which are deductible under s. 71.04 (4),
3 ~~to the extent such dividends have been that are deductible under s. 71.02 (1)~~
4 (bg) 11 and are included in federal taxable income;

5 SECTION 1266p. 71.01 (4) (a) 9 of the statutes is amended to read:

6 71.01 (4) (a) 9. By subtracting from federal taxable income any net
7 capital losses not offset against capital gains to the extent provided by s.
8 ~~71.04 (7) and (7a) that subtraction is allowed to other corporations in~~
9 computing net income under s. 71.02 (1) (c) (intro.);

10 ••87a0905/4••SECTION 1266s. 71.01 (4) (a) 10 of the statutes is renu-
11 bered 71.01 (4) (dm) and amended to read:

12 71.01 (4) (dm) ~~By subtracting~~ Insurers computing tax under this subsec-
13 tion may subtract from Wisconsin net income any Wisconsin net business loss
14 carry forward permissible under s. 71.06 sustained in any of the next 15 pre-
15 ceding income years to the extent not offset by Wisconsin net business income
16 of any year between the loss year and the income year for which an offset is
17 claimed and computed without regard to par. (a) 7 and 9 and this paragraph and
18 limited to the amount of net income, but no loss incurred by any insurer in
19 1971 or any prior year may be carried forward, and any such loss, not incurred
20 in 1971 or any prior year, sustained by a nonprofit service plan of sickness
21 care under ch. 148, dental care under s. 447.13 or prepaid optometric service
22 plans under s. 449.15 shall may be treated as a net business loss of the suc-
23 cessor service insurer under ch. 613 operating by virtue of s. 148.03, 447.13
24 or 449.15.

25 ••87a0905/4••SECTION 1266w. 71.01 (4) (b) 1 of the statutes is amended to
26 read:

27 71.01 (4) (b) 1. With respect to any domestic insurer engaged in the sale
28 of life insurance and also other insurance, the net income figure derived by

1 application of par. (a) shall be multiplied by a fraction, the numerator of
2 which shall be is the net gain from operations on insurance, other than life
3 insurance, and the denominator of which shall be is the total net gain from
4 operations. ~~If; except that the multiplier is zero if the numerator is zero~~
5 ~~or negative, the multiplier shall be zero the numerator is negative and the~~
6 adjusted federal taxable income is positive or the numerator is positive and
7 the adjusted federal taxable income is negative, and except that the
8 multiplier is one if the numerator is positive and the denominator is zero or
9 negative and the adjusted federal taxable income is positive or the numerator
10 is negative and the denominator is zero or positive and the adjusted federal
11 taxable income is negative or the numerator, the denominator and the adjusted
12 federal taxable income are positive and the numerator is greater than the
13 denominator, and except that if the numerator and denominator are both nega-
14 tive and the adjusted federal taxable income is negative the multiplier is
15 positive but may not be more than one.

16 SECTION 1266y. 71.01 (4) (g) 7 to 10 of the statutes are amended to read:
17 71.01 (4) (g) 7. For taxable year 1983, "internal revenue code" means the
18 federal internal revenue code as amended to December 31, 1982, except that
19 "internal revenue code" does not include section 168 (f) (8) of the code
20 (relating to a special rule for leases), except that in respect to computing
21 the deduction for depreciation on property located outside this state and
22 first placed in service by the taxpayer on or after January 1, 1983, "internal
23 revenue code" means that code as amended to December 31, 1980, and except that
24 "internal revenue code" includes changes to that code enacted by P.L. 97-424,
25 P.L. 97-448, P.L. 97-473 and P.L. 98-4. For the purposes of this subdivision,
26 s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp) and (fq), 1983 stats.,
27 apply as appropriate.

1 8. For taxable year 1984, "internal revenue code" means the federal
2 internal revenue code as amended to December 31, 1983, except that "internal
3 revenue code" does not include section 168 (f) (8) of the code (relating to a
4 special rule for leases) and except that in respect to computing the deduction
5 for depreciation on property located outside this state and first placed in
6 service by the taxpayer on or after January 1, 1983, "internal revenue code"
7 means that code as amended to December 31, 1980. For the purposes of this
8 subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp) and (fq),
9 1983 stats., apply as appropriate.

10 9. For taxable year 1985, "internal revenue code" means the federal
11 internal revenue code as amended to December 31, 1984, except that "internal
12 revenue code" does not include section 168 (f) (8) of the code (relating to a
13 special rule for leases) and except that in respect to computing the deduction
14 for depreciation on property located outside this state and first placed in
15 service by the taxpayer on or after January 1, 1983, "internal revenue code"
16 means that code as amended to December 31, 1980. For the purposes of this
17 subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp) and (fq),
18 1985 stats., apply as appropriate.

19 10. For taxable year 1986 ~~and subsequent years~~, except for depreciable
20 property that is residential real property or, if the taxpayer's Wisconsin
21 gross farm receipts or sales exceed \$155,000 ~~for taxable year 1986 or for~~
22 ~~taxable year 1987 or thereafter exceed the dollar amount as indexed under s.~~
23 ~~71.09 (2) without regard to s. 71.09 (2e)~~, used in farming, as defined in
24 section 464 (e) (1) of the internal revenue code, and acquired in taxable year
25 1986 ~~and thereafter~~, "internal revenue code" means the federal internal
26 revenue code as amended to December 31, 1985, except that "internal revenue
27 code" does not include section 168 (f) (8) of the code (relating to a special
28 rule for leases) and except that in respect to computing the deduction for

1 depreciation on property located outside this state and first placed in ser-
2 vice by the taxpayer on or after January 1, 1983, "internal revenue code"
3 means that code as amended to December 31, 1980. For the purposes of this
4 subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp) and (fq),
5 1985 stats., apply as appropriate.

6 SECTION 1267b. 71.01 (4) (g) 11 of the statutes is created to read:

7 71.01 (4) (g) 11. For taxable year 1987 and subsequent years, "internal
8 revenue code" means the federal internal revenue code as amended to December
9 31, 1986, as it applies to taxable year 1987 and subsequent years. Amendments
10 to the internal revenue code enacted after December 31, 1986, do not apply to
11 this subdivision with respect to taxable year 1987 and thereafter.

12 ••87a0906/2••SECTION 1267f. 71.01 (4) (h) of the statutes is amended to
13 read:

14 71.01 (4) (h) The tax imposed under this section on each domestic insurer
15 ~~that provides insurance on a debtor to provide indemnity for payments becoming~~
16 ~~due on a specific loan or other credit transaction while the debtor is dis-~~
17 ~~abled as defined in the policy on or measured by its entire net income~~
18 ~~attributable to that business~~ lines of insurance in this state may not exceed
19 2% of the gross premiums as defined in s. 76.62 received during the taxable
20 year by the insurer on all such policies on those lines of insurance if the
21 ~~subject of which resides or is located~~ that insurance was resident, located or
22 to be performed in this state. ~~For purposes of this paragraph, the tax~~
23 ~~imposed under this section on this line of insurance shall be computed by the~~
24 ~~same general method prescribed in pars. (b), (c) and (d) for insurance other~~
25 ~~than life insurance with appropriate substitutions of data applying to this~~
26 ~~line of insurance.~~

27 SECTION 1267k. 71.014 of the statutes is amended to read:

1 71.014 INDIVIDUAL SURTAX. For taxable year 1983, there is imposed and
2 there shall be assessed, collected and paid, in addition to and in the same
3 manner as all other income taxes imposed under this chapter, including those
4 provisions relating to refunds and overpayments, a surtax to be paid by every
5 individual subject to tax under s. 71.01 (1) equal to 10% of that individual's
6 income tax payable to this state. In this section, "income tax payable" means
7 the tax computed at the rates and brackets under s. 71.09 (1b) as adjusted
8 under s. 71.09 (2) plus any tax payable under s. 71.60. Any declarations of
9 estimated tax payments that would have been due under s. 71.21 before July 1,
10 1983, solely because of this surtax shall be prorated equally among, and paid
11 with, any payments that are due on or after July 1, 1983, for the 1983 taxable
12 year. Any penalty addition to tax for underpayment of declaration of esti-
13 mated taxes computed under s. 71.21 shall be computed on the basis that the
14 surtax for the 1983 taxable year was required to be included only with
15 instalment payments due on or after July 1, 1983. The surtax is part of the
16 tax for purposes of determining any underpayment or ~~declaring~~ paying estimated
17 taxes under s. 71.21.

18 SECTION 1267p. 71.016 of the statutes is created to read:

19 71.016 ADDITIONAL TAX ON TAX-OPTION CORPORATIONS. In addition to the
20 other taxes imposed under this chapter, there is imposed on every tax-option
21 corporation that has a recognized built-in capital gain, as defined in section
22 1374 (d) (2) of the internal revenue code, during a recognition period, as
23 defined in section 1374 (d) (3) of the internal revenue code, and that had not
24 made a tax-option corporation election before January 1, 1987, a tax computed
25 under section 1374 of the internal revenue code except that the rate is that
26 under s. 71.09 (2n), the taxable income is the Wisconsin taxable income and
27 the credit and net operating losses are those under this chapter rather than
28 the federal credits and net operating losses.

1 SECTION 1267s. 71.02 (1) (intro.) of the statutes is repealed and recre-
2 ated to read:

3 71.02 (1) DEFINITIONS APPLICABLE TO CORPORATIONS. (intro.) In this
4 chapter and in regard to corporations and to nuclear decommissioning trust or
5 reserve funds:

6 SECTION 1267w. 71.02 (1) (b) of the statutes is repealed.

7 SECTION 1267y. 71.02 (1) (bc) of the statutes is created to read:

8 71.02 (1) (bc) "Gain" means gain as computed under the internal revenue
9 code.

10 SECTION 1268b. 71.02 (1) (bg) of the statutes is created to read:

11 71.02 (1) (bg) Except as provided in par. (c) and s. 71.01 (4) (g),
12 "internal revenue code", for taxable year 1987 and subsequent years, means the
13 federal internal revenue code as amended to December 31, 1986, as it applies
14 to taxable year 1987 and subsequent years, except that that code does not
15 include amendments to the federal internal revenue code enacted after December
16 31, 1986, and except that that code is modified in the following ways:

- 17 1. Section 78 (relating to treating taxes as dividends) is excluded.
- 18 2. Section 103 (relating to an exemption for interest) is excluded.
- 19 3. Section 108 (b) (relating to reduction of tax attributes) is modified
20 so that the net operating loss under s. 71.06, not the federal net operating
21 loss, and Wisconsin credits, not federal credits, are applied.
- 22 4. Section 133 (relating to an exclusion for interest) is excluded.
- 23 5. Section 162 (relating to trade or business expenses) is modified so
24 that payments for wages, salaries, commissions and bonuses of employes and
25 officers may be deducted only if the name, address and amount paid to each
26 resident of this state to whom compensation of \$500 or more has been paid
27 during the taxable year is reported or if the department of revenue is satis-
28 fied that failure to report has resulted in no revenue loss to this state and

1 so that payments for rent may be deducted only if the amount paid, together
2 with the names and addresses of the parties to whom rent has been paid, is
3 reported as provided under s. 71.10 (1).

4 6. Section 164 (a) is modified so that foreign taxes are not deductible
5 unless the income on which the tax is based is taxable under this chapter and
6 so that gross receipts taxes assessed in lieu of property taxes, the license
7 fees under ss. 76.28 and 76.38 and the tax under s. 70.375 are deductible.

8 8. Section 164 (a) (3) is modified so that state taxes and taxes of the
9 District of Columbia on or measured by all or a portion of net income, gross
10 income, gross receipts or capital stock are not deductible.

11 9. Section 164 (a) (4) (relating to a deduction for the windfall profits
12 tax) is excluded.

13 10. Section 172 is excluded and replaced by the treatment of business
14 loss carry-forwards under s. 71.06.

15 11. Sections 243, 244, 245, 246 and 246A are excluded and replaced by the
16 rule that corporations may deduct from income dividends received from a cor-
17 poration with respect to its common stock if the corporation receiving the
18 dividends owns, directly or indirectly, during the entire taxable year at
19 least 80% of the total combined voting stock of the payor corporation and
20 dividends received from a corporation that filed a return under this chapter,
21 that is subject to tax under this chapter, that did not deduct the dividends
22 under this chapter and 50% or more of the net income or loss of which, after
23 adjustment for tax purposes, was used in computing taxable income under this
24 chapter. In this subdivision, "dividends received" means gross dividends
25 minus taxes on those dividends paid to a foreign nation and claimed as a
26 deduction under this chapter.

27 12. Section 247 (relating to dividends on preferred stock of public
28 utilities) is excluded.

1 13. Section 265 is excluded and replaced by the rule that any amount
2 otherwise deductible under this chapter that is directly or indirectly related
3 to income wholly exempt from taxes imposed by this chapter or to losses from
4 the sale or other disposition of assets the gain from which would be exempt
5 under this subdivision if the assets were sold or otherwise disposed of at a
6 gain is not deductible. In this subdivision, "wholly exempt income", for
7 corporations subject to franchise or income taxes, includes amounts received
8 from affiliated or subsidiary corporations for interest, dividends or capital
9 gains that, because of the degree of common ownership, control or management
10 between the payor and payee, are not subject to taxes under this chapter. In
11 this subdivision, "wholly exempt income", for corporations subject to income
12 taxation under this chapter, also includes interest on obligations of the
13 United States. In this subdivision, "wholly exempt income" does not include
14 income excludable, not recognized, exempt or deductible under specific provi-
15 sions of this chapter. If any expense or amount otherwise deductible is
16 indirectly related both to wholly exempt income or loss and to other income or
17 loss, a reasonable proportion of the expense or amount shall be allocated to
18 each type of income or loss, in light of all the facts and circumstances.

19 14. Section 267 (relating to transactions between related taxpayers) is
20 modified so that gains may be reduced only if the corresponding loss was
21 incurred while the corporation was subject to tax under this chapter.

22 15. Sections 381, 382 and 383 (relating to carry-overs in certain corpo-
23 rate acquisitions) are modified so that they apply to losses under s. 71.06
24 and credits under ss. 71.043 and 71.09 (12r) and (12rf) instead of to federal
25 credits and federal net operating losses.

26 16. Section 468A (relating to nuclear decommissioning trust and reserve
27 funds) is modified so that the deduction under section 468A (a) is allowed
28 only if the fund is subject to tax under this chapter.

1 17. Section 501 (c) 14 (relating to an exemption for credit unions) is
2 excluded and replaced with s. 71.01 (3) as that subsection relates to credit
3 unions.

4 18. Sections 511 to 515 (relating to taxation of unrelated business
5 income of exempt organizations) are excluded.

6 19. Sections 613 and 613A (relating to percentage depletion) are
7 excluded.

8 20. Sections 921 to 927 (relating to foreign sales corporations) are
9 excluded.

10 21. Sections 951 to 964 (relating to controlled foreign corporations) are
11 excluded.

12 22. Sections 991 to 994, 995 as amended by section 802 of P.L. 98-369,
13 and section 999 as amended by section 802 of P.L. 98-369 (relating to domestic
14 international sales corporations) are excluded.

15 23. Section 1017 (relating to adjustments to basis because of discharge
16 of indebtedness) is modified to reflect the modification under subd. 3.

17 24. Section 1033 is modified so that it does not apply to involuntary
18 conversions of property in this state that produces nonbusiness income and
19 that is replaced with similar property outside this state and to involuntary
20 conversions of property in this state that produces business income and that
21 is replaced with property outside this state if at the time of replacement the
22 taxpayer is not subject to tax under this chapter.

23 25. Section 1366 (f) (relating to pass-through of items to shareholders)
24 is modified by substituting the tax under s. 71.016 for the tax under section
25 1374.

26 26. Sections 1501 to 1505, 1551, 1552, 1563 and 1564 (relating to con-
27 solidated returns) are excluded.

1 27. A corporation may compute amortization and depreciation under either
2 the federal internal revenue code as amended to December 31, 1986, as it
3 applies to taxable year 1987, or the federal internal revenue code in effect
4 for the taxable year for which the return is filed, except that property first
5 placed in service by the taxpayer on or after January 1, 1983, but before
6 January 1, 1987, that, under s. 71.04 (15) (b) and (br), 1985 stats., is
7 required to be depreciated under the internal revenue code as amended to
8 December 31, 1980, and property first placed in service in taxable year 1981
9 or thereafter but before January 1, 1987, that, under s. 71.04 (15) (bm), 1985
10 stats., is required to be depreciated under the internal revenue code as
11 amended to December 31, 1980, shall continue to be depreciated under the
12 internal revenue code as amended to December 31, 1980.

13 SECTION 1268f. 71.02 (1) (bi) of the statutes is created to read:

14 71.02 (1) (bi) "Loss" means loss as computed under the internal revenue
15 code.

16 SECTION 1268k. 71.02 (1) (c) (intro.) of the statutes is amended to read:

17 71.02 (1) (c) (intro.) "Net income" means, for corporations, "gross
18 income" less allowable deductions, gross income, as computed under the
19 internal revenue code, minus the amount received under s. 144.027 plus the
20 amount of credit computed under ss. 71.043 and 71.09 (12m), (12r) and (12rf)
21 plus the amount of losses from the sale or other disposition of assets the
22 gain from which would be wholly exempt income, as defined in par. (bg) 13, if
23 the assets were sold or otherwise disposed of at a gain and minus deductions,
24 as computed under the internal revenue code, plus or minus, as appropriate, an
25 amount equal to the difference between the federal basis and Wisconsin basis
26 of any asset sold, exchanged, abandoned or otherwise disposed of in a taxable
27 transaction during the taxable year, except as provided in s. 71.01 (4) (a)
28 and except as follows:

1 SECTION 1268p. 71.02 (1) (c) 8 to 11 of the statutes are amended to read:

2 71.02 (1) (c) 8. For taxable year 1983, for a corporation or common law
3 trust which qualifies as a regulated investment company or real estate
4 investment trust under the internal revenue code as amended to December 31,
5 1982, "net income" means the federal regulated investment company taxable
6 income or federal real estate investment trust taxable income of the corpora-
7 tion or trust as determined under the internal revenue code as amended to
8 December 31, 1982, except that "internal revenue code" does not include
9 section 168 (f) (8) of the code (relating to a special rule for leases),
10 except that in respect to computing the deduction for depreciation on property
11 located outside this state and first placed in service by the taxpayer on or
12 after January 1, 1983, "internal revenue code" means that code as amended to
13 December 31, 1980, and except that "internal revenue code" includes changes to
14 that code enacted by P.L. 97-424, P.L. 97-448, P.L. 97-473 and P.L. 98-4. For
15 the purposes of this subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn),
16 (fo), (fp) and (fq), 1983 stats., apply as appropriate.

17 9. For taxable year 1984, for a corporation or common law trust which
18 qualifies as a regulated investment company or real estate investment trust
19 under the internal revenue code as amended to December 31, 1983, "net income"
20 means the federal regulated investment company taxable income or federal real
21 estate investment trust taxable income of the corporation or trust as deter-
22 mined under the internal revenue code as amended to December 31, 1983, except
23 that "internal revenue code" does not include section 168 (f) (8) of the code
24 (relating to a special rule for leases) and except that in respect to comput-
25 ing the deduction for depreciation on property located outside this state and
26 first placed in service by the taxpayer on or after January 1, 1983, "internal
27 revenue code" means that code as amended to December 31, 1980. For the pur-

1 poses of this subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp)
2 and (fq), 1983 stats., apply as appropriate.

3 10. For taxable year 1985, for a corporation or common law trust which
4 qualifies as a regulated investment company or real estate investment trust
5 under the internal revenue code as amended to December 31, 1984, "net income"
6 means the federal regulated investment company taxable income or federal real
7 estate investment trust taxable income of the corporation or trust as deter-
8 mined under the internal revenue code as amended to December 31, 1984, except
9 that "internal revenue code" does not include section 168 (f) (8) of the code
10 (relating to a special rule for leases) and except that in respect to comput-
11 ing the deduction for depreciation on property located outside this state and
12 first placed in service by the taxpayer on or after January 1, 1983, "internal
13 revenue code" means that code as amended to December 31, 1980. For the pur-
14 poses of this subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp)
15 and (fq), 1985 stats., apply as appropriate.

16 11. For taxable year 1986 ~~and subsequent years~~, except for depreciable
17 property that is residential real property or, if the taxpayer's Wisconsin
18 gross farm receipts or sales exceed \$155,000 ~~for taxable year 1986 or for~~
19 ~~taxable year 1987 or thereafter exceed the dollar amount as indexed under s.~~
20 ~~71.09 (2) without regard to s. 71.09 (2e)~~, used in farming, as defined in
21 section 464 (e) (1) of the internal revenue code, and acquired in taxable year
22 1986 ~~and thereafter~~, for a corporation or common law trust which qualifies as
23 a regulated investment company or real estate investment trust under the
24 internal revenue code as amended to December 31, 1985, "net income" means the
25 federal regulated investment company taxable income or federal real estate
26 investment trust taxable income of the corporation or trust as determined
27 under the internal revenue code as amended to December 31, 1985, except that
28 "internal revenue code" does not include section 168 (f) (8) of the code

1 (relating to a special rule for leases) and except that in respect to comput-
2 ing the deduction for depreciation on property located outside this state and
3 first placed in service by the taxpayer on or after January 1, 1983, "internal
4 revenue code" means that code as amended to December 31, 1980. For the pur-
5 poses of this subdivision, s. 71.04 (15) (b), (d), (er), (f), (fn), (fo), (fp)
6 and (fq), 1985 stats., apply as appropriate.

7 SECTION 1268s. 71.02 (1) (c) 12 of the statutes is created to read:

8 71.02 (1) (c) 12. For taxable year 1987 and subsequent years, for a
9 corporation, conduit or common law trust which qualifies as a regulated
10 investment company, real estate mortgage investment conduit or real estate
11 investment trust under the internal revenue code as amended to December 31,
12 1986, as it applies to taxable year 1987 and subsequent years, "net income"
13 means the federal regulated investment company taxable income, federal real
14 estate mortgage investment conduit taxable income or federal real estate
15 investment trust taxable income of the corporation, conduit or trust as
16 determined under the internal revenue code as amended to December 31, 1986, as
17 it applies to taxable year 1987 and subsequent years, except that property
18 that, under subs. 8 to 11, 1985 stats., is required to be depreciated for
19 taxable years 1983 to 1986 under the internal revenue code as amended to
20 December 31, 1980, shall continue to be depreciated under the internal revenue
21 code as amended to December 31, 1980. Amendments to the internal revenue code
22 enacted after December 31, 1986, do not apply to this subdivision with respect
23 to taxable year 1987 and thereafter.

24 SECTION 1268w. 71.02 (1) (d) of the statutes is amended to read:

25 71.02 (1) (d) "Net income or loss" of a tax-option corporation means
26 ~~gross income less the allowable deductions under s. 71.04, other than the~~
27 ~~deduction under s. 71.04 (4), and less any net business loss carry forward~~
28 ~~under s. 71.06 from taxable years prior to 1979. For purposes of this~~

1 ~~paragraph, the total net business loss carry forward shall be offset against~~
2 ~~total net income or loss computed under this chapter as if section 1363 (a),~~
3 ~~(b) and (c) of the internal revenue code did not apply plus any deduction for~~
4 ~~dividends received that is claimed in computing net income or loss.~~

5 SECTION 1268y. 71.02 (1) (dm) of the statutes is created to read:

6 71.02 (1) (dm) "Nuclear decommissioning reserve fund" and "nuclear
7 decommissioning trust fund" have the meanings under section 468A of the
8 internal revenue code.

9 SECTION 1269b. 71.02 (1) (fm) of the statutes is created to read:

10 71.02 (1) (fm) "Taxable year" means the taxable year coinciding with the
11 calendar year named and all other taxable years ending on or after July 1 in
12 that calendar year or on or before the June 30 of the following calendar year.
13 The taxable period for the taxable year is the taxable period upon the basis
14 of which the taxable income of the taxpayer is computed for federal income tax
15 purposes. The taxable year of a corporation that keeps its accounting records
16 on the basis of a 52-53 week period ends on the last day of the month closest
17 to the end of the 52-53 week period.

18 SECTION 1269f. 71.02 (1) (g) of the statutes is amended to read:

19 71.02 (1) (g) "Tax-option corporation" means a corporation which has
20 elected and qualified to be taxed under subchapter S of the internal revenue
21 code, ~~and~~ which has not terminated or had ~~such~~ that election terminated and
22 which has not changed its status under s. 71.042 (4) (a).

23 SECTION 1269k. 71.02 (1) (m) of the statutes is created to read:

24 71.02 (1) (m) Except as provided in s. 71.01 (4) (a) (intro.), "Wisconsin
25 net income", for corporations engaged in business wholly within this state,
26 means net income and, for corporations engaged in business both within and
27 outside this state, means the amount assigned to this state under s. 71.07 (2)

1 (intro.) or by a separate accounting or allocation, if allowed under s. 71.07
2 (2) (intro.), or by another method approved under s. 71.07 (3) or (5).

3 SECTION 1269p. 71.02 (2) (intro.) of the statutes is amended to read:

4 71.02 (2) DEFINITIONS APPLICABLE TO NATURAL PERSONS AND FIDUCIARIES.
5 (intro.) ~~As used in~~ In this chapter in regard to natural persons and
6 fiduciaries, except fiduciaries of nuclear decommissioning trust or reserve
7 funds:

8 SECTION 1269s. 71.02 (2) (d) 9 of the statutes is amended to read:

9 71.02 (2) (d) 9. For the taxable year 1983, for natural persons, fidu-
10 ciaries and tax-option corporations "internal revenue code" means the federal
11 internal revenue code in effect on December 31, 1982, except that for taxable
12 year 1983 it includes section 214 of the internal revenue code (relating to
13 deduction of certain dependent care expenses) as it existed immediately prior
14 to its repeal in 1976 by section 504 (b) (1) of P.L. 94-455 with the modifi-
15 cation that the applicable work requirements are those under section 44A of
16 the internal revenue code as amended to December 31, 1982, and except that for
17 taxable year 1983 it includes section 218 of the internal revenue code
18 (relating to the deduction of political contributions) as it existed immedi-
19 ately prior to its repeal in 1978 by section 113 (a) of P.L. 95-600 and
20 section 911 (c) of the internal revenue code (relating to the foreign earned
21 income exclusion) as it existed on December 31, 1977, and it includes changes
22 to the code enacted by P.L. 97-424, P.L. 97-448, P.L. 97-473 and, P.L. 98-4
23 and section 721 (r) of P.L. 98-369; and it does not include the changes to the
24 internal revenue code enacted by sections 111 and 113 (relating to U.S. citi-
25 zens or residents working abroad) and section 251 (relating to incentive stock
26 options) of P.L. 97-34. Except for changes enacted by P.L. 97-424, P.L.
27 97-448, P.L. 97-473 and, P.L. 98-4 and section 721 (r) of P.L. 98-369, amend-

1 ments to the internal revenue code enacted after December 31, 1982, do not
2 apply to this subsection with respect to taxable year 1983.

3 SECTION 1269w. 71.02 (2) (d) 10 of the statutes is amended to read:

4 71.02 (2) (d) 10. For taxable year 1984, for natural persons, fiduciaries
5 and tax-option corporations "internal revenue code" means the federal internal
6 revenue code in effect on December 31, 1983, except that it includes section
7 218 of the internal revenue code (relating to the deduction of political
8 contributions) as it existed immediately prior to its repeal in 1978 by
9 section 113 (a) of P.L. 95-600 and section 911 (c) of the internal revenue
10 code (relating to the foreign earned income exclusion) as it existed on
11 December 31, 1977, it includes the changes made to section 1368 of the
12 internal revenue code by section 721 (r) of P.L. 98-369 and it does not
13 include the changes to the internal revenue code enacted by sections 111 and
14 113 (relating to U.S. citizens or residents working abroad) and section 251
15 (relating to incentive stock options) of P.L. 97-34. Amendments Except for
16 changes enacted by section 721 (r) of P.L. 98-369, amendments to the internal
17 revenue code enacted after December 31, 1983, do not apply to this subsection
18 with respect to taxable year 1984.

19 SECTION 1269y. 71.02 (2) (d) 12 of the statutes is amended to read:

20 71.02 (2) (d) 12. For taxable year 1986 ~~and subsequent years~~, for natural
21 persons, fiduciaries and tax-option corporations, "internal revenue code"
22 means the federal internal revenue code in effect on December 31, 1985, except
23 that in respect to calculating the depreciation deduction and gain or loss on
24 the sale or other disposition of depreciable property that is residential real
25 property or used in farming, as defined in section 464 (e) (1) of the internal
26 revenue code, if the taxpayer's nonfarm Wisconsin adjusted gross income
27 exceeds \$55,000, or exceeds \$27,500 for a married person filing separately, or
28 gross farm profit exceeds \$155,000, or exceeds \$77,500 for a married person

1 ~~filing separately, for taxable year 1986 or for taxable year 1987 or there-~~
2 ~~after exceeds any of those dollar amounts as indexed under s. 71.09 (2) with-~~
3 ~~out regard to s. 71.09 (2e) and except that the amounts applicable to married~~
4 ~~persons filing separately shall be set at 50% of the amounts applicable to~~
5 ~~other persons, for property placed in service by the taxpayer during taxable~~
6 ~~year 1986 and thereafter, "internal revenue code" means the federal internal~~
7 ~~revenue code as amended to December 31, 1980. Amendments to the internal~~
8 ~~revenue code enacted after December 31, 1985, do not apply to this subsection~~
9 ~~with respect to taxable year 1986 and thereafter.~~

10 SECTION 1270b. 71.02 (2) (d) 13 of the statutes is created to read:

11 71.02 (2) (d) 13. For taxable year 1987 and subsequent years, for natural
12 persons and fiduciaries, except fiduciaries of nuclear decommissioning trust
13 or reserve funds, "internal revenue code" means the federal internal revenue
14 code as amended to December 31, 1986, as it applies to taxable year 1987 and
15 subsequent years. Amendments to the internal revenue code enacted after
16 December 31, 1986, do not apply to this subsection with respect to taxable
17 year 1987 and thereafter.

18 ••87a1072/2••SECTION 1270f. 71.02 (2) (eg) of the statutes is amended to
19 read:

20 71.02 (2) (eg) "Married person" or "spouse" means a person determined
21 under section ~~43~~ 7703 (a) of the internal revenue code to be married, unless
22 the context requires otherwise. A decree of divorce, annulment or legal sep-
23 aration terminates the marriage and the application of ch. 766 to property of
24 the spouses after the date of the decree, unless the decree provides
25 otherwise.

26 ••87a1072/2••SECTION 1270k. 71.02 (2) (fr) (intro.) of the statutes is
27 amended to read:

1 71.02 (2) (fr) (intro.) "Small business stock" means an equity security
2 that the taxpayer has held for at least 5 years and that is issued by a cor-
3 poration that, on the December 31 before acquisition by the taxpayer, or, for
4 a corporation which was incorporated during the calendar year in which the
5 stock is issued, as of the date of the acquisition of the stock, fulfills all
6 the following requirements and so certifies to the taxpayer upon acquisition:

7 ••87a1072/2••SECTION 1270p. 71.02 (2) (fr) 3 of the statutes is amended
8 to read:

9 71.02 (2) (fr) 3. Derives no more than 25% of its gross receipts from
10 rents, interest, dividends and sales of intangible investment assets combined
11 unless the corporation derives less than \$3,000 of that income and has not
12 been incorporated for more than 2 calendar years.

13 ••87b1839/3 •• 87b2007/3••SECTION 1270q. 71.02 (2) (fr) 5 of the statutes
14 is repealed.

15 SECTION 1270s. 71.02 (2) (km) 2m of the statutes is amended to read:

16 71.02 (2) (km) 2m. For taxable year 1986 ~~and thereafter~~, except as
17 otherwise provided, the Wisconsin standard deduction is whichever of the
18 following amounts is appropriate. For a single individual who has a Wisconsin
19 adjusted gross income of less than \$7,500, the standard deduction is \$5,200.
20 For a single individual who has a Wisconsin adjusted gross income of at least
21 \$7,500 but not more than \$50,830, the standard deduction is the amount
22 obtained by subtracting from \$5,200 12% of Wisconsin adjusted gross income in
23 excess of \$7,500 but not less than \$0. For a single individual who has a
24 Wisconsin adjusted gross income of more than \$50,830, the standard deduction
25 is \$0. For a married couple filing jointly that has an aggregate Wisconsin
26 adjusted gross income of less than \$10,000, the standard deduction is \$7,200.
27 For a married couple filing jointly that has an aggregate Wisconsin adjusted
28 gross income of at least \$10,000 but not more than \$77,500, the standard

1 deduction is the amount obtained by subtracting from \$7,200 10.667% of aggre-
2 gate Wisconsin adjusted gross income in excess of \$10,000 but not less than
3 \$0. For a married couple filing jointly that has an aggregate Wisconsin
4 adjusted gross income of more than \$77,500, the standard deduction is \$0. For
5 a married individual filing separately who has a Wisconsin adjusted gross
6 income of less than \$4,750, the standard deduction is \$3,420. For a married
7 individual filing separately who has a Wisconsin adjusted gross income of at
8 least \$4,750 but not more than \$36,810, the standard deduction is the amount
9 obtained by subtracting from \$3,420 10.667% of Wisconsin adjusted gross income
10 in excess of \$4,750 but not less than \$0. For a married individual filing
11 separately who has a Wisconsin adjusted gross income of more than \$36,810, the
12 standard deduction is \$0. The secretary of revenue shall prepare a table
13 under which deductions under this subdivision shall be determined. That table
14 shall be published in the department's instructional booklets.

15 SECTION 1270w. 71.02 (2) (km) 2n of the statutes is created to read:

16 71.02 (2) (km) 2n. For taxable year 1987 the Wisconsin standard deduction
17 is whichever of the following amounts is appropriate. For a single individual
18 who has a Wisconsin adjusted gross income of less than \$7,500, the standard
19 deduction is \$5,200. For a single individual who has a Wisconsin adjusted
20 gross income of at least \$7,500 but not more than \$50,830, the standard
21 deduction is the amount obtained by subtracting from \$5,200 12% of Wisconsin
22 adjusted gross income in excess of \$7,500 but not less than \$0. For a single
23 individual who has a Wisconsin adjusted gross income of more than \$50,830, the
24 standard deduction is \$0. For a married couple filing jointly that has an
25 aggregate Wisconsin adjusted gross income of less than \$10,000, the standard
26 deduction is \$7,560. For a married couple filing jointly that has an aggre-
27 gate Wisconsin adjusted gross income of at least \$10,000 but not more than
28 \$70,480, the standard deduction is the amount obtained by subtracting from

1 \$7,560 12.5% of aggregate Wisconsin adjusted gross income in excess of \$10,000
2 but not less than \$0. For a married couple filing jointly that has an aggregate
3 Wisconsin adjusted gross income of more than \$70,480, the standard
4 deduction is \$0. For a married individual filing separately who has a
5 Wisconsin adjusted gross income of less than \$4,750, the standard deduction is
6 \$3,590. For a married individual filing separately who has a Wisconsin
7 adjusted gross income of at least \$4,750 but not more than \$33,470, the standard
8 deduction is the amount obtained by subtracting from \$3,590 12.5% of
9 Wisconsin adjusted gross income in excess of \$4,750 but not less than \$0. For
10 a married individual filing separately who has a Wisconsin adjusted gross
11 income of more than \$33,470, the standard deduction is \$0. The secretary of
12 revenue shall prepare a table under which deductions under this subdivision
13 shall be determined. That table shall be published in the department's
14 instructional booklets.

15 SECTION 1270y. 71.02 (2) (km) 2p of the statutes is created to read:

16 71.02 (2) (km) 2p. For taxable year 1988 and thereafter the Wisconsin
17 standard deduction is whichever of the following amounts is appropriate. For
18 a single individual who has a Wisconsin adjusted gross income of less than
19 \$7,500, the standard deduction is \$5,200. For a single individual who has a
20 Wisconsin adjusted gross income of at least \$7,500 but not more than \$50,830,
21 the standard deduction is the amount obtained by subtracting from \$5,200 12%
22 of Wisconsin adjusted gross income in excess of \$7,500 but not less than \$0.
23 For a single individual who has a Wisconsin adjusted gross income of more than
24 \$50,830, the standard deduction is \$0. For a married couple filing jointly
25 that has an aggregate Wisconsin adjusted gross income of less than \$10,000,
26 the standard deduction is \$8,900. For a married couple filing jointly that
27 has an aggregate Wisconsin adjusted gross income of at least \$10,000 but not
28 more than \$55,000, the standard deduction is the amount obtained by subtract-

1 ing from \$8,900 19.778% of aggregate Wisconsin adjusted gross income in excess
2 of \$10,000 but not less than \$0. For a married couple filing jointly that has
3 an aggregate Wisconsin adjusted gross income of more than \$55,000, the stan-
4 dard deduction is \$0. For a married individual filing separately who has a
5 Wisconsin adjusted gross income of less than \$4,750, the standard deduction is
6 \$4,230. For a married individual filing separately who has a Wisconsin
7 adjusted gross income of at least \$4,750 but not more than \$26,140, the stan-
8 dard deduction is the amount obtained by subtracting from \$4,230 19.778% of
9 Wisconsin adjusted gross income in excess of \$4,750 but not less than \$0. For
10 a married individual filing separately who has a Wisconsin adjusted gross
11 income of more than \$26,140, the standard deduction is \$0. The secretary of
12 revenue shall prepare a table under which deductions under this subdivision
13 shall be determined. That table shall be published in the department's
14 instructional booklets.

15 ••87a1067/2••SECTION 1271b. 71.02 (2) (kr) of the statutes is repealed.

16 SECTION 1271f. 71.03 (title) of the statutes is amended to read:

17 71.03 (title) EXCLUSIONS FOR INDIVIDUALS; RECIPROCIDY.

18 SECTION 1271k. 71.03 (1) of the statutes is repealed.

19 SECTION 1271n. 71.03 (2) (a) of the statutes is repealed.

20 SECTION 1271s. 71.03 (2) (b) of the statutes is repealed.

21 SECTION 1271w. 71.03 (2) (f) of the statutes is repealed.

22 SECTION 1271y. 71.03 (5) of the statutes is repealed.

23 SECTION 1272b. 71.03 (6) of the statutes is repealed.

24 SECTION 1272f. 71.035 of the statutes is repealed.

25 SECTION 1272k. 71.04 of the statutes, as affected by 1987 Wisconsin Act
26 (this act), is repealed.

27 SECTION 1272p. 71.04 (2) (b) 11 to 17 of the statutes are amended to
28 read:

1 71.04 (2) (b) 11. Expenses allowable under section 162 or 212 of the
2 internal revenue code and not disallowed under section 274 of the internal
3 revenue code with respect to an activity, except admissions to an organized
4 athletic event or other public event or performance that takes place in
5 Wisconsin, that is of the type generally considered to constitute
6 entertainment, amusement or recreation, or with respect to a facility used in
7 connection with those activities, except to the extent that food, beverage and
8 facility expenses are allowed as a deduction under subd. 13.

9 12. Business gifts allowable as a deduction under section 162 or 212 of
10 the internal revenue code and not disallowed under section 274 of the internal
11 revenue code, except for gifts of Wisconsin agricultural commodities, as
12 defined under s. 96.01 (3), made directly or indirectly to any individual to
13 the extent that those gifts of Wisconsin agricultural commodities when added
14 to prior expenses of the taxpayer for gifts of Wisconsin agricultural commod-
15 ities made to that individual during the same taxable year do not exceed \$15.

16 13. All business meal expenses allowable under section 162 or 212 of the
17 internal revenue code and not disallowed under section 274 of the internal
18 revenue code that are not incurred in a clear business setting, and 50% of the
19 excess, including tax and gratuities, over \$25 times the number of persons
20 participating in the meal, except expenses for food and beverages furnished
21 primarily for employees on the taxpayer's premises.

22 14. Business travel expenses allowable under section 162, ~~212~~ or 212 of
23 the internal revenue code and not disallowed under section 274 of the internal
24 revenue code for trips lasting one year or more in one city.

25 15. Business travel expenses allowable under section 162, ~~212~~ or 212 of
26 the internal revenue code and not disallowed under section 274 of the internal
27 revenue code for travel by luxury water transportation in excess of otherwise
28 available business transportation.

1 16. Travel expenses allowable under section 162,~~212~~ or 212 of the
2 internal revenue code and not disallowed under section 274 of the internal
3 revenue code for conventions, meetings or seminars held on cruise ships and
4 not treated as income.

5 17. Business travel expenses allowable under section 162,~~212~~ or 212 of
6 the internal revenue code and not disallowed under section 274 of the internal
7 revenue code for travel as a form of education.

8 SECTION 1272s. 71.041 of the statutes is repealed.

9 SECTION 1272w. 71.042 (1) of the statutes is renumbered 71.042 (2) and
10 amended to read:

11 71.042 (2) ~~Beginning with calendar year 1979 or corresponding fiscal~~
12 ~~year, the amount of net income for the current year of a tax-option corpora-~~
13 ~~tion may be deducted from gross income if the Wisconsin adjusted gross income~~
14 ~~reported by all its resident shareholders includes their proportionate share~~
15 ~~of the corporation's net income and the Wisconsin adjusted gross income~~
16 ~~reported by all its nonresident shareholders includes their proportionate~~
17 ~~share of the corporation's net income under s. 71.07 (1) and (2m) A tax-option~~
18 corporation may deduct from its net income all amounts included in the
19 Wisconsin adjusted gross income of its shareholders and all amounts not tax-
20 able to nonresident shareholders under s. 71.07. The proportionate share of
21 the net loss of a tax option corporation for ~~taxable year 1979 and thereafter~~
22 shall be attributed and made available to shareholders but limited on a
23 Wisconsin basis as prescribed by section ~~1374 (e) (2)~~ 1366 (d) of the internal
24 revenue code. Net operating losses of the corporation to the extent attri-
25 buted or made available to a shareholder may not be used by the corporation
26 for further tax benefit. For purposes of reporting net income and attributing
27 and limiting net loss under this subsection, items of income and loss of the
28 tax-option corporation that would be capital gains or losses if attributed to

1 an individual shall retain their character as net income or loss and business
2 income or loss under s. 71.07 but shall be treated by the shareholders as
3 capital gain or loss in computing their Wisconsin adjusted gross income. For
4 purposes of computing the Wisconsin adjusted gross income of shareholders,
5 items of income and loss and deductions shall be reported by the shareholders
6 and those items other than capital gains and losses shall retain the character
7 they would have if attributed to the corporation, including their character as
8 business income. In computing the tax liability of a shareholder, no credit
9 against gross tax that would be available to the tax-option corporation if it
10 were a nontax-option corporation may be claimed, and losses and deductions are
11 limited as provided under section 1366 (d) (1) of the internal revenue code.

12 SECTION 1272y. 71.042 (2) of the statutes is renumbered 71.042 (1).

13 SECTION 1273b. 71.042 (3) to (5) of the statutes are created to read:

14 71.042 (3) A tax-option corporation shall separately state all items of
15 income, loss and deduction the separate treatment of which may affect the
16 liability of any shareholder for tax under this chapter.

17 (4) (a) If persons who hold more than 50% of the shares on the day on
18 which the election is made consent, a corporation that is an S corporation for
19 federal income tax purposes may elect, on or before the due date or extended
20 due date of its return under this chapter, not to be a tax-option corporation
21 for that taxable year and for later taxable years until its status is again
22 changed.

23 (b) No corporation electing under par. (a) and no successor of such a
24 corporation may be a tax-option corporation for any of the next 4 taxable
25 years after the taxable year to which its election under par. (a) first
26 applies.

27 (5) (a) In this subsection, "tax-option item" is an item of income, loss
28 or deduction.

1 (b) The tax treatment of all tax-option items shall be determined at the
2 corporate level.

3 (c) All shareholders of tax-option corporations shall treat tax-option
4 items on their returns under this chapter in a manner consistent with the
5 manner in which those items are treated on the corporation's Wisconsin income
6 or franchise tax return or shall notify the department of revenue of any
7 inconsistency and the reason for it.

8 (d) A tax-option corporation shall notify all shareholders of any admin-
9 istrative or judicial proceeding about the determination of any tax-option
10 item.

11 SECTION 1273f. 71.043 (1) of the statutes is repealed.

12 SECTION 1273k. 71.043 (2) of the statutes is amended to read:

13 71.043 (2) The tax imposed upon or measured by corporation Wisconsin net
14 ~~income of the taxable year 1973 and subsequent taxable years pursuant to under~~
15 ~~s. 71.01 (1) or (2) may~~ shall be reduced by an amount equal to the sales and
16 use tax under ch. 77 paid by the corporation in such taxable year on fuel and
17 electricity consumed in manufacturing tangible personal property in this
18 state.

19 SECTION 1273p. 71.043 (3) of the statutes is repealed and recreated to
20 read:

21 71.043 (3) If the credit computed under sub. (2) is not entirely offset
22 against Wisconsin income or franchise taxes otherwise due, the unused balance
23 shall be carried forward and credited against Wisconsin income or franchise
24 taxes otherwise due for the following 15 taxable years to the extent not
25 offset by these taxes otherwise due in all intervening years between the year
26 in which the expense was incurred and the year in which the carry-forward
27 credit is claimed.

28 SECTION 1273s. 71.043 (3g) of the statutes is created to read:

1 71.043 (3g) The shareholders of a tax-option corporation may not claim
2 the credit attributable to that corporation under this section.

3 SECTION 1273w. 71.045 of the statutes is repealed.

4 SECTION 1273y. 71.046 of the statutes is repealed.

5 SECTION 1274b. 71.047 of the statutes is repealed.

6 SECTION 1274f. 71.05 (1) (a) 1 of the statutes is amended to read:

7 71.05 (1) (a) 1. The amount of any interest, except interest under par.
8 (b) 1, less related expenses, excluded solely by reason of section 103 of the
9 internal revenue code (relating to interest received on state and municipal
10 obligations and on volunteer fire department and mass transit obligations)
11 which is not included in federal adjusted gross income.

12 SECTION 1274k. 71.05 (1) (a) 7 of the statutes is repealed.

13 SECTION 1274p. 71.05 (1) (a) 10 of the statutes is amended to read:

14 71.05 (1) (a) 10. Any amount received in taxable year 1979 or thereafter
15 by a Wisconsin resident shareholder as a proportionate share of the earnings
16 and profits of a tax-option corporation which was accumulated prior to the
17 beginning of its 1979 taxable year and not considered a dividend when received
18 under section 1375 (d) ~~±~~ (1) of the internal revenue code as amended to
19 December 31, 1978.

20 SECTION 1274s. 71.05 (1) (a) 17 of the statutes is repealed.

21 SECTION 1274w. 71.05 (1) (a) 26 of the statutes is amended to read:

22 71.05 (1) (a) 26. ~~Combined net losses, exclusive of net gains, for the~~
23 ~~taxable year~~ For the taxable year, combined net losses, exclusive of net gains
24 from the sale or exchange of capital or business assets and exclusive of net
25 profits, from businesses, from rents, from partnerships, from S corporations,
26 from estates or from trusts, under section 165 of the internal revenue code,
27 except losses allowable under sections 1211 and 1231 of the internal revenue
28 code, otherwise includable in calculating Wisconsin income if those losses are

1 incurred in the operation of a farming business, as defined in section 464 (e)
2 1 of the internal revenue code to the extent that those combined net losses
3 exceed \$20,000 if nonfarm Wisconsin adjusted gross income exceeds \$55,000 but
4 does not exceed \$75,000, exceed \$17,500 if nonfarm Wisconsin adjusted gross
5 income exceeds \$75,000 but does not exceed \$100,000, exceed \$15,000 if nonfarm
6 Wisconsin adjusted gross income exceeds \$100,000 but does not exceed \$150,000,
7 exceed \$12,500 if nonfarm Wisconsin adjusted gross income exceeds \$150,000 but
8 does not exceed \$200,000, exceed \$10,000 if nonfarm Wisconsin adjusted gross
9 income exceeds \$200,000 but does not exceed \$250,000, exceed \$7,500 if nonfarm
10 Wisconsin adjusted gross income exceeds \$250,000 but does not exceed \$300,000,
11 exceed \$5,000 if nonfarm Wisconsin adjusted gross income exceeds \$300,000 but
12 does not exceed \$400,000 and exceed \$0 if nonfarm adjusted gross income
13 exceeds \$400,000, except that the amounts applicable to married persons filing
14 separately are 50% of the amounts specified in this subdivision and except
15 that, beginning with taxable year 1987, the dollar amounts of nonfarm
16 Wisconsin adjusted gross income, including the amounts applicable to married
17 persons filing separately, shall be indexed under s. 71.09 (2) without regard
18 for s. 71.09 (2c) and except that for that indexing the amounts applicable to
19 married persons filing separately shall be set at 50% of the amounts appli-
20 eable to other persons.

21 SECTION 1275b. 71.05 (1) (a) 27 of the statutes, as affected by 1987
22 Wisconsin Act (this act), is repealed.

23 SECTION 1275f. 71.05 (1) (a) 27. a and c to g of the statutes are amended
24 to read:

25 71.05 (1) (a) 27. a. Expenses allowable under section 162 or 212 of the
26 internal revenue code and not disallowed under section 274 of the internal
27 revenue code with respect to an activity, except admissions to an organized
28 athletic event or other public event or performance that takes place in

1 Wisconsin, that is of the type generally considered to constitute
2 entertainment, amusement or recreation, or with respect to a facility used in
3 connection with those activities, except to the extent that food, beverage and
4 facility expenses are allowed as a deduction under subd. 27. c.

5 c. All business meal expenses allowable under section 162 or 212 of the
6 internal revenue code and not disallowed under section 274 of the internal
7 revenue code that are not incurred in a clear business setting, and 50% of the
8 excess, including tax and gratuities, over \$25 times the number of persons
9 participating in the meal, except expenses for food and beverages furnished
10 primarily for employes on the taxpayer's premises.

11 d. Business travel expenses allowable under section 162,~~212~~ or 212 of
12 the internal revenue code and not disallowed under section 274 of the internal
13 revenue code for trips lasting one year or more in one city.

14 e. Business travel expenses allowable under section 162,~~212~~ or 212 of
15 the internal revenue code and not disallowed under section 274 of the internal
16 revenue code for travel by luxury water transportation in excess of otherwise
17 available business transportation.

18 f. Travel expenses allowable under section 162,~~212~~ or 212 of the
19 internal revenue code and not disallowed under section 274 of the internal
20 revenue code for conventions, meetings or seminars held on cruise ships and
21 not treated as income.

22 g. Business travel expenses allowable under section 162,~~212~~ or 212 of
23 the internal revenue code and not disallowed under section 274 of the internal
24 revenue code for travel as a form of education.

25 SECTION 1275k. 71.05 (1) (a) 28 of the statutes is created to read:

26 71.05 (1) (a) 28. Expenses paid by a fiduciary that have been deducted
27 under section 212 of the internal revenue code and also have been deducted or
28 will be deducted under s. 72.14 (1) (c).

1 SECTION 1275p. 71.05 (1) (a) 29 of the statutes is created to read:

2 71.05 (1) (a) 29. All alimony deducted for federal income tax purposes
3 and paid while the individual paying the alimony was a nonresident of this
4 state; all penalties for early withdrawals from time savings accounts and
5 deposits deducted for federal income tax purposes and paid while the indi-
6 vidual charged with the penalty was a nonresident of this state; all repay-
7 ments of supplemental unemployment compensation benefits deducted for federal
8 income tax purposes and made while the individual making the repayment was a
9 nonresident of this state; all reforestation expenses related to property not
10 in this state, deducted for federal income tax purposes and paid while the
11 individual paying the expense was not a resident of this state; all contribu-
12 tions to individual retirement accounts, simplified employe pension plans and
13 self-employment retirement plans and all deductible employe contributions,
14 deducted for federal income tax purposes and in excess of that amount multi-
15 plied by a fraction the numerator of which is the individual's wages and net
16 earnings from a trade or business taxable by this state and the denominator of
17 which is the individual's total wages and net earnings from a trade or
18 business; and the contributions to a Keogh plan deducted for federal income
19 tax purposes and in excess of that amount multiplied by a fraction the numer-
20 ator of which is the individual's net earnings from a trade or business, tax-
21 able by this state, and the denominator of which is the individual's total net
22 earnings from a trade or business.

23 SECTION 1275s. 71.05 (1) (a) 30 of the statutes is created to read:

24 71.05 (1) (a) 30. The amount claimed by a fiduciary as an itemized
25 deduction under section 164 of the internal revenue code on the federal fidu-
26 ciary return.

27 SECTION 1275w. 71.05 (1) (b) (intro.) of the statutes is amended to read:

1 71.05 (1) (b) (intro.) Subtract, to the extent included in federal tax-
2 able or adjusted gross income unless the modification is an item other than a
3 capital gain deduction under s. 71.042 (2) that is passed through to an indi-
4 vidual from a tax-option corporation and would be included in that corpora-
5 tion's income if it were not a tax-option corporation:

6 SECTION 1275y. 71.05 (1) (b) 1 of the statutes is amended to read:

7 71.05 (1) (b) 1. The amount of any interest or dividend income, ~~less~~
8 ~~related expenses,~~ which is by federal law exempt from taxation by this state.

9 SECTION 1276b. 71.05 (1) (b) 4 of the statutes is amended to read:

10 71.05 (1) (b) 4. Any other amount not subject to taxation under this
11 chapter, less any amount allocable thereto which has been deducted in the
12 computation of federal taxable or adjusted gross income except amounts used to
13 calculate the credit under s. 71.09 (6r).

14 SECTION 1276f. 71.05 (1) (b) 8m of the statutes is amended to read:

15 71.05 (1) (b) 8m. Disability payments, if the individual either is single
16 or is married and files a joint return, to the extent those payments are
17 excludable under section 105 (d) of the internal revenue code as it existed
18 immediately prior to its repeal in 1983 by section 122 (b) of P.L. 98-21,
19 except that if an individual is divorced during the taxable year that indi-
20 vidual may subtract an amount only if that person is disabled and the amount
21 that may be subtracted then is \$100 for each week that payments are received
22 or the amount of disability pay reported as income, whichever is less. If the
23 exclusion under this subdivision is claimed on a joint return and only one of
24 the spouses is disabled, the maximum exclusion is \$100 for each week that
25 payments are received or the amount of disability pay reported as income,
26 whichever is less.

27 SECTION 1276k. 71.05 (1) (b) 13 of the statutes is created to read:

1 71.05 (1) (b) 13. Expenses paid by a fiduciary that the fiduciary
2 irrevocably specifies in writing have not been deducted under section 212 of
3 the internal revenue code and have not been, and will not be, deducted under
4 s. 72.14 (1) (c).

5 ••87a1009/2••SECTION 1276p. 71.05 (1) (b) 15 of the statutes is created
6 to read:

7 71.05 (1) (b) 15. The difference between the amount included in federal
8 adjusted gross income for the current year and the amount calculated under
9 section 85 of the internal revenue code (relating to unemployment
10 compensation) as that section existed on December 31, 1985.

11 ••87b2193/1 •• 87b2230/2 •• 87b2231/2••SECTION 1276rs. 71.05 (1) (b) 16
12 of the statutes is created to read:

13 71.05 (1) (b) 16. None of the capital gain on assets held one year or
14 less, 30% of the capital gain on assets held more than one year but not more
15 than 5 years and 60% of the capital gain on assets held more than 5 years. In
16 this subdivision, "capital gain" means capital gain as computed under the
17 internal revenue code, not including amounts treated as ordinary income for
18 federal income tax purposes because of the recapture of depreciation or any
19 other reason. For purposes of this subdivision, the capital gains and capital
20 losses for all assets held for each of the holding periods shall be netted
21 before application of the percentage for that holding period.

22 SECTION 1276s. 71.05 (1) (f) 2 of the statutes is amended to read:

23 71.05 (1) (f) 2. Any amount affecting the computation of a shareholder's
24 federal adjusted gross income for taxable year 1979 under section 1373 or 1374
25 of the internal revenue code as amended to December 31, 1978, as the
26 shareholder's proportionate share of a tax-option corporation's federal tax-
27 able income or loss for taxable year 1978.

28 SECTION 1276w. 71.05 (1) (f) 3 of the statutes is amended to read:

1 71.05 (1) (f) 3. ~~The~~ Except as provided in sub. (5), the shareholder's
2 proportionate share of the amount by which net income or loss any item of
3 income, loss or deduction of a tax-option corporation subject to taxation
4 under this chapter differs from federal taxable income ~~or~~, loss or deduction
5 of the corporation for the same year attributed to its shareholders, and any
6 amount necessary to prevent the double inclusion or omission of any item of
7 income, loss, deduction or basis, except that credits against gross tax may
8 not be subtracted under this subdivision.

9 ••87b2193/1 •• 87b2230/2 •• 87b2231/2••SECTION 1276x. 71.05 (1) (f) 4 of
10 the statutes is created to read:

11 71.05 (1) (f) 4. The amount required so that the net capital loss, after
12 netting of the capital gains and capital losses for each holding period under
13 par. (b) 16 and the netting of those results to arrive at total capital gain
14 or loss, is offset against ordinary income only to the extent of \$500. Losses
15 in excess of \$500 shall be carried forward to the next taxable year and offset
16 against ordinary income up to the limit under this subdivision. Losses shall
17 be used in the order in which they accrue.

18 SECTION 1276y. 71.05 (1) (g) of the statutes is amended to read:

19 71.05 (1) (g) Add or subtract from federal adjusted gross income, as
20 appropriate, on sale, exchange, abandonment or other disposition in a trans-
21 action in which gain or loss is recognized to the owner of property acquired
22 from a decedent, as described in section 1014 of the internal revenue code ~~in~~
23 ~~effect on December 31, 1975,~~ exclusive of property constituting income under
24 section 102 (b) of the internal revenue code, the difference between the fed-
25 eral basis and the Wisconsin basis. The Wisconsin basis of property acquired
26 from a decedent shall be determined under the internal revenue code ~~in effect~~
27 ~~on December 31, 1975,~~ but the value used for property is the value properly
28 includable for Wisconsin inheritance tax purposes instead of the value of

1 property includable for federal estate tax purposes. In this paragraph, the
2 exclusion under s. 72.12 (6) (b) shall not be deemed property properly
3 includable for inheritance tax purposes, but the transfer of property exempt
4 under s. 72.15 (5) shall be deemed property properly includable for inheri-
5 tance tax purposes and, if at least 50% of the marital property held by a
6 decedent and the decedent's surviving spouse at the time of the decedent's
7 death is includable for purposes of computing the federal estate tax on the
8 decedent's estate, all of the decedent's property and all of the decedent's
9 spouse's marital property shall be deemed property properly includable for
10 inheritance tax purposes.

11 SECTION 1277b. 71.05 (1) (g) of the statutes, as affected by 1987
12 Wisconsin Act (this act), is repealed and recreated to read:

13 71.05 (1) (g) Add or subtract, as appropriate, on sale, exchange, aban-
14 donment or other disposition in a transaction in which gain or loss is recog-
15 nized by the owner of property acquired from a decedent, the difference
16 between the federal basis and the Wisconsin basis. For this purpose, property
17 acquired from a decedent is as described in section 1014 of the internal
18 revenue code, exclusive of property constituting income under section 102 (b)
19 of the internal revenue code. The Wisconsin basis of property acquired from a
20 decedent is determined under the internal revenue code, except that the value
21 used for property is the value properly includable for Wisconsin death tax
22 purposes rather than the value of property includable for federal estate tax
23 purposes. In this paragraph, property deemed to be includable for Wisconsin
24 death tax purposes includes exempt property under s. 72.15 (5), 1985 stats.,
25 but the exclusion under s. 72.12 (6) (b), 1985 stats., is not deemed to be
26 property properly includable. If at least 50% of the marital property held by
27 a decedent and the decedent's surviving spouse is includable for purposes of
28 computing the federal estate tax, all of the decedent's and the decedent's

1 spouse's marital property and all of the decedent's individual property is
2 deemed property properly includable for Wisconsin death tax purposes.

3 SECTION 1277f. 71.05 (1) (gm) of the statutes is created to read:

4 71.05 (1) (gm) Add to or subtract from federal adjusted gross income, as
5 appropriate:

6 1. The amount necessary to reflect the inapplicability of section 66 (a)
7 of the internal revenue code to the computation of income under this chapter.

8 2. The amount necessary to reflect the applicability of ss. 71.01 (1g)
9 and (1r) and 71.11 (2m) to the computation of income under this chapter.

10 3. The amount necessary to reflect any other differences between the
11 treatment of marital income for federal income tax purposes and the treatment
12 of marital income under this chapter or under rules promulgated under this
13 chapter.

14 ••87a1009/2••SECTION 1277k. 71.05 (1) (km) of the statutes is repealed.

15 SECTION 1277p. 71.05 (2r) of the statutes is amended to read:

16 71.05 (2r) TRANSITION. In regard to property that ~~is residential real~~
17 ~~property or, subject to the dollar amount limits in s. 71.04 (15) (b), used in~~
18 ~~farming, as defined in section 464 (c) (1) of the internal revenue code, and,~~
19 under s. 71.02 (2) (d) 12, is required to be depreciated for taxable year 1986
20 under the internal revenue code as amended to December 31, 1980, and that was
21 placed in service by the taxpayer during taxable year 1986 and thereafter but
22 before the property is used in the production of income subject to taxation
23 under this chapter, the property's adjusted basis and the depreciation or
24 other deduction schedule are not required to be changed from the amount
25 allowable on the owner's federal income tax returns for any year because the
26 property is used in the production of income subject to taxation under this
27 chapter.

28 SECTION 1277s. 71.05 (2s) of the statutes is created to read:

1 71.05 (2e) DEPRECIATION CONTINUATION. Property that, under s. 71.02 (2)
2 (d) 12, is required to be depreciated for taxable year 1986 under the internal
3 revenue code as amended to December 31, 1980, shall continue to be depreciated
4 under the internal revenue code as amended to December 31, 1980.

5 SECTION 1277w. 71.05 (2t) of the statutes is amended to read:

6 71.05 (2t) DIFFERENCE IN BASIS. With respect to depreciable property
7 ~~that is residential real property or, subject to the dollar amount limits in~~
8 ~~s. 71.04 (15) (b), used in farming, as defined in section 464 (e) (1) of the~~
9 ~~internal revenue code, and, under s. 71.02 (2) (d) 12, is required to be~~
10 depreciated for taxable year 1986 under the internal revenue code as amended
11 to December 31, 1980, and that was disposed of in taxable year 1986 and
12 thereafter, any difference between the adjusted basis for federal income tax
13 purposes and the adjusted basis under this chapter shall be taken into account
14 in determining net income or loss in the year or years the gain or loss is
15 reportable under this chapter.

16 SECTION 1277y. 71.05 (2u) of the statutes is amended to read:

17 71.05 (2u) CARRY-OVER BASIS PRECLUDED. With respect to property that ~~is~~
18 ~~residential real property or, subject to the dollar amount limits in s. 71.04~~
19 ~~(15) (b), used in farming, as defined in section 464 (e) (1) of the internal~~
20 ~~revenue code, and, under s. 71.02 (2) (d) 12, is required to be depreciated~~
21 for taxable year 1986 under the internal revenue code as amended to December
22 31, 1980, and that was acquired in a transaction occurring in taxable year
23 1986 and thereafter in which the adjusted basis of the property in the hands
24 of the transferee is the same as the adjusted basis of the property in the
25 hands of the transferor, the Wisconsin adjusted basis of that property on the
26 date of transfer is the adjusted basis allowable under the depreciation
27 provisions of the internal revenue code as defined for Wisconsin purposes for
28 the property in the hands of the transferor.

1 SECTION 1278b. 71.06 (1) of the statutes is amended to read:

2 71.06 (1) A corporation, except a tax-option corporation or an insurer to
3 which s. 71.01 (4) (dm) applies, may offset against its Wisconsin net business
4 income any Wisconsin net business loss sustained in any of the next 15 pre-
5 ceding ~~income taxable~~ years to the extent not offset by other items of
6 Wisconsin income in the loss year and by Wisconsin net business income of any
7 year between the loss year and the income year for which an offset is claimed.
8 For purposes of this section Wisconsin net business income or loss shall con-
9 sist of all the income attributable to the operation of a trade or business in
10 this state, less the business expenses allowed as deductions ~~under s. 71.04 in~~
11 computing net income. The Wisconsin net business income or loss of corpora-
12 tions engaged in business within and without the state shall be determined
13 under s. 71.07 (2), (3) or (5). Nonapportionable losses having a Wisconsin
14 situs under s. 71.07 (1m) shall be included in Wisconsin net business loss;
15 and nonapportionable income having a Wisconsin situs under s. 71.07 (1m),
16 whether taxable or exempt, shall be included in other items of Wisconsin
17 income and Wisconsin net business income for purposes of this section.

18 ••87a0905/4••SECTION 1278f. 71.06 (3) of the statutes is repealed.

19 SECTION 1278k. 71.07 (1) of the statutes is amended to read:

20 71.07 (1) All income or loss of resident individuals and resident estates
21 and trusts shall follow the residence of the individual, estate or trust.
22 Income or loss of nonresident individuals and nonresident estates and trusts
23 from business, not requiring apportionment under sub. (2), (3) or (5), shall
24 follow the situs of the business from which derived. All ~~income or loss items~~
25 of income, loss and deductions of nonresident individuals and nonresident
26 estates and trusts derived from a tax-option corporation not requiring appor-
27 tionment under sub. (2m), shall follow the situs of the business of the cor-
28 poration from which derived. Income or loss of nonresident individuals and

1 nonresident estates and trusts derived from rentals and royalties from real
2 estate or tangible personal property, or from the operation of any farm, mine
3 or quarry, or from the sale of real property or tangible personal property
4 shall follow the situs of the property from which derived. Income from per-
5 sonal services of nonresident individuals, including income from professions,
6 shall follow the situs of the services. All other income or loss of nonresi-
7 dent individuals and nonresident estates and trusts, including income or loss
8 derived from land contracts, mortgages, stocks, bonds and securities or from
9 the sale of similar intangible personal property, shall follow the residence
10 of such persons, except as provided in ~~sub.~~ subs. (2m) and (7).

11 SECTION 1278p. 71.07 (1g) of the statutes is created to read:

12 71.07 (1g) PARTNERS. (a) Part-year residents, time of residence.
13 Partners who are residents of this state for less than a full taxable year
14 shall compute taxes for that year on their share of partnership income or loss
15 under this chapter on the part of the taxable year during which they are
16 residents in the following manner:

17 1. Assign an equal portion of each item of income, loss or deduction to
18 each day of the partnership's taxable year.

19 2. Multiply each daily portion of those items of income, loss or deduc-
20 tion by a fraction that represents the partner's portion, on that day, of the
21 total partnership interest.

22 3. Net the items of income, loss or deduction, after the calculation
23 under subd. 2, for all the days during which the partner was a resident of
24 this state.

25 (b) Part-year residents, nonresidents. 1. General partners who are
26 residents of this state for less than a full taxable year or who are nonresi-
27 dents shall compute taxes for that year on their share of partnership income
28 or loss under this chapter for the part of the taxable year during which they

1 are nonresidents by recognizing their proportionate share of all items of
2 income, loss or deduction attributable to a business in, services performed
3 in, or rental of property in, this state.

4 2. Limited partners who are precluded from management of the partnership
5 and who may not act for the partnership may not recognize any items of income,
6 loss or deduction of the partnership in computing taxes on their share of
7 partnership income or loss under this chapter for the part of the taxable year
8 during which they are nonresidents of this state.

9 (c) Disregarding agreements. In computing taxes under this chapter a
10 partner shall disregard all provisions in partnership agreements that do any
11 of the following:

12 1. Characterize the consideration for payments to the partner as services
13 or the use of capital.

14 2. Allocate to the partner, as income from or gain from sources outside
15 this state, a greater proportion of the partner's distributive share of part-
16 nership income or gain than the ratio of partnership income or gain from
17 sources outside this state to partnership income or gain from all sources.

18 3. Allocate to a partner a greater proportion of a partnership item of
19 loss or deduction from sources in this state than the partner's proportionate
20 share of total partnership loss or deduction.

21 4. Determine a partner's distributive share of an item of partnership
22 income, gain, loss or deduction for federal income tax purposes if the prin-
23 cipal purpose of that determination is to avoid or evade the tax under this
24 chapter.

25 SECTION 1278s. 71.07 (2) (intro.) of the statutes is amended to read:

26 71.07 (2) (intro.) Corporations, nonresident individuals and nonresident
27 estates and trusts engaged in business within and without the state shall be
28 taxed only on such income as is derived from business transacted and property