

# State of Wisconsin



1995 Assembly Bill 1033

Date of enactment: **April 10, 1996**  
Date of publication\*: **April 24, 1996**

## 1995 WISCONSIN ACT 209

(Vetoed in Part)

**AN ACT to repeal** 71.07 (2dj) (d), 71.07 (2ds) (c), 71.28 (1dj) (d), 71.28 (1ds) (c), 71.47 (1dj) (d), 71.47 (1ds) (c), 560.71 (1) (cm), 560.72 (4), 560.723, 560.725 (1) (a) to (h), 560.73 (1) (c) 6., 560.735 (3), 560.75 (3), 560.763 (1) (a), 560.763 (2), 560.763 (3) and 560.79; **to renumber and amend** 560.725 (1) (intro.); **to amend** 20.835 (2) (cm), 20.835 (2) (cn), 71.05 (6) (a) 15., 71.07 (2dd) (a) 1., 71.07 (2dd) (a) 2., 71.07 (2dj) (am) 1., 71.07 (2dj) (am) 3., 71.07 (2dj) (am) 8m., 71.07 (2dj) (h), 71.07 (2dL) (ar), 71.07 (2ds) (h), 71.08 (1) (intro.), 71.10 (4) (gd), 71.10 (4) (ge), 71.10 (4) (i), 71.28 (1dd) (a) 1., 71.28 (1dd) (a) 2., 71.28 (1dj) (am) 1., 71.28 (1dj) (am) 3., 71.28 (1dj) (am) 8m., 71.28 (1dj) (h), 71.28 (1dL) (ar), 71.28 (1ds) (h), 71.30 (3) (eb), 71.30 (3) (ec), 71.30 (3) (f), 71.47 (1dd) (a) 1., 71.47 (1dd) (a) 2., 71.47 (1dj) (am) 1., 71.47 (1dj) (am) 3., 71.47 (1dj) (am) 8m., 71.47 (1dj) (h), 71.47 (1dL) (ar), 71.47 (1ds) (h), 71.49 (1) (eb), 71.49 (1) (ec), 71.49 (1) (f), 73.03 (35), 77.92 (4), 560.70 (4), 560.70 (6), 560.70 (7), 560.71 (3) (a), 560.72 (2) (c), 560.72 (3), 560.725 (2), 560.725 (3), 560.73 (1) (f), 560.73 (1) (g), 560.73 (3), 560.735 (1) (a), 560.735 (1) (b), 560.735 (1) (c), 560.735 (6) (a) (intro.), 560.735 (6) (a) 2., 560.735 (6) (a) 3., 560.735 (6) (b), 560.74 (2), 560.745 (2) (a), 560.763 (title) and 560.797 (1) (c); **to repeal and recreate** 560.71 (1) (e); and **to create** 71.07 (2dj) (am) 4h., 71.07 (2dj) (am) 4i., 71.07 (2dr), 71.10 (4) (gm), 71.28 (1dj) (am) 4h., 71.28 (1dj) (am) 4i., 71.47 (1dj) (am) 4h., 71.47 (1dj) (am) 4i., 560.71 (1m), 560.71 (3) (c) 3., 560.735 (6) (c), 560.735 (6m) and 560.745 (2) (am) of the statutes; **relating to:** the development zone program, development zones tax credits and making an appropriation.

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

**SECTION 1.** 20.835 (2) (cm) of the statutes is amended to read:

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

**SECTION 2.** 20.835 (2) (cn) of the statutes is amended to read:

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

**SECTION 3.** 71.05 (6) (a) 15. of the statutes, as affected by [1995 Wisconsin Act 27](#), is amended to read:

71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (~~(2dr)~~) and (2ds) and not passed through by a partnership, limited liability company or tax-option corporation that has added that amount to the partnership's, company's or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

**SECTION 4.** 71.07 (2dd) (a) 1. of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.07 (2dd) (a) 1. "Day care center benefits" means benefits provided at a day care facility that is licensed

\* Section 991.11, WISCONSIN STATUTES 1993-94: Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication as designated" by the secretary of state [the date of publication may not be more than 10 working days after the date of enactment].

under s. 48.65 or 48.69 and that for compensation provides care for at least 6 children or benefits provided at a facility for persons who are physically or mentally incapable of caring for themselves.

**SECTION 5.** 71.07 (2dd) (a) 2. of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.07 (2dd) (a) 2. “Employment–related day care expenses” means amounts paid or incurred by a claimant, during the 2–year period beginning with the day that the member of the targeted group begins work for the claimant. for providing or making day care center benefits available to a qualifying individual in order to enable a member of a targeted group to be employed by the claimant.

**SECTION 6.** 71.07 (2dj) (am) 1. of the statutes is amended to read:

71.07 (2dj) (am) 1. Modify “member of a targeted group”, as defined in section 51 (d) of the internal revenue code as amended to December 31, 1995, to include persons unemployed as a result of a business action subject to s. 109.07 (1m) and persons specified under 29 USC 1651 (a) and to require a member of a targeted group to be a resident of this state.

**SECTION 7.** 71.07 (2dj) (am) 3. of the statutes is amended to read:

71.07 (2dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 30–day 90–day period beginning with the first day of employment of the employee by the claimant.

**SECTION 8.** 71.07 (2dj) (am) 4h. of the statutes is created to read:

71.07 (2dj) (am) 4h. Modify section 51 (a) of the internal revenue code so that the amount of the credit is 25% of the qualified first–year wages if the wages are paid to an applicant for a Wisconsin works employment position for service either in an unsubsidized position or in a trial job under s. 49.147 (3) and so that the amount of the credit is 20% of the qualified first–year wages if the wages are not paid to such an applicant.

**SECTION 9.** 71.07 (2dj) (am) 4i. of the statutes is created to read:

71.07 (2dj) (am) 4i. Modify section 51 (b) (3) of the internal revenue code so that the amount of the qualified first–year wages that may be taken into account is \$13,000.

**SECTION 10.** 71.07 (2dj) (am) 8m. of the statutes is amended to read:

71.07 (2dj) (am) 8m. For each person, whether or not he or she is a member of a targeted group, who is determined by the department of development to be a resident of the development zone in which he or she is employed, calculate a credit equal to 10% of the wages earned by such person during the first year 1st and 2nd years of the person’s employment in the development zone, up to a maximum credit of \$600 per year.

**SECTION 11.** 71.07 (2dj) (d) of the statutes, as affected by 1995 Wisconsin Act 27, is repealed.

**SECTION 12.** 71.07 (2dj) (h) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.07 (2dj) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The rules under sub. (2di) (b) and (c) as they apply to the credit under that subsection apply to the credit under this subsection.

**SECTION 13.** 71.07 (2dL) (ar) of the statutes is amended to read:

71.07 (2dL) (ar) If the credit under par. (a) is claimed for an amount expended to acquire property, the property must have been acquired by the claimant after the place where the property is located was designated a development zone under s. 560.71 and the completed project must be placed in service after the claimant is certified for tax benefits under s. 560.765 (3) and the property must not have been previously owned by the claimant or a related person ~~during the period the development zone is in existence or during the 2 years prior to the designation of the development zone under s. 560.71.~~ No credit is allowed for an amount expended to acquire property until the property, either in its original state as acquired by the claimant or as subsequently constructed, rehabilitated, remodeled or repaired, is placed in service.

**SECTION 14.** 71.07 (2dr) of the statutes is created to read:

71.07 (2dr) DEVELOPMENT ZONES RESEARCH CREDIT.  
(a) *Credit.* Any person may credit against taxes otherwise due under this chapter an amount equal to 5% of the amount obtained by subtracting from the person’s qualified research expenses, as defined in section 41 of the internal revenue code, except that “qualified research expenses” include only expenses incurred by the claimant in a development zone under subch. VI of ch. 560 and except that “qualified research expenses” do not include compensation used in computing the credit under sub. (2dj) nor research expenses incurred before the claimant is certified for tax benefits under s. 560.765 (3), the person’s base amount, as defined in section 41 (c) of the internal revenue code, in a development zone, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.04 (7) (b) 1. and 2. and (d) and research expenses used in calculating the base amount include research expenses incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant submits with the claimant’s return a copy of the claimant’s certification for tax benefits under s. 560.765 (3) and a statement from the department of commerce verifying the claimant’s qualified research expenses for research conducted exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit under this paragraph. The rules under sub. (2di) (f) and (g), as they apply to the credit under that subsection, apply to claims under this paragraph. Section 41 (h) of

the internal revenue code does not apply to the credit under this paragraph.

(b) *Development opportunity zones.* The development zones research credit under par. (a), as it applies to a person certified under s. 560.765 (3), applies to a person that conducts economic activity in a development opportunity zone under s. 560.795 (1) and that is entitled to tax benefits under s. 560.795 (3), subject to the limits under s. 560.795 (2). A development opportunity zone credit under this paragraph may be calculated using expenses incurred by a claimant beginning on the effective date under s. 560.795 (2) (a) of the development opportunity zone designation of the area in which the claimant conducts economic activity.

(bm) *Adjustments.* Adjustments for acquisitions and dispositions of a major portion of a trade or business shall be made under section 41 of the internal revenue code as limited by this subsection.

(c) *Annualization.* In the case of any short taxable year, qualified research expenses shall be annualized as prescribed by the department of revenue.

(d) *Proration.* If a portion of qualified research expenses is incurred partly within and partly outside this state and the amount incurred in this state cannot be accurately determined, a portion of the qualified expenses shall be reasonably allocated to this state. Expenses incurred entirely outside this state for the benefit of research in this state are not allocable to this state under this paragraph.

(e) *Change of business or ownership.* In the case of a change in ownership or business of a person, section 383 of the internal revenue code, as limited by this subsection, applies to the carry-over of unused credits.

(f) *Carry-over* If a credit computed under this subsection is not entirely offset against Wisconsin income or franchise taxes otherwise due, the unused balance may be carried forward and credited against Wisconsin income or franchise taxes otherwise due for the following 15 taxable years to the extent not offset by these taxes otherwise due in all intervening years between the year in which the expense was incurred and the year in which the carry-forward credit is claimed.

(g) *Administration.* The department of revenue has full power to administer the credits provided in this subsection and may take any action, conduct any proceeding and proceed as it is authorized in respect to income and franchise taxes imposed in this chapter. The income and franchise tax provisions in this chapter relating to assessments, refunds, appeals, collection, interest and penalties apply to the credits under this subsection.

(h) *Timely claim.* No credit may be allowed under this subsection unless it is claimed within the period specified in s. 71.75 (2).

**Vetoed In Part** (i) *Nonclaimants.* The credits under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22

(1), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1), or tax-option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company or shareholders of a tax-option corporation.

**SECTION 15.** 71.07 (2ds) (c) of the statutes, as affected by 1995 Wisconsin Act 27, is repealed.

**SECTION 16.** 71.07 (2ds) (h) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.07 (2ds) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The rules under sub. (2di) (b) and (c) as they apply to the credit under that subsection apply to the credit under this subsection.

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

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2fd), (3m), (6) and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1fd) and (2m) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1fd) and (2m) and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

**SECTION 18.** 71.10 (4) (gd) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.10 (4) (gd) Development zones jobs credit under s. 71.07 (2dj) ~~if the credit is based on activity in a zone under s. 560.797.~~

**SECTION 19.** 71.10 (4) (ge) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.10 (4) (ge) Development zones sales tax credit under s. 71.07 (2ds) ~~if the credit is based on activity in a zone under s. 560.797.~~

**SECTION 20.** 71.10 (4) (gm) of the statutes is created to read:

71.10 (4) (gm) Development zones research credit under s. 71.07 (2dr).

**SECTION 21.** 71.10 (4) (i) of the statutes, as affected by 1995 Wisconsin Act 27, is amended to read:

71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), ~~development zones sales tax credit under s. 71.07 (2ds) unless the credit is based on activity in a zone under s. 560.797,~~ development zones jobs credit under s. 71.07 (2dj) ~~unless the credit is based on activity in a zone under s. 560.797,~~ earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

**SECTION 22.** 71.28 (1dd) (a) 1. of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.28 (1dd) (a) 1. “Day care center benefits” means benefits provided at a day care facility that is licensed under s. 48.65 or 48.69 and that for compensation provides care for at least 6 children or benefits provided at a facility for persons who are physically or mentally incapable of caring for themselves.

**SECTION 23.** 71.28 (1dd) (a) 2. of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.28 (1dd) (a) 2. “Employment–related day care expenses” means amounts paid or incurred by a claimant, during the 2–year period beginning with the day that the member of the targeted group begins work for the claimant. for providing or making day care center benefits available to a qualifying individual in order to enable a member of a targeted group to be employed by the claimant.

**SECTION 24.** 71.28 (1dj) (am) 1. of the statutes is amended to read:

71.28 (1dj) (am) 1. Modify “member of a targeted group”, as defined in section 51 (d) of the internal revenue code as amended to December 31, 1995, to include persons unemployed as a result of a business action subject to s. 109.07 (1m) and persons specified under [29 USC 1651](#) (a) and to require a member of a targeted group to be a resident of this state.

**SECTION 25.** 71.28 (1dj) (am) 3. of the statutes is amended to read:

71.28 (1dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 30–day 90–day period beginning with the first day of employment of the employee by the claimant.

**SECTION 26.** 71.28 (1dj) (am) 4h. of the statutes is created to read:

71.28 (1dj) (am) 4h. Modify section 51 (a) of the internal revenue code so that the amount of the credit is 25% of the qualified first–year wages if the wages are paid to an applicant for a Wisconsin works employment position for service either in an unsubsidized position or in a trial job under s. 49.147 (3) and so that the amount of the credit is 20% of the qualified first–year wages if the wages are not paid to such an applicant.

**SECTION 27.** 71.28 (1dj) (am) 4i. of the statutes is created to read:

71.28 (1dj) (am) 4i. Modify section 51 (b) (3) of the internal revenue code so that the amount of the qualified first–year wages that may be taken into account is \$13,000.

**SECTION 28.** 71.28 (1dj) (am) 8m. of the statutes is amended to read:

71.28 (1dj) (am) 8m. For each person, whether or not he or she is a member of a targeted group, who is determined by the department of development to be a resident of the development zone in which he or she is employed,

calculate a credit equal to 10% of the wages earned by such person during the first year 1st and 2nd years of the person’s employment in the development zone, up to a maximum credit of \$600 per year.

**SECTION 29.** 71.28 (1dj) (d) of the statutes, as affected by [1995 Wisconsin Act 27](#), is repealed.

**SECTION 30.** 71.28 (1dj) (h) of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.28 (1dj) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection apply to the credit under this subsection.

**SECTION 31.** 71.28 (1dL) (ar) of the statutes is amended to read:

71.28 (1dL) (ar) If the credit under par. (a) is claimed for an amount expended to acquire property, the property must have been acquired by the claimant after the place where the property is located was designated a development zone under s. 560.71 and the completed project must be placed in service after the claimant is certified for tax benefits under s. 560.765 (3) and the property must not have been previously owned by the claimant or a related person ~~during the period the development zone is in existence or during the 2 years prior to the designation of the development zone under s. 560.71.~~ No credit is allowed for an amount expended to acquire property until the property, either in its original state as acquired by the claimant or as subsequently constructed, rehabilitated, remodeled or repaired, is placed in service.

**SECTION 32.** 71.28 (1ds) (c) of the statutes, as affected by [1995 Wisconsin Act 27](#), is repealed.

**SECTION 33.** 71.28 (1ds) (h) of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.28 (1ds) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection apply to the credit under this subsection.

**SECTION 34.** 71.30 (3) (eb) of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.30 (3) (eb) Development zones jobs credit under s. 71.28 (1dj) ~~if the credit is based on activity in a zone under s. 560.797.~~

**SECTION 35.** 71.30 (3) (ec) of the statutes, as created by [1995 Wisconsin Act 27](#), is amended to read:

71.30 (3) (ec) Development zones sales tax credit under s. 71.28 (1ds) ~~if the credit is based on activity in a zone under s. 560.797.~~

**SECTION 36.** 71.30 (3) (f) of the statutes, as affected by [1995 Wisconsin Act 27](#), is amended to read:

71.30 (3) (f) The total of farmers’ drought property tax credit under s. 71.28 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.28 (2m), ~~the development zones sales tax credit under s. 71.28 (1ds) unless the credit is based on activity in a zone under s. 560.797, the development zones job credit under s. 71.28 (1dj) unless the credit is based on activity~~

in a zone under s. 560.797 and estimated tax payments under s. 71.29.

**SECTION 37.** 71.47 (1dd) (a) 1. of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.47 (1dd) (a) 1. "Day care center benefits" means benefits provided at a day care facility that is licensed under s. 48.65 or 48.69 and that for compensation provides care for at least 6 children or benefits provided at a facility for persons who are physically incapable of caring for themselves.

**SECTION 38.** 71.47 (1dd) (a) 2. of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.47 (1dd) (a) 2. "Employment-related day care expenses" means amounts paid or incurred by a claimant, during the 2-year period beginning with the day that the member of the targeted group begins work for the claimants for providing or making day care center benefits available to a qualifying individual in order to enable a member of a targeted group to be employed by the claimant.

**SECTION 39.** 71.47 (1dj) (am) 1. of the statutes is amended to read:

71.47 (1dj) (am) 1. Modify "member of a targeted group", as defined in section 51 (d) of the internal revenue code as amended to December 31, 1995, to include persons unemployed as a result of a business action subject to s. 109.07 (1m) and persons specified under 29 USC 1651 (a) and to require a member of a targeted group to be a resident of this state.

**SECTION 40.** 71.47 (1dj) (am) 3. of the statutes is amended to read:

71.47 (1dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A) of the internal revenue code to allow certification within the 30-day 90-day period beginning with the first day of employment of the employe by the claimant.

**SECTION 41.** 71.47 (1dj) (am) 4h. of the statutes is created to read:

71.47 (1dj) (am) 4h. Modify section 51 (a) of the internal revenue code so that the amount of the credit is 25% of the qualified first-year wages if the wages are paid to an applicant for a Wisconsin works employment position for service either in an unsubsidized position or in a trial job under s. 49.147 (3) and so that the amount of the credit is 20% of the qualified first-year wages if the wages are not paid to such an applicant.

**SECTION 42.** 71.47 (1dj) (am) 4i. of the statutes is created to read:

71.47 (1dj) (am) 4i. Modify section 51 (b) (3) of the internal revenue code so that the amount of the qualified first-year wages that may be taken into account is \$13,000.

**SECTION 43.** 71.47 (1dj) (am) 8m. of the statutes is amended to read:

71.47 (1dj) (am) 8m. For each person, whether or not he or she is a member of a targeted group, who is deter-

mined by the department of development to be a resident of the development zone in which he or she is employed, calculate a credit equal to 10% of the wages earned by such person during the first year 1st and 2nd years of the person's employment in the development zone, up to a maximum credit of \$600 per year.

**SECTION 44.** 71.47 (1dj) (d) of the statutes, as affected by 1995 Wisconsin Act 27, is repealed.

**SECTION 45.** 71.47 (1dj) (h) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.47 (1dj) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection apply to the credit under this subsection.

**SECTION 46.** 71.47 (1dL) (ar) of the statutes is amended to read:

71.47 (1dL) (ar) If the credit under par. (a) is claimed for an amount expended to acquire property, the property must have been acquired by the claimant after the place where the property is located was designated a development zone under s. 560.71 and the completed project must be placed in service after the claimant is certified for tax benefits under s. 560.765 (3) and the property must not have been previously owned by the claimant or a related person ~~during the period the development zone is in existence or during the 2 years prior to the designation of the development zone under s. 560.71.~~ No credit is allowed for an amount expended to acquire property until the property, either in its original state as acquired by the claimant or as subsequently constructed, rehabilitated, remodeled or repaired, is placed in service.

**SECTION 47.** 71.47 (1ds) (c) of the statutes, as affected by 1995 Wisconsin Act 27, is repealed.

**SECTION 48.** 71.47 (1ds) (h) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.47 (1ds) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection apply to the credit under this subsection.

**SECTION 49.** 71.49 (1) (eb) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.49 (1) (eb) Development zones jobs credit under s. 71.47 (1dj) ~~if the credit is based on activity in a zone under s. 560.797.~~

**SECTION 50.** 71.49 (1) (ec) of the statutes, as created by 1995 Wisconsin Act 27, is amended to read:

71.49 (1) (ec) Development zones sales tax credit under s. ~~72.47 71.47~~ (1ds) ~~if the credit is based on activity in a zone under s. 560.797.~~

**SECTION 51.** 71.49 (1) (f) of the statutes, as affected by 1995 Wisconsin Act 27, is amended to read:

71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.47 (2m), ~~development zones sales tax credit under s. 71.47 (1ds) unless the credit is based on activity in a zone~~

under s. 560.797, development zones jobs credit under s. 71.47 (1dj) unless the credit is based on activity in a zone under s. 560.797 and estimated tax payments under s. 71.48.

**SECTION 52.** 73.03 (35) of the statutes, as affected by 1995 Wisconsin Act 27, is amended to read:

73.03 (35) To deny a portion of a credit claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dr) or (2ds), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds) or (4) (am) or 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds) or (4) (am) if granting the full amount claimed would violate the requirement under s. 560.75 (9) or 560.797 (4) (e) or would bring the total of the credits granted to that claimant under s. 560.75 (9) or 560.797 (4) (e), or the total of the credits granted to that claimant under all of those subsections, over the limit for that claimant under s. 560.768, 560.795 (2) (b) or 560.797 (5) (b).

**SECTION 53.** 77.92 (4) of the statutes, as affected by 1995 Wisconsin Act 27, is amended to read:

77.92 (4) “Net business income”, with respect to a partnership or limited liability company, means taxable income as calculated under section 703 of the internal revenue code; plus the items of income and gain under section 702 of the internal revenue code; minus the items of loss and deduction under section 702 of the internal revenue code; plus payments treated as not made to partners under section 707 (a) of the internal revenue code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dr) and (2ds); but excluding income, gain, loss and deductions from farming. “Net business income”, with respect to a natural person, estate or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employe as defined in section 3121 (d) (3) of the internal revenue code.

**SECTION 54.** 560.70 (4) of the statutes is amended to read:

560.70 (4) “Local governing body” means the governing body of one or more cities, villages or towns or counties or the elected governing body of a federally recognized American Indian tribe or band in this state.

**SECTION 55.** 560.70 (6) of the statutes is amended to read:

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

**SECTION 56.** 560.70 (7) of the statutes, as affected by 1995 Wisconsin Act 27, is amended to read:

560.70 (7) “Tax benefits” means the development zones day care credit under ss. 71.07 (2dd), 71.28 (1dd) and 71.47 (1dd), the development zones environmental remediation credit under ss. 71.07 (2de), 71.28 (1de) and 71.47 (1de), the development zones investment credit under ss. 71.07 (2di), 71.28 (1di) and 71.47 (1di), the development zones jobs credit under ss. 71.07 (2dj), 71.28

(1dj) and 71.47 (1dj), the development zones location credit under ss. 71.07 (2dL), 71.28 (1dL) and 71.47 (1dL), the development zones sales tax credit under ss. 71.07 (2ds), 71.28 (1ds) and 71.47 (1ds), the development zones research credit under s. 71.07 (2dr) and the additional 5% credit under ss. 71.28 (4) and 71.47 (4).

**SECTION 57.** 560.71 (1) (cm) of the statutes is repealed.

**SECTION 58.** 560.71 (1) (e) of the statutes is repealed and recreated to read:

560.71 (1) (e) The department determines all of the following:

1. That designation of the area as a development zone will serve a public purpose.
2. That designation of the area as a development zone will likely retain or increase employment in the area.
3. That economic development in the area is not likely to occur or continue without the department’s designation of the area as a development zone.
4. That the area meets at least 3 of the following criteria:
  - a. The unemployment rate in the area is higher than the state average for the 18 months immediately preceding the date on which the application under s. 560.72 (2) or (3) was submitted to the department.
  - b. The percentage of persons residing in the area who are members of households with household income levels at or below 80% of the statewide median household income is higher than the state average.
  - c. The percentage of households in the area receiving unemployment compensation under ch. 108, relief funded by a relief block grant under ch. 49 or aid to families with dependent children under s. 49.19 is higher than the state average.
  - d. In the 36 months immediately preceding the date on which the application under s. 560.72 (2) or (3) was submitted to the department, a number of workers in the area were permanently laid off by their employer or became unemployed as a result of a business action subject to s. 109.07 (1m).
  - e. An employer in the vicinity of the area has given public notice under s. 109.07 (1m) of either a business closing or a mass layoff of at least 25 employes, or 25% of the employes, of a business, whichever is greater, that will result in a number of workers in the area being laid off permanently.
  - f. Property values in the area have been declining.
  - g. There has been a decline in the population in the area.

**SECTION 59.** 560.71 (1m) of the statutes is created to read:

560.71 (1m) In making a determination under sub. (1) (e), the department shall consider all of the following:

- (a) The extent of poverty, unemployment or other factors contributing to general economic hardship in the area.

(b) The prospects for new investment and economic development in the area.

(c) The amount of investment that is likely to result from the designation of the area as a development zone.

(d) The number of jobs that are likely to be created or retained in the area as a result of its designation as a development zone.

(e) The number of jobs that are likely to be available to the target population as a result of the designation of the area as a development zone.

(f) The competitive effect of designating the area as a development zone on other businesses in the vicinity of the area.

(g) The needs of other areas of the state.

(h) Any other factors that the department considers relevant.

**SECTION 60.** 560.71 (3) (a) of the statutes is amended to read:

560.71 (3) (a) Determine the number of development zones designated under sub. (1) but may not designate more than ~~14~~ 18 development zones over the life of the program.

**SECTION 61.** 560.71 (3) (c) 3. of the statutes is created to read:

560.71 (3) (c) 3. Of the development zones that are designated after the effective date of this subdivision .... [revisor inserts date], designate one that is in an urban area.

**SECTION 62.** 560.72 (2) (c) of the statutes is amended to read:

560.72 (2) (c) Evidence that the area meets at least ~~2~~ 3 of the criteria under s. 560.71 (1) (e), ~~including data on the requirements the area does not meet~~ 4.

**SECTION 63.** 560.72 (3) of the statutes is amended to read:

560.72 (3) Two or more local governing bodies may submit a joint application nominating ~~a single an~~ an area as a development zone, subject to s. 560.735 (2), ~~if each local governing body complies with subs. (1) and (2).~~

**SECTION 64.** 560.72 (4) of the statutes is repealed.

**SECTION 65.** 560.723 of the statutes is repealed.

**SECTION 66.** 560.725 (1) (intro.) of the statutes is renumbered 560.725 (1) and amended to read:

560.725 (1) The department shall evaluate applications received under s. 560.72 (2) ~~to (4)~~ and (3) and development zone plans received under s. 560.73 (1) and (2) ~~according to the following criteria:~~

**SECTION 67.** 560.725 (1) (a) to (h) of the statutes are repealed.

**SECTION 68.** 560.725 (2) of the statutes is amended to read:

560.725 (2) Subject to s. 560.735 (5), the department may reduce the size of an area nominated as a development zone, if the department determines the boundaries as proposed by the local governing body in an application under s. 560.72 (2) ~~to (4)~~ or (3) are inconsistent with the

purpose of the development zone program. Any nominated area which is reduced under this subsection need not comply with s. 560.735 (1), ~~(3)~~ and (4).

**SECTION 69.** 560.725 (3) of the statutes is amended to read:

560.725 (3) After evaluating an application submitted under s. 560.72 (2) ~~to (4)~~ or (3), the department may approve the application, subject to any reduction in the size of the nominated area under sub. (2). If the department approves the application, the department shall notify the local governing body and request the local governing body to submit a development zone plan under s. 560.73 (1) or (2), whichever is applicable.

**SECTION 70.** 560.73 (1) (c) 6. of the statutes is repealed.

**SECTION 71.** 560.73 (1) (f) of the statutes is amended to read:

560.73 (1) (f) Any changes in ordinances, or expenditures of the city, village, town, county or American Indian tribe or band to facilitate economic development.

**SECTION 72.** 560.73 (1) (g) of the statutes is amended to read:

560.73 (1) (g) How the local governing body intends to assess the effectiveness of its development zone plan submitted under this subsection or sub. (2).

**SECTION 73.** 560.73 (3) of the statutes is amended to read:

560.73 (3) After review ~~based on the relevant criteria~~ under s. 560.725 (1), the department may approve a development zone plan. If the department approves a development zone plan, the department shall designate the area nominated by the local governing body as a development zone, subject to s. 560.71, and notify the local governing body.

**SECTION 74.** 560.735 (1) (a) of the statutes is amended to read:

560.735 (1) (a) The area contains less than ~~5%~~ 10% of the valuation of the property of the city, village or town, as determined under s. 70.57, in which the area is located.

**SECTION 75.** 560.735 (1) (b) of the statutes is amended to read:

560.735 (1) (b) If the area is located within a 1st class city, the population of the area as estimated under s. 16.96 is not less than 4,000 and not more than ~~5%~~ 10% of the city's population, as estimated under s. 16.96.

**SECTION 76.** 560.735 (1) (c) of the statutes is amended to read:

560.735 (1) (c) If the area is located within a village, town or city other than a 1st class city, the population of the area is not less than ~~4,000~~ 1,000 ~~nor more than 10,000~~, as estimated under s. 16.96.

**SECTION 77.** 560.735 (3) of the statutes is repealed.

**SECTION 78.** 560.735 (6) (a) (intro.) of the statutes is amended to read:

560.735 (6) (a) (intro.) ~~Except in a 1st class city as provided in pars. (b) and (c),~~ 2 separate areas may be nominated or designated as one development zone, if all of the following apply:

**SECTION 79.** 560.735 (6) (a) 2. of the statutes is amended to read:

560.735 (6) (a) 2. Each area meets at least ~~2~~ 3 of the criteria listed in s. 560.71 (1) (e) ~~1- to 6~~ 4.

**SECTION 80.** 560.735 (6) (a) 3. of the statutes is amended to read:

560.735 (6) (a) 3. Considered together, the areas meet the requirements of ~~subs. sub. (1) and (3).~~

**SECTION 81.** 560.735 (6) (b) of the statutes is amended to read:

560.735 (6) (b) ~~In~~ Except as provided in par. (c), in a 1st class city, ~~not more than 4~~ up to 8 separate areas may be nominated or designated as one development zone, if par. (a) 1. to 3. applies.

**SECTION 82.** 560.735 (6) (c) of the statutes is created to read:

560.735 (6) (c) If an application is submitted by the governing body of a county under s. 560.72 (2) or (3), up to 4 separate areas may be nominated or designated as one development zone, if par. (a) 1. to 3. applies.

**SECTION 83.** 560.735 (6m) of the statutes is created to read:

560.735 (6m) An area that is comprised of entire counties may be nominated or designated as one development zone ~~if the area is comprised of no more than 2 entire counties.~~ **Vetoed In Part** ~~An area that is comprised of 2 entire counties may be nominated or designated as a development zone~~ only if the population of the entire area does not exceed 75,000.

**SECTION 84.** 560.74 (2) of the statutes is amended to read:

560.74 (2) The department may approve an application for a boundary change if the development zone, as affected by the boundary changes, meets the applicable requirements of s. 560.735 and ~~2~~ 3 of the criteria under s. 560.71 (1) (e) ~~1- to 6~~ 4.

**SECTION 85.** 560.745 (2) (a) of the statutes is amended to read:

560.745 (2) (a) When the department designates a development zone under s. 560.71, it shall establish a limit for tax benefits for the development zone determined by allocating to the development zone, ~~under rules promulgated by the department,~~ a portion of ~~\$21,155,000~~ \$28,155,000.

**SECTION 86.** 560.745 (2) (am) of the statutes is created to read:

560.745 (2) (am) Notwithstanding par. (a), the department may increase the established limit for tax bene-

fits for a development zone that was designated before the effective date of this paragraph .... [revisor inserts date], by no more than \$500,000.

**SECTION 87.** 560.75 (3) of the statutes is repealed.

**SECTION 88.** 560.763 (title) of the statutes is amended to read:

**560.763 (title) Duties of local governing bodies; advisory boards.**

**SECTION 89.** 560.763 (1) (a) of the statutes is repealed.

**SECTION 90.** 560.763 (2) of the statutes is repealed.

**SECTION 91.** 560.763 (3) of the statutes is repealed.

**SECTION 92.** 560.79 of the statutes is repealed.

**SECTION 93.** 560.797 (1) (c) of the statutes, as created by **1995 Wisconsin Act 27**, is amended to read:

560.797 (1) (c) “Target population” ~~means persons who are members of targeted groups for the purpose of the credit under ss. 71.07 (2dj), 71.28 (1dj) and 71.47 (1dj)~~ has the meaning given in s. 560.70 (6).

**SECTION 94. Initial applicability.**

(1) TAX CREDITS. (a) The treatment of sections 20.835 (2) (cm) and (cn), 71.05 (6) (a) 15., 71.07 (2dd) (a) 2., (2dj) (am) 4h., 4i. and 8m., (d) and (h), (2dr) and (2ds) (c) and (h), 71.10 (4) (gd), (ge), (gm) and (i), 71.28 (1dd) (a) 2., (1dj) (am) 4h., 4i. and 8m., (d) and (h) and (1ds) (c) and (h), 71.30 (3) (eb), (ec) and (f), 71.47 (1dd) (a) 2., (1dj) (am) 4h., 4i. and 8m., (d) and (h) and (1ds) (c) and (h), 71.49 (1) (eb), (ec) and (f), 73.03 (35), 77.92 (4) and 560.70 (7) of the statutes first applies to taxable years beginning on January 1, 1997.

(b) The treatment of sections 71.07 (2dd) (a) 1., 71.28 (1dd) (a) 1. and 71.47 (1dd) (a) 1. of the statutes applies retroactively to taxable years beginning on January 1, 1995.

(c) The treatment of sections 71.07 (2dj) (am) 1., 71.28 (1dj) (am) 1. and 71.47 (1dj) (am) 1. of the statutes first applies to taxable years beginning on January 1, 1996.

(2) DEVELOPMENT ZONE PROGRAM CHANGES. The treatment of sections 560.70 (4) and (6), 560.71 (1) (cm) and (e) and (1m), 560.72 (2) (c), (3) and (4), 560.723, 560.725 (1) (intro.) and (a) to (h), (2) and (3), 560.73 (1) (f) and (g) and (3), 560.735 (6) (a) (intro.) and 2. and (c) and (6m) and 560.74 (2) of the statutes first applies to areas nominated for designation as development zones for which applications are submitted on the effective date of this subsection.

**SECTION 95. Effective dates.** This act takes effect on the day after publication, except as follows:

(1) RESEARCH CREDIT. The treatment of section 71.07 (2dr) of the statutes takes effect on July 1, 1996, or on the day after publication, whichever is later.