

1999 DRAFTING REQUEST

Bill

Received: **01/14/99**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Scott Jensen (608) 266-3387**

By/Representing: **Chad Taylor**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact: **David Dies**

Alt. Drafters:

Subject: **Tax Credits - miscellaneous
Tax - corp. inc. and fran.**

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Tax credit to corporations for education of employes or prospective employe.

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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*Per JK please
Jacket for Assem. State*

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Drafter: jkreye

May Contact: David Dies 256-7761

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FE Sent For:

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Meeting with
Dier & Ulegarke

does this apply?

beyond current deduction - (existing employees)
(see 71.05(6)(b)28.)
§127 IRC

want to
prevent
claiming
this &

go to potential employee * - to encourage people
to come to WI
Bob Corlin - leg council aware

also (in
case of
dependent)

business community

1/2 of tuition not including fees, room & board

excludable
if

satisfactory progress in a degree program

71.05(6)(b)28,

* exclusive = cannot claim credit & deduction

claimant cannot

then claim now
for some tuition
expense

education at "eligible" institution

- define
(and other references)

see 196 - private,
degree-granting
institutions

WI institutions

any business

put in all 3 subtraps

call Chad re process

David Dier - 256-7761 } see rolodex
Rolf Ulegarke 256-7761 }

**WISCONSIN'S LABOR SHORTAGE
TODAY AND TOMORROW
A Proposal to the
Wisconsin Association of Manufacturers and Commerce**

**By
Dr. Rolf Wegenke**

Background

The State of Wisconsin is facing a shortage of workers. Employers are unable to find the workers they need and are faced with the alternatives of restraining growth or expanding outside of Wisconsin. Neither alternative bodes well for Wisconsin. The Hudson Institute estimates that our current shortage of skilled workers will result in a five-percent drop in the growth of gross domestic product (GDP), or \$200 billion in lost output -- nearly \$1,000 for every American.

The crisis arises from a shortage of employees and from a skills mismatch -- i.e., employees and potential employees do not have the education and training needed by employers. Projections are that the situation will grow worse rather than better over the next decade.

Current Initiatives

The Governor's Blue Ribbon Commission on Jobs in the 21st Century and the Governor's Workforce Forums both addressed this crisis. The proposals arising from these two groups are laudable. However, some proposals -- e.g., for more job fairs -- simply rearrange existing employees without adding to their numbers or to the skill mix. Other proposals -- e.g., the cabinet czar -- signify a welcome shift in focus, but delay fundamental changes until the new czar acts.

What Is Needed

What is needed is a high impact policy which will:

- ◆ Increase "in-migration" to Wisconsin of employees with the education and training needed.

- ◆ Increase investment in the education and training employees need.

Proposal

After discussion with Mr. James Haney, president of the Wisconsin Association of Manufacturers and Commerce (WMC) and with other business leaders, I am requesting that WMC consider adding a corporate tax credit for education and training to its legislative agenda.

Wisconsin Education and Training Tax Credit: The High-Impact Solution

Wisconsin corporations should be granted a tax credit for up to half the tuition costs they pay for education and training. This proposal is modeled on M&I Data Corporation's arrangement with Marquette University wherein the corporation pays for ± 30 students from the Indian subcontinent to attend Marquette. The Governor's International Education Task Force made this proposal one of its recommendations in the final report to the Governor.

The Wisconsin Education and Training Tax Credit both *imports people* and *expands skills*.

The Wisconsin Education and Training Tax Credit: The Case for a Marketplace Solution

Many have argued that Wisconsin would be better served by investing more in specific educational institutions and in specific training programs rather than in a corporate tax credit.

The problem with this approach is that governmental investments often respond to the "squeaky wheel" as opposed to the genuine needs of employers. The Workforce Forums demonstrated this phenomenon, setting up a false dichotomy between vocational skills and other forms of education. These forums have been dominated by those who cannot find sufficient welders, printers, and fast-food workers. M&I Data Corporation, Blue Cross-Blue Shield, Northwestern Mutual Life, and like employers do not show up. The news media have reinforced this distortion claiming, as *U.S. News* did, that there are too many college graduates who end up "serving latté at Starbucks." Coming full circle, the media bias is reinforced by the self-selection among those who turn up at government hearings on the labor-shortage issue.

However, according to the Bureau of Labor Statistics, between now and 2005, employment will grow at faster-than-average rates in occupations and industries requiring higher education, and at below-average rates in occupations and industries that do not require college degrees. The Educational Testing Service (ETS) has just completed a study which concludes that, in spite of downsizing, there are more office workers than ever needed in what ETS labels "elite" or "good" jobs. These workers are involved in

managing money, product movement, or other processes which require the skills of a college graduate. Northwestern Mutual Life in Milwaukee is one such firm which is finding it difficult to fill such "elite jobs." They have engaged a marketing firm, not to help them sell insurance, but to sell college graduates on coming to work for them. A front-page story in *The Wall Street Journal* (February 10, 1998) noted that liberal arts grads compete well for these top jobs. The story quoted a career-center director who stated that companies value the "people" and problem-solving skills of majors in political science, psychology, and other liberal arts fields. A staffing manager for a manufacturer noted that companies find liberal arts grads' general curiosity a plus. A. O. Smith, long a giant in Wisconsin, no longer manufactures in the state, but its headquarters is remaining here. And they need employees. Forty percent, the largest segment of the jobs of the future (the next decade), will be with employers requiring college degrees.

Between 1996 and 2006, more than 1.3 million jobs requiring software and information-technology skills will be created by the U.S. economy. There are more than 340,000 unfilled U.S. positions for highly skilled information-technology workers today. The largest portion of these positions require a college degree.

Because we have such high-quality colleges and universities in Wisconsin, we tend to get complacent, while many assume that we only need to shore up our vocational education. However, in 1986, U.S. colleges awarded 50,000 bachelor's and advanced degrees in computer science; that number fell to 36,000 in 1996. According to the Corporation for Enterprise Development, of the 50 states, Wisconsin ranks 31st in the percentage of our population with college degrees -- and this at a time when a large percentage of the new jobs will require a college degree! Put another way, only 20.6 percent of Wisconsin residents have a baccalaureate degree compared to a national average of 23 percent. In July, the University of Wisconsin-Milwaukee Center for Economic Development reported that in the last decade, Milwaukee has slipped from seventh to twelfth in the proportion of the population that had attended four or more years of college. This means Milwaukee and Wisconsin in general will have a harder time attracting employers requiring highly educated workers, and employers already here will have a harder time attracting college-educated employees to relocate here.

According to the National Center on the Educational Quality of the Workforce, a 10-percent increase in the average education of the workforce results in an 8.6-percent increase in productivity, while a 10-percent increase in investment in fixed capital results in only a 3.4-percent increase in productivity. Wisconsin needs to invest in the jobs of the future.

A corporate education and training tax credit would apply to all education and training, vocational as well as baccalaureate. The distinction would be that the employers and not the government would decide where the investment should be made. The State of Michigan's experience with robotics is just one example of how

governments guess wrong on the jobs of the future. Stated another way, this initiative would be neutral vis-à-vis Wisconsin's technical colleges, the UW System, and Wisconsin's private colleges and universities. Each corporation would decide what kind of investment it would make in education and training programs.

A corporate education and training tax credit would not just apply to current Wisconsin residents. The students or trainees could come from India -- or Illinois.

The Case for WMC Leadership

WMC is the voice of corporate Wisconsin. Leadership by WMC will reflect the market perspective on both the worker shortage and on education and training much better than will a centralized state planning agency.

WMC already has a commitment to reducing corporate taxation as a stimulus to economic growth *and* a commitment to improved education and training. The Education and Training Tax Credit combines both of these objectives in one policy initiative. Moreover, this initiative will have broad appeal to voters and governmental officials from both parties who value education. All survey research indicates education is a top priority/concern for the general public. Hence, WMC can broaden its constituency for an education and training tax credit much more readily than it could for virtually any other proposal to reduce the corporate tax burden.

The Opposition

The opposition comes from:

1. The xenophobic who will object to Wisconsin companies educating workers from India (as M&I Data Corporation does) or from Illinois. However, the fact is that Wisconsin must either import workers or export employers.
2. Those educational planners who prefer to have direct government support for institutions as opposed to adding the students' and corporations' choice to the mix.
3. The cautious and shortsighted who do not realize that failure to address the worker shortage will cost the state's economy in a big way. In the same category are those who would postpone action until "after Asia settles down." Waiting two to four years really means waiting six to eight years because of the time involved in education and training. Many Wisconsin corporations cannot wait.

October 15, 1998



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-17782

JK:.....

King redraft
maker has
been run

~~XXXXXX~~
X ~~XXXXXX~~, if possible
Friday

gen.

1 AN ACT ...; relating to: a tax credit to corporations for the education of
2 prospective employees.

Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for businesses that pay tuition for a prospective employe to attend a university, college or technical college, if the prospective employe is enrolled in a degree-granting program. Sole proprietorships, corporations and insurers may claim the credit. Partnerships, limited liability companies and tax-option corporations compute the credit but pass it on to the partners, members and shareholders in proportion to their ownership interests. The credit is an amount equal to 50% of the tuition paid by a business for a prospective employe to attend school in a taxable year. If the credit claimed by a business exceeds the business' tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

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

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

3 SECTION 1. 71.05 (6) (a) 15. of the statutes is amended to read:
4 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
5 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) and, (3s) and (5r) and not passed through by a

1 partnership, limited liability company or tax-option corporation that has added that
2 amount to the partnership's, company's or tax-option corporation's income under s.
3 71.21 (4) or 71.34 (1) (g).

an educational program for which

4 SECTION 2. 71.07 (5r) of the statutes is created to read:

5 71.07 (5r) PROSPECTIVE EMPLOYE EDUCATION CREDIT. (a) In this subsection:

6 1. "Claimant" means a person who files a claim under this subsection.

7 2. "Degree-granting program" means ~~the education of a student that results~~
8 ~~in the student receiving~~ an associate, a ^{bachelor's} baccalaureate, or a graduate degree ^{is awarded upon successful completion.}

9 3. "Prospective employe" means a person ~~whom~~ a claimant intends to hire as a
10 full-time employe upon ^{successful} completion of the person's ^{whom} education and degree ^{-granting program}.

11 (b) A claimant may claim as a credit against the tax imposed under this
12 subchapter an amount equal to 50% of the tuition ^{that} the claimant paid or incurred
13 during the taxable year for a claimant's prospective employe to attend any university,
14 college, technical college, or school approved under s. 39.51, that is located in this
15 state, if the prospective employe is enrolled in a degree-granting program. ^{per.}

16 (c) A claimant ^{may} ~~shall~~ not claim the credit under ~~sub~~ (b) for any tuition amounts ^{that}
17 the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the ^F Internal
18 Revenue Code. ^{apply}

19 (d) The carry-over provisions of s. 71.28 (4) (e) and (f) as they ^{apply} relate to the credit
20 under s. 71.28 (4) ^{relate} to the credit under this subsection.

21 (e) Partnerships, limited liability companies and tax-option corporations may
22 not claim the credit under this subsection, but the eligibility for, and the amount of,
23 the credit are based on their payment of tuition under ~~s. 71.05 (6) (b) 28~~ (b). A partnership, limited
24 liability company or tax-option corporation shall compute the amount of credit that
25 each of its partners, members or shareholders may claim and shall provide that

par.

than

1 information to each of them. Partners, members of limited liability companies and
 2 shareholders of tax-option corporations may claim the credit in proportion to their
 3 ownership interest.

4 (f) Section 71.28 (4) (g) and (h) *as it relates to the credit under s. 71.28 (4) relates*
 5 to the credit under this subsection. *applies* *applies*

6 **SECTION 3.** 71.08 (1) (intro.) of the statutes is amended to read:

7 **71.08 (1) IMPOSITION.** (intro.) If the tax imposed on a natural person, married
 8 couple filing jointly, trust or estate under s. 71.02, not considering the credits under
 9 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (5r),
 10 (6) and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) and, (3) and
 11 (5r) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) and, (3) and (5r)
 12 and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than
 13 the tax under this section, there is imposed on that natural person, married couple
 14 filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative
 15 minimum tax computed as follows:

16 **SECTION 4.** 71.10 (4) (i) of the statutes is amended to read:

17 **71.10 (4) (i)** The total of claim of right credit under s. 71.07 (1), farmland
 18 preservation credit under subch. IX, homestead credit under subch. VIII, farmland
 19 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.
 20 71.07 (2fd), earned income tax credit under s. 71.07 (9e), prospective employe
 21 education credit under s. 71.07 (5r), estimated tax payments under s. 71.09, and
 22 taxes withheld under subch. X.

23 **SECTION 5.** 71.21 (4) of the statutes is amended to read:

1 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
2 (2dj), (2dL), (2ds), (2dx) ~~and~~, (3s) and (5r) and passed through to partners shall be
3 added to the partnership's income.

4 SECTION 6. 71.26 (2) (a) of the statutes is amended to read:

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

20 SECTION 7. 71.28 (5r) of the statutes is created to read:

21 71.28 (5r) PROSPECTIVE EMPLOYE EDUCATION CREDIT. (a) In this subsection:

22 1. "Claimant" means a person who files a claim under this subsection.

23 2. "Degree-granting program" means an education program for which

3. "Prospective employe" means a person ~~whom~~ a claimant intends to hire as a an associate,

24 full-time employe upon completion of the person's ~~education and~~ degree.

successful whom
- granting program
a bachelor's or a graduate degree is awarded upon successful completion.

a associate,

1 (b) A claimant may claim as a credit against the tax imposed under this
 2 subchapter an amount equal to 50% of the tuition ^{that} the claimant paid or incurred
 3 during the taxable year for a claimant's prospective employe to attend any university,
 4 college, technical college or school approved under s. 39.51, that is located in this
 5 state, if the prospective employe is enrolled in a degree-granting program.

6 (c) A claimant ~~shall~~ ^{may} not claim the credit under ~~sub~~ ^{par.} (b) for any tuition amounts ^{that}
 7 the claimant has excluded under s. 71.05 (6) (b) 28. or under section 127 of the
 8 Internal Revenue Code.

9 (d) The carry-over provisions of sub. (4) (e) and (f) ^v as they ~~apply~~ ^{apply} to the credit
 10 under sub. (4) ^v ~~apply~~ ^{apply} to the credit under this subsection.

11 (e) Partnerships, limited liability companies and tax-option corporations may
 12 not claim the credit under this subsection, but the eligibility for, and the amount of,
 13 the credit are based on their payment of tuition under ~~sub~~ ^{par.} (b). A partnership, limited
 14 liability company or tax-option corporation shall compute the amount of credit that
 15 each of its partners, members or shareholders may claim and shall provide that
 16 information to each of them. Partners, members of limited liability companies and
 17 shareholders of tax-option corporations may claim the credit in proportion to their
 18 ownership interest.

19 (f) Subsection (4) (g) and (h) ^v as it ~~relates~~ ^{applies} to the credit under sub. (4) ~~relates~~ ^{applies}
 20 to the credit under this subsection.

21 **SECTION 8.** 71.30 (3) (f) of the statutes is amended to read:

22 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28
 23 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
 24 s. 71.28 (2m), prospective employe education credit under s. 71.28 (5r) and estimated
 25 tax payments under s. 71.29.

1 SECTION 9. 71.34 (1) (g) of the statutes is amended to read:

2 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
3 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) and, (3) and (5r) ✓
4 and passed through to shareholders.

5 SECTION 10. 71.45 (2) (a) 10. of the statutes is amended to read:

6 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
7 computed under s. 71.47 (1dd) to (1dx) and (5r) ✓ and not passed through by a
8 partnership, limited liability company or tax-option corporation that has added that
9 amount to the partnership's, limited liability company's or tax-option corporation's
10 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
11 s. 71.47 (1), (3), (4) and (5).

12 SECTION 11. 71.47 (5r) of the statutes is created to read:

13 71.47 (5r) PROSPECTIVE EMPLOYE EDUCATION CREDIT. (a) In this subsection:

- 14 1. "Claimant" means a person who files a claim under this subsection.
- 15 2. "Degree-granting program" means an educational program for
- 16 3. "Prospective employe" means a person ~~whom~~ a claimant intends to hire as a ^{successful} ~~full-time~~ employe upon completion of the person's ~~education~~ ^{education and} degree. ^{whom} ^{which an} ^{associate,} ^{a bachelor's} ^{or a graduate} ^{degree}

17 (b) A claimant may claim as a credit against the tax imposed under this ^{granting program} ^{degree}
18 subchapter an amount equal to 50% of the tuition ^{that} the claimant paid or incurred ^{is awarded} upon ^{successful}
19 during the taxable year for a claimant's prospective employe to attend any university, ^{completion,}
20 college, technical college or school approved under s. 39.51 that is located in this
21 state, if the prospective employe is enrolled in a degree-granting program.

22 (c) A claimant ^{may} ~~shall~~ not claim the credit under ~~(b)~~ ^{par.} (b) for any tuition amounts ^{that}
23 the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the Internal
24 Revenue Code.

SECTION 11

1 (d) The carry-over provisions of s. 71.28 (4) (e) and (f) as they ^{apply} relate to the credit
 2 under s. 71.28 (4), ^{relate} relate to the credit under this subsection.

3 (e) Partnerships, limited liability companies and tax-option corporations may
 4 not claim the credit under this subsection, but the eligibility for, and the amount of,
 5 the credit are based on their payment of tuition under ~~s. 71.28 (4) (b)~~ ^{par.} (b). A partnership, limited
 6 liability company or tax-option corporation shall compute the amount of credit that
 7 each of its partners, members or shareholders may claim and shall provide that
 8 information to each of them. Partners, members of limited liability companies and
 9 shareholders of tax-option corporations may claim the credit in proportion to their
 10 ownership interest.

11 (f) Section 71.28 (4) (g) and (h) as it ^{applies to} ~~relates to~~ the credit under s. 71.28 (4) ^{relates} ~~relates~~
 12 to the credit under this subsection.

SECTION 12. 71.49 (1) (f) of the statutes is amended to read:

14 71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47
 15 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
 16 s. 71.47 (2m), prospective employe education credit under s. 71.47 (5r) and estimated
 17 tax payments under s. 71.48.

SECTION 13. 77.92 (4) of the statutes is amended to read:

19 77.92 (4) "Net business income", with respect to a partnership, means taxable
 20 income as calculated under section 703 of the internal revenue code; plus the items
 21 of income and gain under section 702 of the internal revenue code; minus the items
 22 of loss and deduction under section 702 of the internal revenue code; plus payments
 23 treated as not made to partners under section 707 (a) of the internal revenue code;
 24 plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds),
 25 (2dx) ~~and~~, (3s) and (5r); but excluding income, gain, loss and deductions from

1 farming. "Net business income", with respect to a natural person, estate or trust,
 2 means profit from a trade or business for federal income tax purposes and includes
 3 net income derived as an employee as defined in section 3121 (d) (3) of the internal
 revenue code.

no change here

[scribble]

SECTION 14. Initial applicability.

6 (1) PROSPECTIVE EMPLOYEE EDUCATION CREDIT. This act first applies to taxable
 7 years beginning on ~~the~~ January 1 of the year in which this subsection takes effect,
 8 except that if this subsection takes effect after July 31 this act first applies to taxable
 9 years beginning on January 1 of the year after the year in which this subsection takes
 10 effect.

7

(END)

11

2-15-89

11:10 AM

spoke to.
Dove Dees

he spoke with Chad at Jensen's office

256-7761 private colleges draft. LRB-1778/1
x23

scope of change - (1) not limited to prospective employees

striking reference and definition

have something as broad as possible

ex) extend credit to spouse who not living but used as incentive to get other

g- employee kids

paid for an individual = "to participate in a program of"
not "attend" but "participate" in "program"

only "qualified post-secondary institutions"

see 16.973 invest in systems or extension systems

but not tribally controlled

calling an education



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1778/1

2

JK:kmg:km

500 N

1999 BILL

WPO
Fix
Request
Sheet

1 AN ACT to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26
2 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and
3 to create 71.07 (5r), 71.28 (5r) and 71.47 (5r) of the statutes; relating to: a tax
4 credit to corporations for the education of prospective employees.

Gen. Conf.

an individual

individual
Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for businesses that pay tuition for ~~a prospective employee~~ to attend a university, college *or technical college*, if the ~~prospective employee~~ is enrolled in a degree-granting program. Sole proprietorships, corporations and insurers may claim the credit. Partnerships, limited liability companies and tax-option corporations compute the credit but pass it on to the partners, members and shareholders in proportion to their ownership interests. The credit is an amount equal to 50% of the tuition paid by a business for ~~a prospective employee~~ to attend school in a taxable year. If the credit claimed by a business exceeds the business' tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

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

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

on individual

BILL

1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

2 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) ~~and~~, (3s) and (5r) and not passed through by a
4 partnership, limited liability company or tax-option corporation that has added that
5 amount to the partnership's, company's or tax-option corporation's income under s.
6 71.21 (4) or 71.34 (1) (g).

7 **SECTION 2.** 71.07 (5r) of the statutes is created to read:

8 71.07 (5r) ~~PROSPECTIVE EMPLOYEE~~ [✓] EDUCATION CREDIT. (a) In this subsection:

9 1. "Claimant" means a person who files a claim under this subsection.

10 2. "Degree-granting program" means an educational program for which an
11 associate, a bachelor's or a graduate degree is awarded upon successful completion.

INSERT
3-12

12 ~~3. "Prospective employe" means a person whom a claimant intends to hire as~~
13 ~~a full-time employe upon successful completion of the person's degree-granting~~
14 ~~program.~~

15 (b) A claimant may claim as a credit against the tax imposed under this
16 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
17 during the taxable year for ~~a claimant's prospective employe to attend any university,~~
18 ~~college, technical college or school approved under s. 39.51, that is located in this~~
19 ~~state, if the prospective employe is enrolled in a degree-granting program.~~ *individual*

20 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
21 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
22 Internal Revenue Code.

23 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
24 under s. 71.28 (4), apply to the credit under this subsection. *on education*
an individual to participate in program of a
qualified post & secondary institution

BILL

1 (e) Partnerships, limited liability companies and tax-option corporations may
2 not claim the credit under this subsection, but the eligibility for, and the amount of,
3 the credit are based on their payment of tuition under par. (b). A partnership, limited
4 liability company or tax-option corporation shall compute the amount of credit that
5 each of its partners, members or shareholders may claim and shall provide that
6 information to each of them. Partners, members of limited liability companies and
7 shareholders of tax-option corporations may claim the credit in proportion to their
8 ownership interest.

9 (f) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
10 applies to the credit under this subsection.

11 **SECTION 3.** 71.08 (1) (intro.) of the statutes is amended to read:

12 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
13 couple filing jointly, trust or estate under s. 71.02, not considering the credits under
14 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (5r),
15 (6) and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) ~~and~~, (3) and
16 (5r) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) ~~and~~, (3) and (5r)
17 and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than
18 the tax under this section, there is imposed on that natural person, married couple
19 filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative
20 minimum tax computed as follows:

21 **SECTION 4.** 71.10 (4) (i) of the statutes is amended to read:

22 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
23 preservation credit under subch. IX, homestead credit under subch. VIII, farmland
24 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.
25 71.07 (2fd), earned income tax credit under s. 71.07 (9e), ~~prospective employe~~

BILL

1 education credit under s. 71.07 (5r), estimated tax payments under s. 71.09, and
 2 taxes withheld under subch. X.

3 **SECTION 5.** 71.21 (4) of the statutes is amended to read:

4 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
 5 (2dj), (2dL), (2ds), (2dx) ~~and~~, (3s) and (5r) and passed through to partners shall be
 6 added to the partnership's income.

7 **SECTION 6.** 71.26 (2) (a) of the statutes is amended to read:

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

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

24 71.28 (5r) ~~PROSPECTIVE EMPLOYER~~ PROSPECTIVE EMPLOYER EDUCATION CREDIT. (a) In this subsection:

25 1. "Claimant" means a person who files a claim under this subsection.

BILL

INSERT
5-3

1 2. "Degree-granting program" means an education program for which an
2 associate, a bachelor's or a graduate degree is awarded upon successful completion.

3 3. "Prospective employe" means a person whom a claimant intends to hire as
4 a full-time employe upon successful completion of the person's degree-granting
5 program.

6 (b) A claimant may claim as a credit against the tax imposed under this
7 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
8 during the taxable year for ~~a claimant's prospective employe to attend any university,~~
9 ~~college, technical college or school approved under s. 39.51, that is located in this~~
10 ~~state,~~ if the ~~prospective employe~~ ^{individual} is enrolled in a degree-granting program.

11 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
12 that the claimant has excluded under s. 71.05 (6) (b) 28. or under section 127 of the
13 Internal Revenue Code.

14 (d) The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit
15 under sub. (4), apply to the credit under this subsection.

16 (e) Partnerships, limited liability companies and tax-option corporations may
17 not claim the credit under this subsection, but the eligibility for, and the amount of,
18 the credit are based on their payment of tuition under par. (b). A partnership, limited
19 liability company or tax-option corporation shall compute the amount of credit that
20 each of its partners, members or shareholders may claim and shall provide that
21 information to each of them. Partners, members of limited liability companies and
22 shareholders of tax-option corporations may claim the credit in proportion to their
23 ownership interest.

24 (f) Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies
25 to the credit under this subsection. ^{an education}

*an individual to participate in 1. program of a
qualified post-secondary institution*

BILL

1 **SECTION 8.** 71.30 (3) (f) of the statutes is amended to read:

2 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28
3 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
4 s. 71.28 (2m), ~~prospective employe~~ education credit under s. 71.28 (5r) and estimated
5 tax payments under s. 71.29.

6 **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

7 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
8 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) ~~and (3) and (5r)~~
9 and passed through to shareholders.

10 **SECTION 10.** 71.45 (2) (a) 10. of the statutes is amended to read:

11 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
12 computed under s. 71.47 (1dd) to (1dx) ~~and (5r)~~ and not passed through by a
13 partnership, limited liability company or tax-option corporation that has added that
14 amount to the partnership's, limited liability company's or tax-option corporation's
15 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
16 s. 71.47 (1), (3), (4) and (5).

17 **SECTION 11.** 71.47 (5r) of the statutes is created to read:

18 71.47 (5r) ~~PROSPECTIVE EMPLOYE~~ EDUCATION CREDIT. (a) In this subsection:

- 19 1. "Claimant" means a person who files a claim under this subsection.
- 20 2. "Degree-granting program" means an educational program for which an
- 21 associate, a bachelor's or a graduate degree is awarded upon successful completion.
- 22 3. ~~"Prospective employe" means a person whom a claimant intends to hire as~~
- 23 ~~a full-time employe upon successful completion of the person's degree-granting~~
- 24 ~~program.~~

INSERT 6-22

BILL

1 (b) A claimant may claim as a credit against the tax imposed under this
 2 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
 3 during the taxable year for ~~a claimant's prospective employee to attend any university,~~
 4 ~~college, technical college or school approved under s. 39.51 that is located in this~~
 5 ~~state,~~ if the ~~prospective employee~~ ^{individual} is enrolled in a degree-granting program.

6 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
 7 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
 8 Internal Revenue Code.

9 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
 10 under s. 71.28 (4), apply to the credit under this subsection.

11 (e) Partnerships, limited liability companies and tax-option corporations may
 12 not claim the credit under this subsection, but the eligibility for, and the amount of,
 13 the credit are based on their payment of tuition under par. (b). A partnership, limited
 14 liability company or tax-option corporation shall compute the amount of credit that
 15 each of its partners, members or shareholders may claim and shall provide that
 16 information to each of them. Partners, members of limited liability companies and
 17 shareholders of tax-option corporations may claim the credit in proportion to their
 18 ownership interest.

19 (f) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
 20 applies to the credit under this subsection.

SECTION 12. 71.49 (1) (f) of the statutes is amended to read:

21 71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47
 22 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
 23 s. 71.47 (2m), ~~prospective employee~~ ^{an education} education credit under s. 71.47 (5r) and estimated
 24 tax payments under s. 71.48.

25 *an individual to participate in a program of a qualified post-secondary institution*

Insert 3-12, 5-3 & 6-22

¶ 3. "Qualified postsecondary institution" means
a University of Wisconsin System institution or
a regionally accredited 4-year nonprofit
college or university having its regional
headquarters and principal place of business
in this state, notwithstanding s. 16.973(1).

(b)

(b)

NOTE TO DRAFTING FILE for LRB-1778:

Per the drafter, this draft has been redrafted to a “/1” as no problems remain in the draft that require resolution before introduction of the budget bill. There are no changes between the “/PX” and the “/1.”

2-24-99 110pm

David Dies make changes to LRB-1778/2

1) relating clauses

2) add - Wis technical college system institutions



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-1778/2
JK:kmg:km

3

1999 BILL

Soon

an education

Gen. Cat.

1 AN ACT to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26
2 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4), and
3 to create 71.07 (5r), 71.28 (5r) and 71.47 (5r) of the statutes; relating to: a tax
4 credit to corporations for the education of prospective employees.

Analysis by the Legislative Reference Bureau

or technical college

This bill creates an income tax and franchise tax credit for businesses that pay tuition for an individual to attend a university, college or technical college if the individual is enrolled in a degree-granting program. Sole proprietorships, corporations and insurers may claim the credit. Partnerships, limited liability companies and tax-option corporations compute the credit but pass it on to the partners, members and shareholders in proportion to their ownership interests. The credit is an amount equal to 50% of the tuition paid by a business for an individual to attend school in a taxable year. If the credit claimed by a business exceeds the business' tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

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

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

BILL

1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

2 71.05 **(6)** (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) ~~and~~, (3s) and (5r) and not passed through by a
4 partnership, limited liability company or tax-option corporation that has added that
5 amount to the partnership's, company's or tax-option corporation's income under s.
6 71.21 (4) or 71.34 (1) (g).

7 **SECTION 2.** 71.07 (5r) of the statutes is created to read:

8 71.07 **(5r)** EDUCATION CREDIT. (a) In this subsection:

9 1. "Claimant" means a person who files a claim under this subsection.

10 2. "Degree-granting program" means an educational program for which an
11 associate, a bachelor's or a graduate degree is awarded upon successful completion.

12 3. "Qualified postsecondary institution" means a University of Wisconsin
13 System institution or a regionally accredited 4-year nonprofit college or university
14 having its regional headquarters and principal place of business in this state,
15 notwithstanding s. 16.973 (1) (b).

16 (b) A claimant may claim as a credit against the tax imposed under this
17 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
18 during the taxable year for an individual to participate in an education program of
19 a qualified postsecondary institution, if the individual is enrolled in a
20 degree-granting program.

21 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
22 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
23 Internal Revenue Code.

24 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
25 under s. 71.28 (4), apply to the credit under this subsection.

or a regionally accredited technical college system institution

BILL

1 (e) Partnerships, limited liability companies and tax-option corporations may
2 not claim the credit under this subsection, but the eligibility for, and the amount of,
3 the credit are based on their payment of tuition under par. (b). A partnership, limited
4 liability company or tax-option corporation shall compute the amount of credit that
5 each of its partners, members or shareholders may claim and shall provide that
6 information to each of them. Partners, members of limited liability companies and
7 shareholders of tax-option corporations may claim the credit in proportion to their
8 ownership interest.

9 (f) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
10 applies to the credit under this subsection.

11 **SECTION 3.** 71.08 (1) (intro.) of the statutes is amended to read:

12 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
13 couple filing jointly, trust or estate under s. 71.02, not considering the credits under
14 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (5r),
15 (6) and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) ~~and~~, (3) ~~and~~
16 (5r) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) ~~and~~, (3) ~~and~~ (5r)
17 and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than
18 the tax under this section, there is imposed on that natural person, married couple
19 filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative
20 minimum tax computed as follows:

21 **SECTION 4.** 71.10 (4) (i) of the statutes is amended to read:

22 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
23 preservation credit under subch. IX, homestead credit under subch. VIII, farmland
24 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.
25 71.07 (2fd), earned income tax credit under s. 71.07 (9e), education credit under s.

BILL

1 71.07 (5r), estimated tax payments under s. 71.09, and taxes withheld under subch.
2 X.

3 **SECTION 5.** 71.21 (4) of the statutes is amended to read:

4 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
5 (2dj), (2dL), (2ds), (2dx) ~~and~~, (3s) and (5r) and passed through to partners shall be
6 added to the partnership's income.

7 **SECTION 6.** 71.26 (2) (a) of the statutes is amended to read:

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

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

24 71.28 (5r) EDUCATION CREDIT. (a) In this subsection:

25 1. "Claimant" means a person who files a claim under this subsection.

BILL

1 2. “Degree-granting program” means an education program for which an
2 associate, a bachelor’s or a graduate degree is awarded upon successful completion.

3 3. “Qualified postsecondary institution” means a University of Wisconsin
4 System institution or a regionally accredited 4-year nonprofit college or university
5 having its regional headquarters and principal place of business in this state,
6 notwithstanding s. 16.973 (1) (b).

7 (b) A claimant may claim as a credit against the tax imposed under this
8 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
9 during the taxable year for an individual to participate in an education program of
10 a qualified postsecondary institution, if the individual is enrolled in a
11 degree-granting program.

12 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
13 that the claimant has excluded under s. 71.05 (6) (b) 28. or under section 127 of the
14 Internal Revenue Code.

15 (d) The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit
16 under sub. (4), apply to the credit under this subsection.

17 (e) Partnerships, limited liability companies and tax-option corporations may
18 not claim the credit under this subsection, but the eligibility for, and the amount of,
19 the credit are based on their payment of tuition under par. (b). A partnership, limited
20 liability company or tax-option corporation shall compute the amount of credit that
21 each of its partners, members or shareholders may claim and shall provide that
22 information to each of them. Partners, members of limited liability companies and
23 shareholders of tax-option corporations may claim the credit in proportion to their
24 ownership interest.

or a technical college system institution

BILL

1 (f) Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies
2 to the credit under this subsection.

3 **SECTION 8.** 71.30 (3) (f) of the statutes is amended to read:

4 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28
5 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
6 s. 71.28 (2m), education credit under s. 71.28 (5r) and estimated tax payments under
7 s. 71.29.

8 **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

9 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
10 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) ~~and~~, (3) and (5r)
11 and passed through to shareholders.

12 **SECTION 10.** 71.45 (2) (a) 10. of the statutes is amended to read:

13 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
14 computed under s. 71.47 (1dd) to (1dx) and (5r) and not passed through by a
15 partnership, limited liability company or tax-option corporation that has added that
16 amount to the partnership's, limited liability company's or tax-option corporation's
17 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
18 s. 71.47 (1), (3), (4) and (5).

19 **SECTION 11.** 71.47 (5r) of the statutes is created to read:

20 71.47 (5r) EDUCATION CREDIT. (a) In this subsection:

21 1. "Claimant" means a person who files a claim under this subsection.

22 2. "Degree-granting program" means an educational program for which an
23 associate, a bachelor's or a graduate degree is awarded upon successful completion.

24 3. "Qualified postsecondary institution" means a University of Wisconsin
25 System institution or a regionally accredited 4-year nonprofit college or university

a technical college system institution

BILL

1 having its regional headquarters and principal place of business in this state,
2 notwithstanding s. 16.973 (1) (b).

3 (b) A claimant may claim as a credit against the tax imposed under this
4 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
5 during the taxable year for an individual to participate in an education program of
6 a qualified postsecondary institution, if the individual is enrolled in a
7 degree-granting program.

8 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
9 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
10 Internal Revenue Code.

11 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
12 under s. 71.28 (4), apply to the credit under this subsection.

13 (e) Partnerships, limited liability companies and tax-option corporations may
14 not claim the credit under this subsection, but the eligibility for, and the amount of,
15 the credit are based on their payment of tuition under par. (b). A partnership, limited
16 liability company or tax-option corporation shall compute the amount of credit that
17 each of its partners, members or shareholders may claim and shall provide that
18 information to each of them. Partners, members of limited liability companies and
19 shareholders of tax-option corporations may claim the credit in proportion to their
20 ownership interest.

21 (f) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
22 applies to the credit under this subsection.

23 **SECTION 12.** 71.49 (1) (f) of the statutes is amended to read:

24 71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47
25 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under

BILL

1 s. 71.47 (2m), education credit under s. 71.47 (5r) and estimated tax payments under
2 s. 71.48.

3 **SECTION 13.** 77.92 (4) of the statutes is amended to read:

4 77.92 (4) “Net business income”, with respect to a partnership, means taxable
5 income as calculated under section 703 of the internal revenue code; plus the items
6 of income and gain under section 702 of the internal revenue code; minus the items
7 of loss and deduction under section 702 of the internal revenue code; plus payments
8 treated as not made to partners under section 707 (a) of the internal revenue code;
9 plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds),
10 (2dx) and, (3s) and (5r); but excluding income, gain, loss and deductions from
11 farming. “Net business income”, with respect to a natural person, estate or trust,
12 means profit from a trade or business for federal income tax purposes and includes
13 net income derived as an employe as defined in section 3121 (d) (3) of the internal
14 revenue code.

15 **SECTION 14. Initial applicability.**

16 (1) EDUCATION CREDIT. This act first applies to taxable years beginning on
17 January 1 of the year in which this subsection takes effect, except that if this
18 subsection takes effect after July 31 this act first applies to taxable years beginning
19 on January 1 of the year after the year in which this subsection takes effect.

20 (END)

Chad Taylor — Jensen's office
direct 1-5683
line re: education tax credit

Tom Reed at DOR — some concerns
↳ he will call

high priority — whatever Reed needs —
implement the changes

send ASAP — Jensen wants to introduce ASAP

3-9-99 2:25pm

talked to Dave Dier re concerns

concerns that ~~from~~ individuals will get

1999 BILL

TODAY
Tues. 3-9-99

Gen Cat.

1 AN ACT to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26
2 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and
3 to create 71.07 (5r), 71.28 (5r) and 71.47 (5r) of the statutes; relating to: an
4 education tax credit to corporations.

Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for businesses that pay tuition for an individual to attend a university, college or technical college if the individual is enrolled in a degree-granting program. Sole proprietorships, corporations and insurers may claim the credit. Partnerships, limited liability companies and tax-option corporations compute the credit but pass it on to the partners, members and shareholders in proportion to their ownership interests. The credit is an amount equal to 50% of the tuition paid by a business for an individual to attend school in a taxable year. If the credit claimed by a business exceeds the business' tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

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

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

BILL

1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

2 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) ~~and~~, (3s) and (5r) and not passed through by a
4 partnership, limited liability company or tax-option corporation that has added that
5 amount to the partnership's, company's or tax-option corporation's income under s.
6 71.21 (4) or 71.34 (1) (g).

Partner, a member of a limited liability company or a shareholder of a tax-option corporation

7 **SECTION 2.** 71.07 (5r) of the statutes is created to read:

8 71.07 (5r) EDUCATION CREDIT. (a) In this subsection:

9 1. "Claimant" means a ~~person~~ ^{was} who files a claim under this subsection.

10 2. "Degree-granting program" means an educational program for which an
11 associate, a bachelor's or a graduate degree is awarded upon successful completion.

12 3. "Qualified postsecondary institution" means a University of Wisconsin
13 System institution, a technical college system institution or a regionally accredited
14 4-year nonprofit college or university having its regional headquarters and principal
15 place of business in this state, notwithstanding s. 16.973 (1) (b).

16 (b) A claimant may claim as a credit against the tax imposed under this
17 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
18 during the taxable year for an individual to participate in an education program of
19 a qualified postsecondary institution, if the individual is enrolled in a
20 degree-granting program.

21 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
22 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
23 Internal Revenue Code.

24 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
25 under s. 71.28 (4), apply to the credit under this subsection.

BILL

1 (e) Partnerships, limited liability companies and tax-option corporations may
2 not claim the credit under this subsection, but the eligibility for, and the amount of,
3 the credit are based on their payment of tuition under par. (b). A partnership, limited
4 liability company or tax-option corporation shall compute the amount of credit that
5 each of its partners, members or shareholders may claim and shall provide that
6 information to each of them. Partners, members of limited liability companies and
7 shareholders of tax-option corporations may claim the credit in proportion to their
8 ownership interest.

9 (f) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
10 applies to the credit under this subsection.

11 **SECTION 3.** 71.08 (1) (intro.) of the statutes is amended to read:

12 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
13 couple filing jointly, trust or estate under s. 71.02, not considering the credits under
14 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3s), (5r),
15 (6) and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) ~~and~~, (3) and
16 (5r) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m) ~~and~~, (3) and (5r)
17 and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than
18 the tax under this section, there is imposed on that natural person, married couple
19 filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative
20 minimum tax computed as follows:

21 **SECTION 4.** 71.10 (4) (i) of the statutes is amended to read:

22 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
23 preservation credit under subch. IX, homestead credit under subch. VIII, farmland
24 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.
25 71.07 (2fd), earned income tax credit under s. 71.07 (9e), education credit under s.

BILL

1 71.07 (5r), estimated tax payments under s. 71.09, and taxes withheld under subch.
2 X.

3 **SECTION 5.** 71.21 (4) of the statutes is amended to read:

4 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
5 (2dj), (2dL), (2ds), (2dx) ~~and (3s)~~ and (5r) and passed through to partners shall be
6 added to the partnership's income.

7 **SECTION 6.** 71.26 (2) (a) of the statutes is amended to read:

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

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

24 71.28 (5r) EDUCATION CREDIT. (a) In this subsection:

- 25 1. "Claimant" means a ~~person who~~ *corporation that* files a claim under this subsection.

BILL

1 2. “Degree-granting program” means an education program for which an
2 associate, a bachelor’s or a graduate degree is awarded upon successful completion.

3 3. “Qualified postsecondary institution” means a University of Wisconsin
4 System institution, a technical college system institution or a regionally accredited
5 4-year nonprofit college or university having its regional headquarters and principal
6 place of business in this state, notwithstanding s. 16.973 (1) (b).

7 (b) A claimant may claim as a credit against the tax imposed under this
8 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
9 during the taxable year for an individual to participate in an education program of
10 a qualified postsecondary institution, if the individual is enrolled in a
11 degree-granting program.

12 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
13 that the claimant has excluded under s. 71.05 (6) (b) 28. or under section 127 of the
14 Internal Revenue Code.

15 (d) The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit
16 under sub. (4), apply to the credit under this subsection.

17 (e) Partnerships, limited liability companies and tax-option corporations may
18 not claim the credit under this subsection, but the eligibility for, and the amount of,
19 the credit are based on their payment of tuition under par. (b). A partnership, limited
20 liability company or tax-option corporation shall compute the amount of credit that
21 each of its partners, members or shareholders may claim and shall provide that
22 information to each of them. Partners, members of limited liability companies and
23 shareholders of tax-option corporations may claim the credit in proportion to their
24 ownership interest.

BILL

1 (f) Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies
2 to the credit under this subsection.

3 **SECTION 8.** 71.30 (3) (f) of the statutes is amended to read:

4 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28
5 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
6 s. 71.28 (2m), education credit under s. 71.28 (5r) and estimated tax payments under
7 s. 71.29.

8 **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

9 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
10 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) ~~and~~ (3) and (5r)
11 and passed through to shareholders.

12 **SECTION 10.** 71.45 (2) (a) 10. of the statutes is amended to read:

13 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
14 computed under s. 71.47 (1dd) to (1dx) and (5r) and not passed through by a
15 partnership, limited liability company or tax-option corporation that has added that
16 amount to the partnership's, limited liability company's or tax-option corporation's
17 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
18 s. 71.47 (1), (3), (4) and (5).

19 **SECTION 11.** 71.47 (5r) of the statutes is created to read:

20 71.47 (5r) EDUCATION CREDIT. (a) In this subsection:

21 1. "Claimant" means a ~~person who~~ ^{corporation that} files a claim under this subsection.

22 2. "Degree-granting program" means an educational program for which an
23 associate, a bachelor's or a graduate degree is awarded upon successful completion.

24 3. "Qualified postsecondary institution" means a University of Wisconsin
25 System institution, a technical college system institution or a regionally accredited

BILL

1 4-year nonprofit college or university having its regional headquarters and principal
2 place of business in this state, notwithstanding s. 16.973 (1) (b).

3 (b) A claimant may claim as a credit against the tax imposed under this
4 subchapter an amount equal to 50% of the tuition that the claimant paid or incurred
5 during the taxable year for an individual to participate in an education program of
6 a qualified postsecondary institution, if the individual is enrolled in a
7 degree-granting program.

8 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
9 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
10 Internal Revenue Code.

11 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
12 under s. 71.28 (4), apply to the credit under this subsection.

13 (e) Partnerships, limited liability companies and tax-option corporations may
14 not claim the credit under this subsection, but the eligibility for, and the amount of,
15 the credit are based on their payment of tuition under par. (b). A partnership, limited
16 liability company or tax-option corporation shall compute the amount of credit that
17 each of its partners, members or shareholders may claim and shall provide that
18 information to each of them. Partners, members of limited liability companies and
19 shareholders of tax-option corporations may claim the credit in proportion to their
20 ownership interest.

21 (f) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
22 applies to the credit under this subsection.

23 **SECTION 12.** 71.49 (1) (f) of the statutes is amended to read:

24 71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47
25 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under

BILL**SECTION 12**

1 s. 71.47 (2m), education credit under s. 71.47 (5r) and estimated tax payments under
2 s. 71.48.

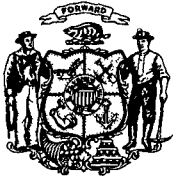
3 **SECTION 13.** 77.92 (4) of the statutes is amended to read:

4 77.92 (4) “Net business income”, with respect to a partnership, means taxable
5 income as calculated under section 703 of the internal revenue code; plus the items
6 of income and gain under section 702 of the internal revenue code; minus the items
7 of loss and deduction under section 702 of the internal revenue code; plus payments
8 treated as not made to partners under section 707 (a) of the internal revenue code;
9 plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds),
10 (2dx) ~~and~~, (3s) and (5r); but excluding income, gain, loss and deductions from
11 farming. “Net business income”, with respect to a natural person, estate or trust,
12 means profit from a trade or business for federal income tax purposes and includes
13 net income derived as an employe as defined in section 3121 (d) (3) of the internal
14 revenue code.

15 **SECTION 14. Initial applicability.**

16 (1) EDUCATION CREDIT. This act first applies to taxable years beginning on
17 January 1 of the year in which this subsection takes effect, except that if this
18 subsection takes effect after July 31 this act first applies to taxable years beginning
19 on January 1 of the year after the year in which this subsection takes effect.

20 (END)



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION (608) 266-3561
REFERENCE SECTION (608) 266-0341
FAX (608) 266-5648

STEPHEN R MILLER
CHIEF

April 29, 1999

LRB
/

MEMORANDUM

To: Representative Jensen

From: Joseph T. Kreye, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to 1999 AB 244 (LRB 99-1778/4)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

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MEMORANDUM

April 26, 1999

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Yeang-Eng Braun *YEB*
Department of Revenue

SUBJECT: Technical Memorandum on Assembly Bill 244 Relating to an Income and Franchise Tax Credit for Businesses That Pay Tuition for Individuals Enrolled in Degree-Granting Programs

The LRB analysis states that the credit is available to sole proprietorships. However, a claimant under 71.07 (5r)(a) 1 is defined to include only "a partner, member or a limited liability company or a shareholder of a tax-option corporation;" it does not include a sole proprietorship. If it is the intent of the author to provide this credit to sole proprietorships, then language should be added to include them in the definition of claimants.

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE</u>
one-time	s. 20.566 (1) (a)	\$101,600	
annual	s. 20.566 (1) (a)	\$49,500	1.2

If you have questions regarding this technical memorandum, please contact Pamela Walgren at 266-7817. For questions about administrative costs, please contact Pat Lashore at 266-3347.

YEB:DC:ds
t:\fsn99-00\dc\ab244.tec