

1999 ASSEMBLY BILL 875

March 13, 2000 – Introduced by Representatives VRAKAS, RILEY, JENSEN, MEYERHOFER, MONTGOMERY, SCHOOFF, HUNDERTMARK, REYNOLDS, SUDER, STASKUNAS, PETROWSKI, PLOUFF, LEIBHAM, PLALE, RHOADES, LA FAVE, PETTIS, BOYLE, KESTELL, NASS, KAUFERT, SERATTI, OLSEN, M. LEHMAN, LADWIG, GUNDERSON, STONE, SYKORA, SPILLNER, WIECKERT, ALBERS, MUSSER, WALKER, HUTCHISON, OWENS, LASSA, PORTER and F. LASEE, cosponsored by Senators GROBSCHMIDT, FARROW, BAUMGART, ROSENZWEIG, WIRCH, DARLING, BURKE, PLACHE and BRESKE. Referred to Committee on Labor and Employment.

1 **AN ACT to amend** 71.05 (6) (a) 15., 71.26 (2) (a), 71.45 (2) (a) 10. and 77.92 (4);
2 **and to create** 71.07 (5d), 71.10 (4) (cp), 71.28 (5d), 71.30 (3) (dm), 71.47 (5d) and
3 71.49 (1) (dm) of the statutes; **relating to:** an income tax and franchise tax
4 credit for wages paid to an apprentice.

Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for a business that pays wages to an apprentice, if the apprentice is participating in a two-year to five-year apprenticeship program for construction, industrial or manufacturing trades. The amount of the credit is 7% of the wages that are paid to an apprentice in a taxable year, but cannot exceed \$1,400, except that, in the taxable year in which the apprentice completes the apprenticeship program, the amount of the credit is 10% of the wages that are paid to an apprentice, but cannot exceed \$3,000.

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. If the credit exceeds the business's tax liability, the state will not issue a refund check, but the credit may be carried forward to later taxable years.

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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:

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 (5d) 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 (5d) of the statutes is created to read:

8 71.07 **(5d)** APPRENTICESHIP CREDIT. (a) In this subsection:

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

10 2. "Apprentice" means a person who participates in a 2-year to 5-year
11 apprenticeship program for construction, industrial or manufacturing trades, as
12 determined and approved by the department of workforce development.

13 (b) Subject to the limitations provided in this subsection, a claimant may claim
14 as a credit against the taxes imposed under s. 71.02 an amount that is equal to 7%
15 of the wages that the claimant paid to an apprentice in the taxable year, but not to
16 exceed \$1,400, except that a claimant may claim as a credit against the taxes imposed
17 under s. 71.02 an amount that is equal to 10% of the wages that the claimant paid
18 to an apprentice in the taxable year in which the apprentice completes an
19 apprenticeship program, but not to exceed \$3,000.

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

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1 (d) 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 wages 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 interests.

9 (e) 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.** 71.10 (4) (cp) of the statutes is created to read:

12 71.10 (4) (cp) The apprenticeship credit under s. 71.07 (5d).

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

14 71.26 (2) (a) *Corporations in general.* The “net income” of a corporation means
15 the gross income as computed under the internal revenue code as modified under
16 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
17 computed under s. 71.28 (1) and (3) to (5) plus the amount of the credit computed
18 under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds) and, (1dx) and (5d) and not passed
19 through by a partnership, limited liability company or tax–option corporation that
20 has added that amount to the partnership’s, limited liability company’s or tax–option
21 corporation’s income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from
22 the sale or other disposition of assets the gain from which would be wholly exempt
23 income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at
24 a gain and minus deductions, as computed under the internal revenue code as
25 modified under sub. (3), plus or minus, as appropriate, an amount equal to the

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1 difference between the federal basis and Wisconsin basis of any asset sold,
2 exchanged, abandoned or otherwise disposed of in a taxable transaction during the
3 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

4 **SECTION 5.** 71.28 (5d) of the statutes is created to read:

5 **71.28 (5d) APPRENTICESHIP CREDIT.** (a) In this subsection:

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

7 2. “Apprentice” means a person who participates in a 2-year to 5-year
8 apprenticeship program for construction, industrial or manufacturing trades, as
9 determined and approved by the department of workforce development.

10 (b) Subject to the limitations provided in this subsection, a claimant may claim
11 as a credit against the taxes imposed under s. 71.23 an amount that is equal to 7%
12 of the wages that the claimant paid to an apprentice in the taxable year, but not to
13 exceed \$1,400, except that a claimant may claim as a credit against the taxes imposed
14 under s. 71.23 an amount that is equal to 10% of the wages that the claimant paid
15 to an apprentice in the taxable year in which the apprentice completes an
16 apprenticeship program, but not to exceed \$3,000.

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

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

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1 shareholders of tax-option corporations may claim the credit in proportion to their
2 ownership interests.

3 (e) Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies
4 to the credit under this subsection.

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

6 71.30 (3) (dm) The apprenticeship credit under s. 71.28 (5d).

7 **SECTION 7.** 71.45 (2) (a) 10. of the statutes is amended to read:

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

14 **SECTION 8.** 71.47 (5d) of the statutes is created to read:

15 71.47 (5d) APPRENTICESHIP CREDIT. (a) In this subsection:

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

17 2. "Apprentice" means a person who participates in a 2-year to 5-year
18 apprenticeship program for construction, industrial or manufacturing trades, as
19 determined and approved by the department of workforce development.

20 (b) Subject to the limitations provided in this subsection, a claimant may claim
21 as a credit against the taxes imposed under s. 71.43 an amount that is equal to 7%
22 of the wages that the claimant paid to an apprentice in the taxable year, but not to
23 exceed \$1,400, except that a claimant may claim as a credit against the taxes imposed
24 under s. 71.43 an amount that is equal to 10% of the wages that the claimant paid

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1 to an apprentice in the taxable year in which the apprentice completes an
2 apprenticeship program, but not to exceed \$3,000.

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

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

13 (e) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
14 applies to the credit under this subsection.

15 **SECTION 9.** 71.49 (1) (dm) of the statutes is created to read:

16 71.49 (1) (dm) The apprenticeship credit under s. 71.47 (5d).

17 **SECTION 10.** 77.92 (4) of the statutes, as affected by 1999 Wisconsin Act 9, is
18 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, including taxable
22 state and municipal bond interest and excluding nontaxable interest income or
23 dividend income from federal government obligations; minus the items of loss and
24 deduction under section 702 of the Internal Revenue Code, except items that are not
25 deductible under s. 71.21; plus guaranteed payments to partners under section 707

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1 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
2 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) ~~and~~ (3s) and (5d); and plus or minus, as
3 appropriate, transitional adjustments, depreciation differences and basis
4 differences under s. 71.05 (13), (15), (16), (17) and (19); but excluding income, gain,
5 loss and deductions from farming. “Net business income”, with respect to a natural
6 person, estate or trust, means profit from a trade or business for federal income tax
7 purposes and includes net income derived as an employe as defined in section 3121
8 (d) (3) of the Internal Revenue Code.

9 **SECTION 11. Initial applicability.**

10 (1) APPRENTICESHIP CREDIT. This act first applies to wages paid to an apprentice
11 on July 1, 2001.

12 (END)