

1999 DRAFTING REQUEST

Bill

Received: **01/07/2000**

Received By: **jkreye**

Wanted: **As time permits**

Identical to **LRB:**

For: **Daniel Vrakas (608) 266-3007**

By/Representing: **Brian Pleva**

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

Drafter: **jkreye**

May Contact:

Alt. Drafters:

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

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

apprenticeship tax credit

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>Reauired</u>
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FE Sent For: **01/31/2000,03/06/2000.**

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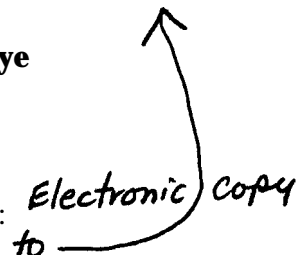
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FE Sent For:

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Daniel P. Vrakas

Wisconsin State Representative

Majority Caucus Chair

Chair: Assembly Committee on Labor & Employment

Assembly Chair: Joint Survey Committee on Retirement Systems

MEMORANDUM

TO: Joseph T. Kreye

FROM: Brian Pleva

DATE: January 6, 1999

RE: LRB Draft Request - Apprenticeship Tax Credits

Dan would like legislation drafted that reflects the components in the attached packet.

If you have any questions, please feel **free** to contact me at 4-8668.

Thank you.

MANUFACTURING AND CONSTRUCTION APPRENTICESHIP TAX CREDIT

ISSUE-WORKFORCE DEVELOPMENT

The construction and manufacturing industry in the State of Wisconsin (represented by the Allied Construction Employers Association, State Council of Carpenters, Wisconsin Manufacturer's and Commerce, the Aerospace and Machinist Union of America, Associated General Contractors of Wisconsin, AFL-CIO and the Associated General Contractors of Greater Milwaukee) are in the unenviable position of experiencing workforce attrition at an alarming level. Both of these important sectors of our economy have to compete in an environment that sees too many of our young adults who graduate from high school opt out for college rather than consider a skilled trade as an apprentice. Those individuals who enter the UW System receive a highly subsidized education, all too often leaving the state after graduation or failing to graduate at all, before providing any "pay-back" to the Wisconsin taxpayer. Additionally, many construction and manufacturing employers are reluctant to hire new apprentices, feeling that their lower productivity limits their competitiveness.

CONCEPT

In an effort to address the workforce development needs of the construction and manufacturing industry, and to do so in a fiscally responsible and prudent manner, we are proposing the concept of an ~~Apprenticeship Tax Credit~~. This tax credit is designed to promote the development of skilled workers through apprenticeship programs and counter the shortage of skilled craft workers in the construction and manufacturing trades. The Apprenticeship Tax Credit will encourage employers to hire and train skilled workers for high paying jobs.

This concept would provide a tax credit to any employer who employs an apprentice and would include the following provisions:

- Eligible industries: manufacturing and construction
- Amount of tax credit: percentage of wage (see attached proposal)
- Payment method: a process that assures protection from abuse
- ~~Eligibility: incumbent workforce and new~~ Eligibility: incumbent workforce and new apprentices in Bureau of Apprenticeship Standards (BAS) certified programs.
- Length of eligibility: not to exceed five years for state recognized apprenticeship programs.

BENEFITS

- Improves and increases workforce in vital sectors of the economy
- Immediately creates taxable earnings
- Provides option to expensive college education subsidies
- Creates high paying jobs and with them taxable earnings
- Keep high skilled workforce in Wisconsin
- Encourages employers to increase their apprenticeship recruitment

MARKETING TO EMPLOYERS

If adopted, the Apprenticeship Tax Credit will be particularly attractive to prospective employers. Those who, heretofore, were reluctant to hire apprentices due to their perceived under-productivity will now be eligible for a compensatory tax credit. Obviously, the relative amount of the tax credit will have a corresponding effect on the degree of participation by construction and manufacturing employers.

Once the Apprentice Tax Credit is adopted, affected associations can begin to promote the benefits of this important new program to their member employers. Bulletins, newsletters and informational seminars will provide the initial basis for the promotion of the benefits of the tax credit. Additionally, the State of Wisconsin, through their promotional efforts, as well as tax recording regulations will provide another important vehicle to promote this new program. The associations would also work aggressively with the Wisconsin Association of Accountants to advise them of the benefits of this program, and urge them to address this tax credit with their clients.

A coordinate approach to informing all likely beneficiaries of this tax credit would assure its optimal use and overall success.

MARKETING TO PROSPECTIVE APPRENTICES

The State of Wisconsin, the Technical College System, public school districts and philanthropic foundations have all invested heavily over the years developing programs and curricula to recruit people with the energy and talent to direct them toward skilled trades training. The following list of programs could be used as a feeder system for the development of prospective apprentices that will assure the use of the Apprentice Tax Credit Program.

- Milwaukee Community Service Corps
- Wisconsin Conservation Corps
- **Esperanza** Unida
- Big Step Inc.
- Milwaukee Jobs Initiative

- Urban League
- YWCA
- American Indian Manpower Council
- Various State High Schools: Milwaukee Trade & Technical, North Division, South Division, Custer, Bay View, etc.
- State Technical Colleges: MATC, Waukesha County Technical College, Blackhawk Technical College in Janesville, Fox Valley Technical College in Fond du Lac, Blackwell Job Corps in Laona
- Trade Associations: AGC, WMC, ABC, **ACEA**
- Joint Apprentice Training Programs
- Labor Organizations MBTC, AFL-CIO

Apprenticeship Tax Credit

Goals:

- To encourage companies to hire new apprentices and build up the workforce to help offset the current labor shortages we are facing, plus the 40% of the **workforce who will** be retiring by the year 2005.
- To assist present contractors who are training all the apprentices in the system, many of whom loose their apprentices to non training companies that offer signing bonuses, or local municipalities who can promise year round work.
- To provide an incentive to see that the apprentice completes his apprenticeship.
- To avoid abuse of the apprentice by any unscrupulous company.
- To enact the law on July 1, 2000, with the first credits issued after our current biannual budget.
- To develop a simple, low maintenance program to administrate for both the state and employer.

Components:

- The incentive **will be in** the form of a **non-refundable credit** on state income taxes paid by a corporation or as a pass-through credit to the partners, members, or shareholders of partners, members, or shareholders of partnerships, **LLC's**, or S- Corporations. The credit will be for the **full** term of a two, three, or four year term of apprenticeship. The credit will be 7% of an apprentices **qualified** wages, and a 10% credit for the last year of the apprentices program as an incentive to see that the apprentice graduates. The program is for the construction and industrial/manufacturing apprenticeship trades **as determined by the Bureau of Apprenticeship Standards, a division of the Wisconsin Department of Workforce Development** which are not less than 4,000 hours (2 years) and not more than 8,000 hours (4 years): There are currently 6,523 apprentices in the construction sector and 2,700 in the industrial/manufacturing sector for a total of 9,223 indentured apprentices which meet this criteria.
- The program is for both the present apprentices in the program, and hopefully 4000 more new apprentices **above the normal growth** we want to target over the next four years, giving us a 10% gain every year above current new entry levels. The maxium amount of qualified wages eligible for credit for each apprentice employed would be the first **\$20,000.00** in wages for the first two thirds of an apprenticeship, and **\$30,000.00** for the final year wages.

New & Present Apprentice Credit for an Apprentice in a Four Year Program:

For the First Three Years, an apprentices employer would receive a 7% credit of the apprentices total wages for the year, capped at **\$20,000.00** For an apprentice hitting the maximum wage mark in **all** three years of **\$20,000.00**, the **Employers actual net credit would be 7% or \$1,400.00 for each qualified apprentice employed per year.**

*in other words
79% of wages but no more than \$1400
~ 109% of wages but no more than \$3000*

Fourth year apprentice employer would receive a 10% credit of the apprentices total wage for that year, capped at **\$30,000.00** For a fourth year apprentice hitting the maximum wage mark of **\$30,000.00**, the **Employers actual net credit would be 10% or \$3,000.00 for each qualified apprentice employed.**

Apprentice Tax Credit

Total cost to state: Year 1 :**Based** on 2500 normal first year additions, plus 1000 new first year apprentices = 3500 in their first year; plus picking up 2500 present second year apprentices, 2500 present third year apprentices, and 2500 fourth year apprentices, for a total of 11,000 apprentices in the program.

Credit Cost 3500 1st yr. x \$1,400.00 =	\$ 4,900,000.00
Credit Cost 2500 2nd yr. x \$1,400.00 =	\$ 3,500,000.00
Credit Cost 2500 3rd yr. x \$1,400.00 =	\$ 3,500,000.00
Credit Cost 2500 4th yr. x \$3,000.00 =	<u>\$ 7,500,000.00</u>
Total Credit	\$19,400,000.00

Cost to state for first year **\$19,400,000.00**

Note, individual apprentices will pay the state over **\$21,900,000.00** in state income tax assuming a 7% rate of income tax.

If those same 1,000 apprentices were in college, the state subsidy would be 11,000 x **\$8,188.00** = **\$90,068,000.00**

Year 2: Again 3500 new apprentices join per above, plus 3500 first year apprentices are now in their second year, 2500 present third year apprentices, and 2500 present fourth year apprentices, for a total of 12,000 apprentices in the program.

Credit Cost 3500 1st yr. x \$1,400.00 =	\$ 4,900,000.00
Credit Cost 3500 2nd yr. x \$1,400.00 =	\$ 4,900,000.00
Credit Cost 2500 3rd yr. x \$1,400.00 =	\$ 3,500,000.00
Credit Cost 2500 4th yr. x \$3,000.00 =	<u>\$ 7,500,000.00</u>
Total Credit	\$20,800,000.00

Cost to state for second year **\$20,800,000.00**

Note, individual apprentices **will** pay the state over **\$24,000,000.00** in state income tax assuming a 7% rate of income tax.

If those same 12,000 apprentices were in college, the state subsidy

would be $12,006 \times \$8,188.00 = \$98,256,000.00$

Year 3 Again 3500 new apprentices join per above, plus 3500 first year apprentices are now in their second year, and 3500 second year apprentices now in their third year, and 2500 present fourth year apprentices, for a total of 13,000 apprentices in the program.

Credit Cost 3500 1st yr. x **\$1,400.00** = **\$ 4,900,000.00**
Credit Cost 3500 2nd yr. x **\$1,400.00** = **\$ 4,900,000.00**
Credit Cost 3500 3rd yr. x **\$1,400.00** = **\$ 4,900,000.00**
Credit Cost 2500 4th yr. x **\$3,000.00** = **\$7,500,000.00**
Total Credit **\$22,200,000.00**

Cost to state for third year **\$ 22,200,000.00**

Note, individual apprentices will pay the state over **\$26,200,000.00** in state income tax assuming a 7% rate of income tax.

If those same 13,000 apprentices were in college, the state subsidy would be $13,000 \times \$8,188.00 = \$106,444,000.00$

Year 4 Again 3500 new apprentices join per above, plus 3500 first year apprentices are now in their second year, and 3500 second year apprentices now in their third year, and **3500 third** year apprentices now in their fourth year for a total of 14,000 apprentices in the program.

Credit Cost 3500 1st yr. x **\$1,400.00** = **\$ 4,900,000.00**
Credit Cost 3500 2nd yr. x **\$1,400.00** = **\$ 4,900,000.00**
Credit Cost 3500 3rd yr. x **\$1,400.00** = **\$ 4,900,000.00**
Credit Cost 3500 4th yr. x **\$3,000.00** = **\$10,500,000.00**
Total Credit **\$25,200,000.00**

Cost to state for fourth year **\$25,200,000.00**

Note, individual apprentices will pay the state over **\$28,800,000.00** in state income tax assuming a 7% rate of income tax.

If those same 14,000 apprentices were in college, the state subsidy would be $14,000 \times \$8,188.00 = \$114,632,000.00$

Total 4 year cost for program =	\$87,600,000.00
Total 4 year income taxes paid by new apprentices =	\$100,900,000.00
If those 4000 new hire went to college, subsidy x four years =	\$131,008,000.00

appren10.wpd



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-4174¹

JK:/:....
wlj

1-26-2000

gen

1 AN ACT . . . relating to: an income tax and franchise tax credit for wages paid to
2 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 four-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 ^{can} not ~~to~~ 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 ^{can} not ~~to~~ 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.

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 (5d) 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).

4 **SECTION 2.** 71.07 (5d)^J of the statutes is created to read:

5 71.07 (5d) APPRENTICESHIP CREDIT. (a) In this subsection^J:

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

7 2. "Apprentice" means a person who participates in a^g 2-year to 4-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^J, a claimant may claim
11 as a credit against the taxes imposed under s. 71.02^J an amount that is equal to 7%^J
12 of the wages that the claimant paid to an apprentice in the taxable year, but not to
13 exceed \$1,400^J, except that a claimant may claim as a credit against the taxes imposed
14 under s. 71.02^J an amount that is equal to 10%^J 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^J.

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

19 (d) Partnerships, limited liability companies and tax-option corporations may
20 not claim the credit under this subsection^J, but the eligibility for, and the amount of,
21 the credit are based on their payment of wages under par. (b)^J. 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

1 shareholders of tax-option corporations may claim the credit in proportion to their
2 ownership interest^s

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

5 **SECTION 3.** 71.10 (4) (cp) of the statutes is created to read:

6 71.10 (4) (cp) The apprenticeship credit under s. 71.07 (5d).

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

8 71.26 (2) (a) *Corporations ingeneral.* 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 (ldi) 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 (ldd), (lde), (ldi), (ldj), (1dL), (Ids) and, (ldx) and (5d) 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 5.** 71.28 (5d) of the statutes is created to read:

24 71.28 (5d) **APPRENTICESHIP CREDIT.** (a) In this subsection:

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

① 2. "Apprentice" means a person who participates in an 2-year to 4-year
 2 apprenticeship program for construction, industrial or manufacturing trades, as
 3 determined and approved by the department of workforce development.

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

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

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

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

24 71.30 (3) (dm) The apprenticeship credit under s. 71.28 (5d).

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

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

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

8 71.47 (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 4-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. 71.43 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. 71.43 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.

22 (d) Partnerships, limited liability companies and tax-option corporations may
23 not claim the credit under this subsection, but the eligibility for, and the amount of,
24 the credit are based on their payment of wages under par. (b). A partnership, limited
25 liability company or tax-option corporation shall compute the amount of credit that

1 each of its partners, members or shareholders may claim and shall provide that
2 information to each of them. Partners, members of limited liability companies and
3 shareholders of tax-option corporations may claim the credit in proportion to their
4 ownership interest^s

5 (e) Section 71.28 (4) (g)[✓] and (h)[✓], as it applies to the credit under s. 71.28 (4),[✓]
6 applies to the credit under this subsection.

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

8 71.49 (1) (dm) The apprenticeship credit under s. 71.47 (5d).[✓]

9 **SECTION 10.** 77.92 (4)^J of the statutes, as affected by 1999 Wisconsin Act 9, is
10 amended to read:

11 77.92 (4) "Net business income", with respect to a partnership, means taxable
12 income as calculated under section 703 of the Internal Revenue Code; plus the items
13 of income and gain under section 702 of the Internal Revenue Code, including taxable
14 state and municipal bond interest and excluding nontaxable interest income or
15 dividend income from federal government obligations; minus the items of loss and
16 deduction under section 702 of the Internal Revenue Code, except items that are not
17 deductible under s. 71.21; plus guaranteed payments to partners under section 707
18 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
19 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) ~~and~~, (3s) and (5d)[✓]; and plus or minus, as
20 appropriate, transitional adjustments, depreciation differences and basis
21 differences under s. 71.05 (13), (15), (16), (17) and (19); but excluding income, gain,
22 loss and deductions from farming. "Net business income", with respect to a natural
23 person, estate or trust, means profit from a trade or business for federal income tax
24 purposes and includes net income derived as an employe as defined in section 3121
25 (d) (3) of the Internal Revenue Code.

Kreye, Joseph

From: Kuesel, Jeffery
Sent: Thursday, February 24, 2000 1:32 PM
To: Kreye, Joseph
Subject: FW: LRB-4174/I

Importance: High

-----Original Message-----

From: Pleva, Brian
Sent: Thursday, February 24, 2000 9:15 AM
To: Smith, Irma; Kuesel, Jeffery
Subject: LRB-4174/1
Importance: High

Jeff, could you please redraft this to reflect both two-to-four and two-to-five year apprentices? If possible, I would really appreciate it if you could get that to me today. Let me know if that's **possible**. If not, the LRB Analysis would be a helpful substitute.

Brian Pleva
Office of Rep. Dan Vrakas
(608) 264-8668

-----Original Message-----

From: **Smith, Irma**
Sent: Wednesday, February 23, 2000 2:32 PM
To: Pleva, Brian
Subject: LRB-4174/I

<< File: 99-4174/1 >>

FEB 01 2000

NOTE: PLEASE RETURN THIS BILL DRAFT AND THIS TRANSMITTAL SHEET WITH YOUR FISCAL ESTIMATE FORMS

IF THERE IS A FISCAL EFFECT TO THE BILL PLEASE SUBMIT THE FISCAL ESTIMATE WORKSHEET

TO: Eng. Braun

Department of Revenue

FROM: Deborah Uecker
Division of Executive Budget and Finance
101 East Wilson Street
Administration Building, 10th Floor
Madison, WI 53707

Note 1/1
early version of AB 875

SUBJECT: Fiscal Estimate - LRB Number 4174/1
1999 Bill Number

Please provide the necessary information on fiscal estimate forms and return the original AND one copy of the original to Deborah Uecker, no later than:

07 Feb 00

If you cannot comply with the above deadline for any reason, please call Deborah at 267-0371.

Provide local government costs

_____ is responsible for local government costs.

ALSO SENT TO:
Department of Revenue

DATE DOA SENT TO AGENCY:

31 -Jan-00

DATE DOA RECEIVED FROM AGENCY:

3/23/00

TO BE COMPLETED BY AGENCY:

Name and phone number of person who prepared the fiscal estimate.

Pamela Walgren
(Name)

266-7817
(Phone Number)

PLEASE SEND ORIGINAL COPIES OF THE FORMS THAT CAN BE REPRODUCED.



M E M O R A N D U M

March 22, 2000

TO: Joseph Kreye
Legislative Reference Bureau

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

SUBJECT: Technical Memorandum on LRB 4174/1

The Department of Revenue suggests that the draft indicate whether or not the Department of Workforce Development must approve the programs, individual apprentices and/or wages of apprentices for the employer to qualify for the credit. In addition, the sponsor may want to specify that wages paid to an apprentice of an employer located in a development zone would not qualify the employer for both the jobs retained or created component of the development zone credit and the apprentice credit.

To conform with other credits, the Department suggests that sections 71.21(4) and 71.34(l)(g) be amended to require partnerships, limited liability companies and tax option corporations to add the amount of the credit to their income.

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>
one-time	s. 20.566 (1) (a)	\$126,500
annual	s. 20.566 (1) (a)	\$ 31,900

If you have any questions regarding this technical memorandum, please contact Pamela Walgren at 266-7817; for administrative costs contact Jackie Wipperfurth at 266-9513.

YEB:PW:ds
t:\fsn99-00\rb 41741 .tec

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-4174/1

INTRODUCTION #

Admin. Rule #

Subject

Income and Franchise Tax Credit for Businesses that Pay Wages to Apprentices

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- increase Costs - May be Possible to Absorb
 Within Agency's Budget Yes No

 Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:


The draft would create a nonrefundable income and franchise tax credit for a business that pays wages to an apprentice participating in a 2-year to 4-year program in construction, industrial or manufacturing trades. The credit would equal 7% of wages paid to an apprentice, not to exceed \$1,400 per year, but would increase to 10%, not to exceed \$3,000, during the year the apprentice completes the program. The program must be approved by the Department of Workforce Development. The credit first applies to taxable years beginning on January 1, 2000.

According to information from DWD, approximately 9,300 persons currently are participating in apprenticeship programs in manufacturing, industrial or construction trades. Approximately 5,700 of these programs are 2-year to 4-year programs. It is assumed that 5,700 apprentices qualify and the average program is a 4-year program. It is further assumed that employers of 75% of these apprenticeships, or 4,300, would receive the \$1,400 credit and employers of the remaining 25%, or 1,400, apprentices would receive the \$3,000 credit. Based on Department of Revenue data, it is estimated that 75% of credits are used in the year they are claimed. Thus, the credit would reduce income tax revenues by \$7.7 million annually $[(4,300 \times \$1,400 \times 75\%) + (1,400 \times \$3,000 \times 75\%)]$.

If the intent is to allow apprenticeship programs that are shorter than 2 years or longer than 4 years to also qualify for the credit, using the same assumptions as discussed above, the fiscal effect would be \$12.5 million annually $[(7,000 \times \$1,400 \times 75\%) + (2,300 \times \$3,000 \times 75\%)]$.

The Department would incur ongoing costs of \$31,900 and one-time development costs of \$126,500 to administer this credit.

Long-Range Fiscal implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (606) 266-7617	Yeang-Eng Braun  (606) 266-2700	3/22/00

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

ORIGINAL UPDATED

LRB # 99-4174/1

Admin. Rule #

CORRECTED SUPPLEMENTAL

INTRODUCTION #

Subject

Income and Franchise Tax Credit for Businesses that Pay Wages to Apprentices

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

One-time development costs of \$126,500

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$31,900	\$ -
* (FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		
Local Assistance		-
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$31,900	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$31,900	\$ -
FED		
PRO/PRS		
SEGISSEG-S		-
III. State Revenues - Complete this only when proposal will in raise or decrease state revenues (eg., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ - see text
GPR Earned		-
FED		-
PRO/PRS		-
SEGISSEG-S		-
TOTAL State Revenues	\$	\$ - see text

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$31,900	\$
NET CHANGE IN REVENUES	\$ see text	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	3/22/00



1999 BILL

in 2-24-2000

TODAY

Regen

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 ~~four~~ ^{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.

BILL

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 taxoption corporation that has added that
5 amount to the partnership's, company's or taxoption 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~~4~~-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.

BILL

1 (d) Partnerships, limited liability companies and taxoption 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 taxoption 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 (ldi) 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 (ldd), (lde), (ldi), (1dj), (1dL), (Ids) ~~and~~, (ldx) ~~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

BILL

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 ~~4~~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

BILL

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 (l) to (ldx) ~~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 (l), (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. 5

17 2. "Apprentice" means a person who participates in a 2-year to ~~4~~ 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

BILL**SECTION 8**

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

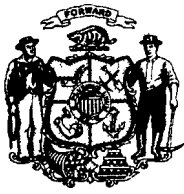
BILL

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.

SECTION 11. Initial applicability.

9
10 (1) **APPRENTICESHIP CREDIT.** This act first applies to taxable years beginning on
11 January 1 of the year in which this subsection takes effect, except that if this
12 subsection takes effect after July 31 this act first applies to taxable years beginning
13 on January 1 of the year after the year in which this subsection takes effect.

14 **(END)**



1999 BILL

m 2-28-2000

SOON

1 **AN ACT** ^{Regen} ~~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.

BILL

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.

BILL

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 (ldd), (lde), (1di), (ldj), (1dL), (1ds) ~~and~~, (ldx) ~~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

BILL

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

BILL

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 (l) to (ld) ~~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 (l), (3), (4) and (5).

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

1 5 **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
1 9 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

BILL

SECTION 8

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

BILL

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.

SECTION 11. Initial applicability.

10 (1) APPRENTICESHIP CREDIT. This act first applies to taxable years beginning on
 11 January 1 of the year in which this subsection takes effect, except that if this
 12 subsection takes effect after July 31 this act first applies to taxable years beginning
 13 on January 1 of the year after the year in which this subsection takes effect.

(END)

, 2001



1999 BILL

3-1-2000

JOON

1 **AN ACT** ^{Regen} ~~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.

BILL

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.

BILL

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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SECTION 4

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

BILL

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 (l) to (ld) ~~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 (l), (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

BILL

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

BILL

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.

SECTION 11. Initial applicability.

(1) APPRENTICESHIP CREDIT. This act first applies to taxable years beginning on

~~January~~ 1, 2001.

(END)

July

10

11

12

Kreye, Joseph

From: Ourada, Thomas D
Sent: Friday, March 03, 2000 6:46 PM
To: Kreye, Joseph
Subject: FW: LRB-4174/4

Hi Joe. Brian Pleva forwarded your message to me on this draft. My understanding is that Rep. Vrakas wants to have the new credit take effect so that it has no fiscal impact in this biennium. So the applicability date in 4171/4 says July 1, 2001. We thought that given his desire to start it after that date, we could include language similar to what was drafted for Jensen's education tax credit bill (AB 244) in LRBa1524/1 and not create a new taxable year beginning on that date. In this way we avoid having to do two tax forms and instructions for that year, one covering Jan through June 30 and one for July through Dec. 31. Rather, it is a new credit that can be taken for apprenticeships paid after the July 1 st date. Would this work? Thanks for looking at this again Joe.

-----Original Message-----

From: Pleva, Brian
Sent: Friday, March 03, 2000 1050 AM
To: Ourada, Thomas D
Subject: FW: LRB-417414

Tom, would you like to discuss your concerns with Joseph? I notice he is using the January 1st date instead of the July 1st date, as well.

Brian Pleva

Office of Rep. Dan Vrakas

(608) 264-8668

-----Original Message-----

From: Kreye, Joseph
Sent: Friday, March 03, 2000 10:48 AM
To: Pleva, Brian
Subject: RE: LRB-417414

Brian,
The recommended change below has no effect on the bill as drafted: saying that the bill first applies to taxable years beginning on January 1, 2001 is the same as saying that it first applies to wages paid to an apprentice on January 1, 2001. The only difference is that the former (the way it is currently drafted) is the usual way it's done, according to LRB standards. Please contact me if you have any questions or concerns.
Joe.

Joseph T. Kreye, Legislative Attorney
Legislative Reference Bureau
(608) 266-2263
joseph.kreye@leais.state.wi.us

-----Original Message-----

From: Pleva, Brian
Sent: Friday, March 03, 2000 9:43 AM
To: Kreye, Joseph
Subject: RE: This is being sent at the request of Joe Kreye. If you have any questions, please call Joe at 6-2263. Thank you, Irma

Joe, this will be the last change:

For LRB-417414, on page seven, line 10, please strike "taxable years" and replace it with 'wages paid to an apprentice.'

Thank you!

Brian Pleva

Office of Rep. Dan Vrakas
(608) 264-8668

-----Original Message-----

From: Smith, Irma

Sent: Thursday, March 02, 2000 9:16 AM

To: Pleva, Brian

Subject: This is being sent at the request of Joe Kreye. If you have any questions, please call Joe at 6-2263. Thank you, Irma

<< File: 99-4174/4 >>



1999 BILL

m 3-6-2000

Today

1 **AN ACT** ^{Regen} ~~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.

BILL

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.

BILL

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 (ldi) 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 (ldd), (lde), (ldi), (1dj), (1dL), (Ids) ~~and~~, (ldx) ~~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

BILL

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 taxoption 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 (ldd) to (ldx) 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 Internail Revenue Code.

SECTION 11. Initial applicability.

9 (1) APPRENTICESHIP CREDIT. This act first applies to ~~taxable~~ wages beginning on
 10 July 1, 2001.

(END)

*Wages
wages paid to an
apprentice*

Barman, Mike

From: Barman, Mike
Sent: Monday, March 06, 2000 10:31 AM
To: Pleva, Brian
cc: Kreye, Joseph
Subject: LRB 99-4174/5



99-4174/5

Mike Barman

Mike Barman - **Senior** Program Asst. (PH. **608-266-3561**)
(E-Mail: mike.barman@legis.state.wi.us) (FAX: **608-264-6948**)

State of **Wisconsin**
Legislative Reference Bureau - legal Bection - Front **Office**
100 N. Hamilton Street - 5th Floor
Madison, WI **53703**

**SUBMITTAL
FORM**

LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and sign on the appropriate line(s) below.

Date: 03/06/2000

To: Representative Vrakas

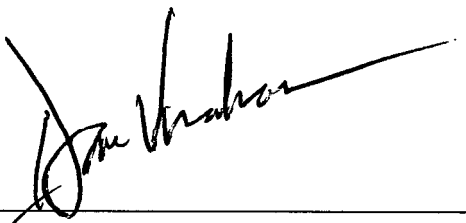
Relating to LRB drafting number: LRB-4174

Topic

apprenticeship tax credit

Subject(s)

Tax - corp. inc. and fran.



1. **JACKET** the draft for introduction _____
in the Senate or the Assembly (check only one). Only the requester under whose name the drafting request is entered in the **LRB's** drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached _____
A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW, prior to introduction** _____
If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-356 1. If you have any questions relating to the attached draft, please feel free to call me.

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



State of Wisconsin

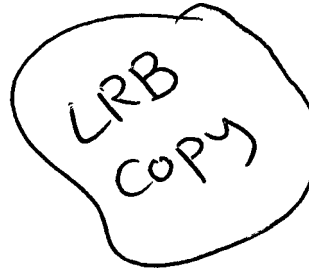
LEGISLATIVE REFERENCE BUREAU

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

March 27, 2000



MEMORANDUM

To: Representative Vrakas

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

Subject: Technical Memorandum to **1999 AB 875** (LRB 99-4174/5)

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.

MEMORANDUM

March 22, 2000

TO: Joseph Kreye
Legislative Reference Bureau

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

SUBJECT: Technical Memorandum on LRB 4174/5

The Department of Revenue suggests that the draft indicate whether or not the Department of Workforce Development must approve the programs, individual apprentices and/or wages of apprentices for the employer to qualify for the credit. In addition, the sponsor may want to specify that wages paid to an apprentice of an employer located in a development zone would not qualify the employer for both the jobs retained or created component of the development zone credit and the apprentice credit.

To conform with other credits, the Department suggests that sections 71.21(4) and 71.34(1)(g) be amended to require partnerships, limited liability companies and tax option corporations to add the amount of the credit to their income.

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>
one-time	s. 20.566 (1) (a)	\$126,500
annual	s. 20.566 (1) (a)	\$ 31,900

If you have any questions regarding this technical memorandum, please contact Pamela Walgren at 266-7817; for administrative costs contact Jackie Wippetfurth at 266-9513.

YEB:PW:ds
t:\fns99-00\lrb 41745.tec