

## 1999 SENATE BILL 482

March 16, 2000 – Introduced by Senators SHIBILSKI, MOORE and DARLING, cosponsored by Representative OLSEN. Referred to Committee on Economic Development, Housing and Government Operations.

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 expenses paid on behalf of an undergraduate student.

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### *Analysis by the Legislative Reference Bureau*

This bill creates an income tax and franchise tax credit for a business that pays a student's school related expenses, including room and board, books and tuition, if the student is either a full-time undergraduate student enrolled in the University of Wisconsin System and is eligible for a Wisconsin higher education grant or is a full-time undergraduate student enrolled in a private college or university in this state and is eligible for a talent incentive grant for needy students. The amount of the credit is \$1,000 for every \$3,000 of the student's expenses that the business pays in the taxable year. The business may claim credits for expenses that are paid for no more than ten semesters that the student is enrolled as an undergraduate.

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.

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***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)** STUDENT SPONSORSHIP CREDIT. (a) In this subsection:

9           1. "Claimant" means a sole proprietor, a partner, a member of a limited liability  
10           company or a shareholder of a tax-option corporation who files a claim under this  
11           subsection.

12           2. "Qualified expenses" means expenses related to attending school including  
13           room and board, books and tuition.

14           3. "Qualified student" means any of the following:

15           a. A student who is a full-time undergraduate student enrolled in the  
16           University of Wisconsin System and who is eligible for a Wisconsin higher education  
17           grant under s. 39.435 for at least 2 semesters that the student is enrolled.

18           b. A student who is a full-time undergraduate student enrolled in a regionally  
19           accredited 4-year private college or university in this state and who is eligible for a  
20           talent incentive grant under s. 39.435 (2) for at least 2 semesters that the student  
21           is enrolled.

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1 (b) Subject to the limitations provided in this subsection, a claimant may claim  
2 as a credit against the tax imposed under s. 71.02 an amount equal to \$1,000 for every  
3 \$3,000 of qualified expenses that the claimant pays on behalf of a qualified student  
4 in a taxable year.

5 (c) A claimant may claim credits under par. (b) for qualified expenses that are  
6 paid for no more than 10 semesters that the qualified student is enrolled as an  
7 undergraduate.

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

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

13 (f) 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 qualified expenses under par. (b) 1. A  
16 partnership, limited liability company or tax-option corporation shall compute the  
17 amount of credit that each of its partners, members or shareholders may claim and  
18 shall provide that information to each of them. Partners, members of limited liability  
19 companies and shareholders of tax-option corporations may claim the credit in  
20 proportion to their ownership interest.

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

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

24 71.10 (4) (cp) The student sponsorship credit under s. 71.07 (5d).

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

**SENATE BILL 482****SECTION 4**

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

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

17           71.28 (5d) STUDENT SPONSORSHIP CREDIT. (a) In this subsection:

18           1. “Claimant” means a corporation that files a claim under this subsection.

19           2. “Qualified expenses” means expenses related to attending school including  
20 room and board, books and tuition.

21           3. “Qualified student” means any of the following:

22           a. A student who is a full-time undergraduate student enrolled in the  
23 University of Wisconsin System and who is eligible for a Wisconsin higher education  
24 grant under s. 39.435 for at least 2 semesters that the student is enrolled.

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1           b. A student who is a full-time undergraduate student enrolled in a regionally  
2 accredited 4-year private college or university in this state and who is eligible for a  
3 talent incentive grant under s. 39.435 (2) for at least 2 semesters that the student  
4 is enrolled.

5           (b) Subject to the limitations provided in this subsection, a claimant may claim  
6 as a credit against the tax imposed under s. 71.23 an amount equal to \$1,000 for every  
7 \$3,000 of qualified expenses that the claimant pays on behalf of a qualified student  
8 in a taxable year.

9           (c) A claimant may claim credits under par. (b) for qualified expenses that are  
10 paid for no more than 10 semesters that the qualified student is enrolled as an  
11 undergraduate.

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

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

17           (f) Partnerships, limited liability companies and tax-option corporations may  
18 not claim the credit under this subsection, but the eligibility for, and the amount of,  
19 the credit are based on their payment of qualified expenses under par. (b) 1. A  
20 partnership, limited liability company or tax-option corporation shall compute the  
21 amount of credit that each of its partners, members or shareholders may claim and  
22 shall provide that information to each of them. Partners, members of limited liability  
23 companies and shareholders of tax-option corporations may claim the credit in  
24 proportion to their ownership interest.

**SENATE BILL 482****SECTION 5**

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

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

4 71.30 (3) (dm) The student sponsorship credit under s. 71.28 (5d).

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

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

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

13 71.47 (5d) STUDENT SPONSORSHIP CREDIT. (a) In this subsection:

14 1. "Claimant" means a corporation that files a claim under this subsection.

15 2. "Qualified expenses" means expenses related to attending school including  
16 room and board, books and tuition.

17 3. "Qualified student" means any of the following:

18 a. A student who is a full-time undergraduate student enrolled in the  
19 University of Wisconsin System and who is eligible for a Wisconsin higher education  
20 grant under s. 39.435 for at least 2 semesters that the student is enrolled.

21 b. A student who is a full-time undergraduate student enrolled in a regionally  
22 accredited 4-year private college or university in this state and who is eligible for a  
23 talent incentive grant under s. 39.435 (2) for at least 2 semesters that the student  
24 is enrolled.

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1 (b) Subject to the limitations provided in this subsection, a claimant may claim  
2 as a credit against the tax imposed under s. 71.43 an amount equal to \$1,000 for every  
3 \$3,000 of qualified expenses that the claimant pays on behalf of a qualified student  
4 in a taxable year.

5 (c) A claimant may claim credits under par. (b) for qualified expenses that are  
6 paid for no more than 10 semesters that the qualified student is enrolled as an  
7 undergraduate.

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

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

13 (f) 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 qualified expenses under par. (b) 1. A  
16 partnership, limited liability company or tax-option corporation shall compute the  
17 amount of credit that each of its partners, members or shareholders may claim and  
18 shall provide that information to each of them. Partners, members of limited liability  
19 companies and shareholders of tax-option corporations may claim the credit in  
20 proportion to their ownership interest.

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

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

24 71.49 (1) (dm) The student sponsorship credit under s. 71.47 (5d).

