

1999 SENATE BILL 486

March 21, 2000 – Introduced by Senator SHIBILSKI. Referred to Committee on Education.

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 (5dd), 71.10 (4) (cp), 71.28 (5dd), 71.30 (3) (dm), 71.47 (5dd)
3 and 71.49 (1) (dm) of the statutes; **relating to:** an income tax and franchise tax
4 credit for employing an undergraduate student.

Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for a business that employs a student, if the student is 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; and if the student works at least 300 hours during the taxable year for the claimant but works no more than ten hours a week in the taxable year for the claimant while school is in session. The amount of the credit is \$500 for each student that a business employs in the taxable year. The business may claim credits for employing a student 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.

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 (5dd) and not passed through by
4 a partnership, limited liability company or tax-option corporation that has added
5 that amount to the partnership's, company's or tax-option corporation's income
6 under s. 71.21 (4) or 71.34 (1) (g).

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

8 71.07 **(5dd)** STUDENT EMPLOYE 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 student" means any of the following:

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

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

20 (b) Subject to the limitations provided in this subsection, a claimant may claim
21 as a credit against the tax imposed under s. 71.02 an amount equal to \$500 for each

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1 qualified student that the claimant employs in a taxable year, if the student works
2 at least 300 hours in the taxable year for the claimant and if the student works no
3 more than 10 hours a week in the taxable year for the claimant while school is in
4 session.

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

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

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

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

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

20 71.10 (4) (cp) The student employe credit under s. 71.07 (5dd).

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

22 71.26 (2) (a) *Corporations in general.* The “net income” of a corporation means
23 the gross income as computed under the internal revenue code as modified under
24 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
25 computed under s. 71.28 (1) and (3) to (5) plus the amount of the credit computed

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

12 **SECTION 5.** 71.28 (5dd) of the statutes is created to read:

13 **71.28 (5dd) STUDENT EMPLOYEE CREDIT.** (a) In this subsection:

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

15 2. "Qualified student" means any of the following:

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

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

23 (b) Subject to the limitations provided in this subsection, a claimant may claim
24 as a credit against the tax imposed under s. 71.23 an amount equal to \$500 for each
25 qualified student that the claimant employs in a taxable year, if the student works

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1 at least 300 hours in the taxable year for the claimant and if the student works no
2 more than 10 hours a week in the taxable year for the claimant while school is in
3 session.

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

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

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

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

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

19 71.30 (3) (dm) The student employe credit under s. 71.28 (5dd).

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

21 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
22 computed under s. 71.47 (1dd) to (1dx) and (5dd) and not passed through by a
23 partnership, limited liability company or tax-option corporation that has added that
24 amount to the partnership's, limited liability company's or tax-option corporation's

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1 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
2 s. 71.47 (1), (3), (4) and (5).

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

4 71.47 (5dd) STUDENT EMPLOYE CREDIT. (a) In this subsection:

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

6 2. “Qualified student” means any of the following:

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

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

14 (b) Subject to the limitations provided in this subsection, a claimant may claim
15 as a credit against the tax imposed under s. 71.43 an amount equal to \$500 for each
16 qualified student that the claimant employs in a taxable year, if the student works
17 at least 300 hours in the taxable year for the claimant and if the student works no
18 more than 10 hours a week in the taxable year for the claimant while school is in
19 session.

20 (c) A claimant may only claim credits under par. (b) for no more than 10
21 semesters that the qualified student is enrolled as an undergraduate.

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

24 (e) Partnerships, limited liability companies and tax-option corporations may
25 not claim the credit under this subsection, but the eligibility for, and the amount of,

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1 the credit are based on their payment of wages to a qualified student employe. A
2 partnership, limited liability company or tax-option corporation shall compute the
3 amount of credit that each of its partners, members or shareholders may claim and
4 shall provide that information to each of them. Partners, members of limited liability
5 companies and shareholders of tax-option corporations may claim the credit in
6 proportion to their ownership interest.

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

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

10 71.49 (1) (dm) The student employe credit under s. 71.47 (5dd).

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

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

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SECTION 10

1 purposes and includes net income derived as an employe as defined in section 3121
2 (d) (3) of the Internal Revenue Code.

3 **SECTION 11. Initial applicability.**

4 (1) This act first applies to taxable years beginning on January 1, 2000.

5 (END)