

1999 DRAFTING REQUEST

Bill

Received: 03/13/2000

Received By: jkreye

Wanted: Soon

Identical to LRB:

For: Kevin Shibilski (608) 266-3123

By/Representing: Kristi

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:

Corporate income and franchise tax credit for providing paid work experience to needy students

Instructions:

See Attached

Drafting History:

| <u>Vers.</u> | <u>Drafted</u> | <u>Reviewed</u> | <u>Typed</u> | <u>Proofed</u> | <u>Submitted</u> | <u>Jacketed</u> | <u>Required</u> |
|--------------|----------------------|------------------------|------------------------|----------------|----------------------------|---------------------------------|-----------------|
| /P1 | jkreye 03/14/2000 | csicilia 03/16/2000 | martykr 03/16/2000 | _____ | lrb_docadmin 03/16/2000 | | State |
| | jkreye 03/17/2000 | csicilia 03/17/2000 | | _____ | | | |
| /1 | | | jfrantze 03/17/2000 | _____ | lrb_docadmin 03/17/2000 | lrb_docadminState 03/17/2000 | |

FE Sent For: 3/21/00

<END>

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|--------------|----------------------|------------------------|-----------------------|----------------|----------------------------|-----------------|-----------------|
| /P1 | jkreye 03/14/2000 | csicilia 03/16/2000 | martykr 03/16/2000 | _____ | lrb_docadmin 03/16/2000 | | State |

FE Sent For: / cjs 3/17
00 3/19
3/17
<END>

1999 DRAFTING REQUEST

Bill

Received: 03/13/2000

Received By: jkreya

Wanted: Soon

Identical to LRB:

For: Kevin Shibilski (608) 266-3123

By/Representing: Kristi

This file may be shown to any legislator: NO

Drafter: jkreya

May Contact:

Alt. Drafters:

Subject: Tax - corp. inc. and fran.

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Corporate income and franchise tax credit for providing paid work experience to needy students

Instructions:

See Attached

Drafting History:

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|--------------|----------------|-------------------|--------------|----------------|------------------|-----------------|-----------------|
| 1? | jkreya | P1 cjs 3/16 oo | sm 3/16 | _____ | _____ | _____ | _____ |

FE Sent For:

<END>

Kreye, Joseph

From: Winters, Kristi
Sent: Thursday, March 09, 2000 1:42 PM
To: Kreye, Joseph

Joe,

An update. I am expecting to hear back from HEAB on what would be the best program to use as a criteria for private school students. Also, I am working on a memo with all of the changes for 4692/1, but they are not major changes.

The major change is that Kevin wants to develop a work component to this tax credit idea. We don't want to bog down 4692, do this would be a separate bill.

The idea is to create a tax incentive for providing work opportunities to needy students. [REDACTED]

Our version would target students who qualified as needy, and a business which provides a paid work experience position to that student (full time during the summer months but no more than 10 hours a week when school is in session) would qualify for a \$500 tax credit.

Unlike the Youth Apprenticeship, it would be a tax credit, not a grant so we wouldn't need to establish a governing board. Additionally, a business could "sponsor" a student for up to 10 semesters.

I'm heading out for lunch now, I should be back by 2:45

Kristi

All 20 USC 6101 to 6251?

106.13 (4)(b) grant provided to an employer that is responsible for the on-the-job training and supervision of a youth apprentice.

Kreye, Joseph

From: Winters, Kristi
Sent: Monday, March 13, 2000 10:52 AM
To: Kreye, Joseph

Hi Joe,

~~I cannot, for the love of me, find that original memo I was working on, so here are the changes and notes:~~

- ~~1) Wisconsin private colleges are to be included, the students must qualify for the Wisconsin Tuition Grant in order to be part of the program.~~
- ~~2) On the public side, only University of Wisconsin System Colleges and Universities are can be part of the program, not technical colleges.~~
- ~~3) The minimum to participate is \$3,000 but the senator does not want to see a cap in participation. With the inclusion of private colleges, it should be expanded so that a business could provide \$6,000 to a single student or two \$3,000 scholarships and receive a \$2,000 credit.~~
- ~~4) I am going to be talking with the HEAB Executive Secretary later today about making sure that the money is seen as a one-time gift on a student's estimated family contribution so that they are not pushed out of the need category for the following year if they receive a substantial scholarship. If that language needs to be included in the language of the bill, I will provide you with it.~~
- ~~5) A business may claim a student for the credit for up to ten semesters. (That's the standard aid time, so we're copying it)~~

On the issue of the work experience component, state statute 106.13(4) (b) detail the school-to-work program for high school students. The Senator would like to use it's language as the basis of providing a business credit for providing paid work experience to needy students.

Again, the public and private undergraduates would have to qualify as needy under their respective programs. The businesses must pay them for their work and the students can be employed full-time when school is not in session, but no more than 10 hours a week when school is in session (we haven't discussed a minimum number of hours per semester that a student must work in order to qualify, but I will ask the Senator.

The business would qualify for a \$500 tax credit and a business may claim a student for the credit for up to ten semesters.

Please draft the work component as a separate bill, and let me know when you have an LRB number so I can have it added to the Senate calendar for the 22nd.

I think having the model language should help cut down on the work, thanks so much!

Kristi

4732



State of Wisconsin
1999 - 2000 LEGISLATURE

PI
LRB-4732??
JK...
cjs RMR

other

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 2-14-2000

D-N

gen

1 AN ACT ...; relating to: an income tax and franchise tax credit for employing an
2 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 XX hours during the taxable year for the claimant but works no more than ^{ten} ~~10~~ 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.

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:

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 the first 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 the first 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
22 qualified student that the claimant employs in a taxable year, if the student works
23 at least XX hours in the taxable year for the claimant and if the student works no
24 more than 10 hours a week in the taxable year for the claimant while school is in
25 session.

1 (c) A claimant may only claim credits under par. (b) for the first 10 semesters
2 that the qualified student is enrolled as an undergraduate.

3 (d) 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 (e) 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 to a qualified student employe. A
8 partnership, limited liability company or tax-option corporation shall compute the
9 amount of credit that each of its partners, members or shareholders may claim and
10 shall provide that information to each of them. Partners, members of limited liability
11 companies and shareholders of tax-option corporations may claim the credit in
12 proportion to their ownership interest.

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

16 71.10 (4) (cp) The student employe credit under s. 71.07 (5dd).

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

18 71.26 (2) (a) *Corporations in general.* The “net income” of a corporation means
19 the gross income as computed under the internal revenue code as modified under
20 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
21 computed under s. 71.28 (1) and (3) to (5) plus the amount of the credit computed
22 under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds) ~~and~~, (1dx) and (5dd) and not
23 passed through by a partnership, limited liability company or tax-option corporation
24 that has added that amount to the partnership’s, limited liability company’s or
25 tax-option corporation’s income under s. 71.21 (4) or 71.34 (1) (g) plus the amount

1 of losses from the sale or other disposition of assets the gain from which would be
2 wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise
3 disposed of at a gain and minus deductions, as computed under the internal revenue
4 code as modified under sub. (3), plus or minus, as appropriate, an amount equal to
5 the difference between the federal basis and Wisconsin basis of any asset sold,
6 exchanged, abandoned or otherwise disposed of in a taxable transaction during the
7 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

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

9 71.28 (5dd) STUDENT EMPLOYEE CREDIT. (a) In this subsection:

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

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

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

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

19 (b) Subject to the limitations provided in this subsection, a claimant may claim
20 as a credit against the tax imposed under s. 71.23 an amount equal to \$500 for each
21 qualified student that the claimant employs in a taxable year, if the student works
22 at least XX hours in the taxable year for the claimant and if the student works no
23 more than 10 hours a week in the taxable year for the claimant while school is in
24 session.

1 (c) A claimant may only claim credits under par. (b) for the first 10 semesters
2 that the qualified student is enrolled as an undergraduate.

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

5 (e) 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 to a qualified student employe. A
8 partnership, limited liability company or tax-option corporation shall compute the
9 amount of credit that each of its partners, members or shareholders may claim and
10 shall provide that information to each of them. Partners, members of limited liability
11 companies and shareholders of tax-option corporations may claim the credit in
12 proportion to their ownership interest.

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

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

16 71.30 (3) (dm) The student employe credit under s. 71.28 (5dd).

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

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

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

25 71.47 (5dd) STUDENT EMPLOYE CREDIT. (a) In this subsection:

- 1 1. "Claimant" means a corporation that files a claim under this subsection.
- 2 2. "Qualified student" means any of the following:
- 3 a. A student who is a full-time undergraduate student enrolled in the
- 4 University of Wisconsin System and who is eligible for a Wisconsin higher education
- 5 grant under s. 39.435 for the first 2 semesters that the student is enrolled.
- 6 b. A student who is a full-time undergraduate student enrolled in a regionally
- 7 accredited 4-year private college or university in this state and who is eligible for a
- 8 talent incentive grant under s. 39.435 (2) for the first 2 semesters that the student
- 9 is enrolled.
- 10 (b) Subject to the limitations provided in this subsection, a claimant may claim
- 11 as a credit against the tax imposed under s. 71.43 an amount equal to \$500 for each
- 12 qualified student that the claimant employs in a taxable year, if the student works
- 13 at least XX hours in the taxable year for the claimant and if the student works no
- 14 more than 10 hours a week in the taxable year for the claimant while school is in
- 15 session.
- 16 (c) A claimant may only claim credits under par. (b) for the first 10 semesters
- 17 that the qualified student is enrolled as an undergraduate.
- 18 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
- 19 under s. 71.28 (4), apply to the credit under this subsection.
- 20 (e) Partnerships, limited liability companies and tax-option corporations may
- 21 not claim the credit under this subsection, but the eligibility for, and the amount of,
- 22 the credit are based on their payment of wages to a qualified student employe. A
- 23 partnership, limited liability company or tax-option corporation shall compute the
- 24 amount of credit that each of its partners, members or shareholders may claim and
- 25 shall provide that information to each of them. Partners, members of limited liability

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

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

6 71.49 (1) (dm) The student employe credit under s. 71.47 (5dd).

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

9 77.92 (4) "Net business income", with respect to a partnership, means taxable
10 income as calculated under section 703 of the Internal Revenue Code; plus the items
11 of income and gain under section 702 of the Internal Revenue Code, including taxable
12 state and municipal bond interest and excluding nontaxable interest income or
13 dividend income from federal government obligations; minus the items of loss and
14 deduction under section 702 of the Internal Revenue Code, except items that are not
15 deductible under s. 71.21; plus guaranteed payments to partners under section 707
16 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
17 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) ~~and~~, (3s) and (5dd); and plus or minus, as
18 appropriate, transitional adjustments, depreciation differences and basis
19 differences under s. 71.05 (13), (15), (16), (17) and (19); but excluding income, gain,
20 loss and deductions from farming. "Net business income", with respect to a natural
21 person, estate or trust, means profit from a trade or business for federal income tax
22 purposes and includes net income derived as an employe as defined in section 3121
23 (d) (3) of the Internal Revenue Code.

24 **SECTION 11. Initial applicability.**

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

March 14, 2000

LRB-4732/7dn

JK:.....

P1
cjs

Please review this draft carefully to ensure that it is consistent with your intent. I left "X"s in the bill as a place marker for the number of hours a student must work during the taxable year. Please let me know when you have that number. ✓

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: Joseph.Kreye@legis.state.wi.us

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-4732/P1dn
JK:cjs:km

March 16, 2000

Please review this draft carefully to ensure that it is consistent with your intent. I left "X"s in the bill as a place marker for the number of hours a student must work during the taxable year. Please let me know when you have that number.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2268
E-mail: Joseph.Kreye@legis.state.wi.us

Kreye, Joseph

From: Winters, Kristi
Sent: Friday, March 17, 2000 10:29 AM
To: Kreye, Joseph
Subject: RE:

Joe,

Happy St. Patrick's Day!

I think that 300 hours is reasonable for two semesters with a 10 hour cap (including summers), so let's go with 300.

Also, can we make the same adjustments—at least 2 semesters of financial need and up to 10 semesters of claiming the credit.

Let's go with that, OK? Are we still on target to get this introduced and referred to committee by Tuesday?

Thanks much,

Kristi.

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

From: Kreye, Joseph
Sent: Thursday, March 16, 2000 4:13 PM
To: Winters, Kristi
Subject: RE:

The time frame does depend on the business' tax year.

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

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

From: Winters, Kristi
Sent: Thursday, March 16, 2000 4:09 PM
To: Kreye, Joseph
Subject: RE:

Question for you, when we say "taxable year" does that mean the business' taxable year? I know some business run a July 1 to June 30 or January 1 to December 31 year. Would the timeframe depend on the business' tax year.

I ask because I'm going to suggest that we use 300 hours of paid work in a year to qualify and I was wondering how business who hired a student who started in September would be affected.

Thanks,
Kristi

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

From: Kreye, Joseph
Sent: Thursday, March 16, 2000 3:30 PM
To: Winters, Kristi
Subject: RE:

Kristi:
I just got my copy, so yours should be on the way.

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

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

From: Winters, Kristi
Sent: Thursday, March 16, 2000 3:28 PM
To: Kreye, Joseph
Subject: RE:

Hi Joe,
I haven't seen 4732 yet today and wanted to make sure it hadn't been sent to our office yet.

Thanks,
Kristi

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

From: Kreye, Joseph
Sent: Thursday, March 16, 2000 9:07 AM
To: Winters, Kristi
Subject: RE:

Kristi:
LRB-4692 will be ready this morning and will be jacketed for you. However, although the other draft (LRB-4732) may be ready this morning it cannot be jacket because I prepared it as a preliminary draft. Your instructions suggested that you may want a provision to specify the number of hours that a student must work during the year. I think you probably need such a provision, otherwise an employer can hire a student for 1 day and then claim a \$500 tax credit. Also, don't you want to review the bill before you have it jacketed and introduced?

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

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

From: Winters, Kristi
Sent: Wednesday, March 15, 2000 4:41 PM
To: Kreye, Joseph
Subject:

Joc,

Since this is a rush, could you just jacket both bills? If needed we can call a page to pick it up when it's ready.

Thanks again,

K



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-4732/1
JK:cjs:km

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

m 3-17-2000

Today

- 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.

300
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 ~~XX~~ 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.

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.

The business may claim credits for employing a student for no more than ~~the~~^{ten} semesters that the student is enrolled as an undergraduate.

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 ~~the first~~ ^{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 ~~the first~~ ^{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

300

1 qualified student that the claimant employs in a taxable year, if the student works
2 at least ~~200~~ 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 ~~the first~~ 10 semesters
6 that the qualified student is enrolled as an undergraduate.

no more than

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

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 EMPLOYE 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 ~~the first~~ ^{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 ~~the first~~ ^{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

1 at least ~~XX~~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 ~~the first~~^{no more than} 10 semesters
5 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

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 ~~the first~~ ^{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 ~~the first~~ ^{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~~ 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 ~~the first~~ ^{no more than} 10 semesters
21 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,

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

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)



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

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

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

STEPHEN R. MILLER
CHIEF

April 25, 2000



MEMORANDUM

To: Senator Shibilski

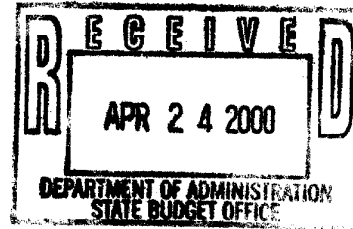
From: Joseph T. Kreye, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **1999 SB 486** (LRB 99-4732/1)

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

April 21, 2000



TO: Joseph Kreye
Legislative Reference Bureau

FROM: Dennis Collier *Dennis*
Department of Revenue

SUBJECT: Technical Memorandum on SB 486: Income and Franchise Tax Credit for
Businesses That Employ Certain Undergraduate Students

The bill provides that the amount of the computed credit passed-through a partnership, limited liability company or tax-option corporation must be added back to an individual partner, member or shareholder's income. Other pass-through credits are added back to the partnership, limited liability company or tax-option corporation income. To provide consistent treatment with other credits, the sponsor may want to amend the bill to require the add-back at the entity level.

The bill would first apply to taxable years beginning on January 1, 2000, which could create difficulties for the Department in making the necessary changes to the tax forms and processing systems in a timely manner. The sponsor may wish to change the initial applicability language so that if the bill is enacted after July 1, 2000, the changes would first apply to taxable years beginning on January 1, 2001.

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

| | <u>Chapter 20</u> | <u>Amount</u> | <u>FTE</u> |
|---------------------|-------------------|---------------|------------|
| FY 2000-01 one-time | s. 20.566 (1) (a) | \$93,000 | |
| FY 2001-02 one-time | s. 20.566 (1) (a) | 9,400 | |
| FY 2001-02 annual | s. 20.566 (1) (a) | \$30,700 | .50 |

If you have questions regarding this technical memorandum, please contact Pam Walgren at 266-7817. For questions regarding administrative costs, contact Jackie Wipperfurth at 266-9513.

DC:PW:ds
t:\fsn99-00\pw\sb486.tec