

2001 DRAFTING REQUEST

Bill

Received: 10/12/2000

Received By: jkreye

Wanted: As time permits

Identical to LRB: 99s0217/2

For: Tim Hoven (608) 267-2369

By/Representing: mike welsh

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:

Day care center 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>Required</u>
/?	jkreye 10/12/2000	csicilia 11/14/2000		_____			State
/1			pgreensl 11/14/2000	_____	lrb_docadmin 11/14/2000	lrb_docadmin 11/20/2000	

FE Sent For:

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1?	jkreye	1 cjs 11/14/00	11/14 PG	11/14 PG/RS			

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LEGISLATIVE REFERENCE BUREAU**BILL REQUEST FORM**

Legal Section, 5th Floor, 100 N. Hamilton St.
 (608) 266-3561

Use of this form is optional. It is often helpful to talk directly with the LRB attorney who will draft the bill.
 Use this form only for **BILL** drafts. Attach more pages if necessary.

Date of request: <i>12 OCT 2000</i>	Legislator or agency requesting this draft: <i>REP. HOVEN</i>
Name/phone number of person submitting request: <i>MIKE WELSH 7-2370</i>	
Persons to contact for questions about this draft (names and phone numbers please): <i>MIKE WELSH 7-2370</i>	
Describe the problem, including any helpful examples. How do you want to solve the problem? <i>PLEASE REDRAFT FOR 2001 SESSION.</i>	
If you know of any statute sections that might be affected, please list them or provide a marked (not re-typed) copy.	

Please attach a copy of any correspondence or material that may help us. You may also attach a marked (not re-typed) copy of any LRB draft, or provide its number (e.g., 1997 LRB-2345/1 or 1995 AB-67):

Requests are confidential unless stated otherwise.

May we tell others that we are working on this for you? YES NO

If yes, anyone who asks? YES NO

Any legislator? YES NO ONLY the following persons:

Do you consider this urgent? YES NO If yes, please indicate why:

Is this request of higher priority than other pending request(s) you have made?

YES NO If yes, please sign your name here:



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-07407

JK:Y:....

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for provide

AN ACT ...; relating to: an income and franchise tax credit for a business to construct, equip, ~~and~~ operate a day care center for the children of employees.

as

Analysis by the Legislative Reference Bureau

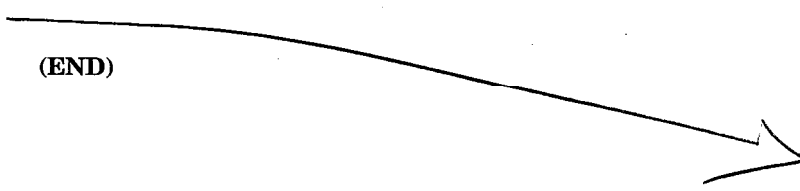
This bill creates an income tax and franchise tax credit for a business to construct, equip, operate, or provide a day care center for the children of its employees during work hours. A business may claim a credit ~~that is equal to~~ any of the following amounts, but not exceeding \$50,000 a year: 1) 50% of the amount the business paid to construct and equip a day care center that the business owns and operates; 2) 50% of the amount the business paid to operate its own day care center; and 3) if the business does not construct its own day care center, 50% of the amount the business paid to a day care center to provide day care to the children of its employees. The total amount of all such credits, for all businesses, will not exceed \$1,500,000 a 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 a business claims a credit that exceeds its tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent 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:

(END)



**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 1999 ASSEMBLY BILL 393**

January 4, 2000 - Offered by Representative HOVEN.

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: income and franchise tax credits for
4 a business to construct, equip and operate a day care center for the children of
5 employes.

*The people of the state of Wisconsin, represented in senate and assembly, do
enact as follows:*

6 SECTION 1. 71.05 (6) (a) 15. of the statutes is amended to read:

7 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
8 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) and (3s) and (5d) and not passed through by a
9 partnership, limited liability company or tax-option corporation that has added that
10 amount to the partnership's, company's or tax-option corporation's income under s.
11 71.21 (4) or 71.34 (1) (g).

12 SECTION 2. 71.07 (5d) of the statutes is created to read:

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1 71.07 (5d) DAY CARE CENTER CREDIT. (a) In this subsection:

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

3 2. "Equipment" means equipment that is depreciable property for income tax
4 or franchise tax purposes.

5 (b) A claimant may claim as a credit against the tax imposed under s. 71.02 any
6 of the following:

7 1. An amount equal to 50% of the amount paid by the claimant during the
8 taxable year to construct, and purchase equipment for the use at, a licensed day care
9 center under s. 48.65 that is owned and operated by the claimant to care for the
10 children of the claimant's employees during the employees' working hours.

11 2. An amount that is equal to the amount paid by the claimant to operate the
12 claimant's day care center, as described under subd. 1., for the taxable year; minus
13 any amount paid by an employee of the claimant to reimburse the claimant for any
14 amount paid by the claimant under this subdivision; multiplied by 50%. A claimant
15 may claim and be allocated a credit under this subdivision regardless of whether the
16 claimant has claimed or been allocated a credit under subd. 1.

17 3. An amount that is equal to the amount paid by the claimant during the
18 taxable year to a licensed day care center under s. 48.65, other than a day care center
19 as described under subd. 1., to provide care for the children of the claimant's
20 employees during the employees' working hours; minus any amount paid by an
21 employee of the claimant to reimburse the claimant for any amount paid by the
22 claimant under this subdivision; multiplied by 50%.

23 (c) Except as provided in par. (dm), the amount of the credit under this
24 subsection shall not exceed \$50,000 in a taxable year for each claimant and the total

1 amount of the credit for all claimants under this subsection and ss. 71.28 (5d) and
2 71.47 (5d) shall not exceed \$1,500,000 in a state fiscal year.

3 (d) 1. No credit may be allowed under this subsection unless the claimant files
4 annually an application with the department of revenue on or before March 1 and
5 includes with that application a statement from the department of health and family
6 services that verifies that the day care center under par. (b) is licensed under s. 48.65.
7 A claimant may apply for and be allocated a credit under this subsection before the
8 claimant pays expenses under par. (b), except that, if the claimant does not pay the
9 expenses in the taxable year related to the credit, the claimant shall not receive the
10 credit and the department of revenue may allocate the amount of the credit to
11 another claimant.

12 2. After March 1, the department shall allocate randomly the credits under this
13 subsection and ss. 71.28 (5d) and 71.47 (5d). After the department has allocated the
14 credits, the department shall compile a waiting list of claimants who were not
15 allocated credits and shall allocate randomly any unused credits to the claimants on
16 the waiting list. No credit may be allowed under this subsection after the
17 department has awarded the total amount of the credit for all claimants under par.
18 (c).

19 (dm) Claimants who jointly construct, equip, or operate a licensed day care
20 center may jointly claim the credit as provided under this subsection, if the claimants
21 file a joint application under par. (d) 1. Claimants who file a joint application and
22 who are allocated a credit under par. (b) may apportion the amount of the credit
23 among the joint claimants in any manner that the joint claimants choose.

24 The total amount of the credit for the joint claimants shall not exceed \$50,000 in a
25 taxable year.

1 (e) Section 71.28 (4) (e), as it applies to the credit under s. 71.28 (4), applies to
2 the credit under this subsection.

3 (f) If a credit computed under this subsection is not entirely offset against
4 income or franchise taxes otherwise due, the unused balance may be carried forward
5 and credited against income or franchise taxes otherwise due for the following 5
6 taxable years to the extent not offset by those taxes otherwise due in all intervening
7 years between the year in which the expense was paid and the year in which the
8 carry-forward credit is claimed.

9 (g) A partnership, limited liability company, or tax-option corporation may
10 claim the credit under this subsection as an entity.

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

13 (i) Except as provided under par. (j), if the operation of a day care center under
14 par. (b) 1. ceases within 5 years after the date on which the construction of the day
15 care center is completed, a claimant who receives credits under par. (b) 1. and 2. for
16 the construction and operation of such a day care center shall add to the claimant's
17 liability for taxes imposed under s. 71.02 an amount equal to the total amount of the
18 credits received under par. (b) 1. and 2. multiplied by the following percentage:

19 1. If the operation of the day care center ceases during the first year after the
20 date on which the construction of the day care center is completed, 100%.

21 2. If the operation of the day care center ceases during the 2nd year after the
22 date on which the construction of the day care center is completed, 80%.

23 3. If the operation of the day care center ceases during the 3rd year after the
24 date on which the construction of the day care center is completed, 60%.

1 4. If the operation of the day care center ceases during the 4th year after the
2 date on which the construction of the day care center is completed, 40% ✓

3 5. If the operation of the day care center ceases during the 5th year after the
4 date on which the construction of the day care center is completed, 20%. ✓

5 (j) Paragraph (i) does not apply to a claimant whose business ceases operation
6 within 5 years after the date on which the construction of the claimant's day care
7 center is completed; or whose day care center ceases operation for not more than 30
8 consecutive days in a taxable year; or who presents evidence to the department of
9 revenue that the majority of the claimant's employees with children who are eligible
10 to enroll in the claimant's day center do not want to enroll their children in the
11 claimant's day care center. Care ✓

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

13 71.10 (4) (cp) The day care center credit under s. 71.07 (5d). ✓

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

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

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1 modified under sub. (3), plus or minus, as appropriate, an amount equal to the
2 difference between the federal basis and Wisconsin basis of any asset sold,
3 exchanged, abandoned or otherwise disposed of in a taxable transaction during the
4 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

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

6 71.28 (5d) DAY CARE CENTER CREDIT. (a) In this subsection:

- 7 1. "Claimant" means a person who files a claim under this subsection.
- 8 2. "Equipment" means equipment that is depreciable property for income tax
9 or franchise tax purposes.

10 (b) A claimant may claim as a credit against the tax imposed under s. 71.23 any
11 of the following:

12 1. An amount equal to 50% of the amount paid by the claimant during the
13 taxable year to construct, and purchase equipment for the use at, a licensed day care
14 center under s. 48.65, that is owned and operated by the claimant to care for the
15 children of the claimant's employees during the employees' working hours.

16 2. An amount that is equal to the amount paid by the claimant to operate the
17 claimant's day care center, as described under subd. 1., for the taxable year; minus
18 any amount paid by an employee of the claimant to reimburse the claimant for any
19 amount paid by the claimant under this subdivision; multiplied by 50%. A claimant
20 may claim and be allocated a credit under this subdivision regardless of whether the
21 claimant has claimed or been allocated a credit under subd. 1.

22 3. An amount that is equal to the amount paid by the claimant during the
23 taxable year to a licensed day care center under s. 48.65, other than a day care center
24 as described under subd. 1., to provide care for the children of the claimant's
25 employees during the employees' working hours; minus any amount paid by an

1 employe^e of the claimant to reimburse the claimant for any amount paid by the
2 claimant under this subdivision; multiplied by 50%.

3 (c) Except as provided in par. (dm), the amount of the credit under this
4 subsection shall not exceed \$50,000 in a taxable year for each claimant and the total
5 amount of the credit for all claimants under this subsection and ss. 71.07 (5d) and
6 71.47 (5d) shall not exceed \$1,500,000 in a state fiscal year.

7 (d) 1. No credit may be allowed under this subsection unless the claimant files
8 annually an application with the department of revenue on or before March 1 and
9 includes with that application a statement from the department of health and family
10 services that verifies that the day care center under par. (b) is licensed under s. 48.65.
11 A claimant may apply for and be allocated a credit under this subsection before the
12 claimant pays expenses under par. (b), except that, if the claimant does not pay the
13 expenses in the taxable year related to the credit, the claimant shall not receive the
14 credit and the department of revenue may allocate the amount of the credit to
15 another claimant. ✓

16 2. After March 1, the department shall allocate randomly the credits under this
17 subsection and ss. 71.07 (5d) and 71.47 (5d). After the department has allocated the
18 credits, the department shall compile a waiting list of claimants who were not
19 allocated credits and shall allocate randomly any unused credits to the claimants on
20 the waiting list. No credit may be allowed under this subsection after the
21 department has awarded the total amount of the credit for all claimants under par.
22 (c).

23 (dm) Claimants who jointly construct, equip^e or operate a licensed day care
24 center may jointly claim the credit as provided under this subsection, if the claimants
25 file a joint application under par. (d) 1. Claimants who file a joint application and

1 who are allocated a credit under par. (b) may apportion the amount of the credit
2 among the joint claimants in any manner that the joint claimants choose ~~except that~~

3 The total amount of the credit for the joint claimants shall not exceed \$50,000 in a
4 taxable year.

5 (e) Subsection (4) (e), as it applies to the credit under sub. (4), applies to the
6 credit under this subsection.

7 (f) If a credit computed under this subsection is not entirely offset against
8 income or franchise taxes otherwise due, the unused balance may be carried forward
9 and credited against income or franchise taxes otherwise due for the following 5
10 taxable years to the extent not offset by those taxes otherwise due in all intervening
11 years between the year in which the expense was paid and the year in which the
12 carry-forward credit is claimed.

13 (g) A partnership, limited liability company, or tax-option corporation may
14 claim the credit under this subsection as an entity.

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

17 (i) Except as provided under par. (j), if the operation of a day care center under
18 par. (b) 1. ceases within 5 years after the date on which the construction of the day
19 care center is completed, a claimant who receives credits under par. (b) 1. and 2. for
20 the construction and operation of such a day care center shall add to the claimant's
21 liability for taxes imposed under s. 71.23 an amount equal to the total amount of the
22 credits received under par. (b) 1. and 2. multiplied by the following percentage:

23 1. If the operation of the day care center ceases during the first year after the
24 date on which the construction of the day care center is completed, 100%.

1 2. If the operation of the day care center ceases during the 2nd year after the
2 date on which the construction of the day care center is completed, 80%.

3 3. If the operation of the day care center ceases during the 3rd year after the
4 date on which the construction of the day care center is completed, 60%.

5 4. If the operation of the day care center ceases during the 4th year after the
6 date on which the construction of the day care center is completed, 40%.

7 5. If the operation of the day care center ceases during the 5th year after the
8 date on which the construction of the day care center is completed, 20%.

9 (j) Paragraph (i) does not apply to a claimant whose business ceases operation
10 within 5 years after the date on which the construction of the claimant's day care
11 center is completed; or whose day care center ceases operation for not more than 30
12 consecutive days in a taxable year; or who presents evidence to the department of
13 revenue that the majority of the claimant's employees with children who are eligible
14 to enroll in the claimant's day care center do not want to enroll their children in the
15 claimant's day care center.

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

17 71.30 (3) (dm) The day care center credit under s. 71.28 (5d).

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

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

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

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1 71.47 (5d) DAY CARE CENTER CREDIT. (a) In this subsection:

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

3 2. "Equipment" means equipment that is depreciable property for income tax
4 or franchise tax purposes.

5 (b) A claimant may claim as a credit against the tax imposed under s. 71.43 any
6 of the following:

7 1. An amount equal to 50% of the amount paid by the claimant during the
8 taxable year to construct, and ^{to} purchase equipment for the use at, a licensed day care
9 center under s. 48.65 that is owned and operated by the claimant to care for the
10 children of the claimant's employees during the employees' working hours.

11 2. An amount that is equal to the amount paid by the claimant to operate the
12 claimant's day care center, as described under subd. 1., for the taxable year; minus
13 any amount paid by an employee of the claimant to reimburse the claimant for any
14 amount paid by the claimant under this subdivision; multiplied by 50%. A claimant
15 may claim and be allocated a credit under this subdivision regardless of whether the
16 claimant has claimed or been allocated a credit under subd. 1.

17 3. An amount that is equal to the amount paid by the claimant during the
18 taxable year to a licensed day care center under s. 48.65, other than a day care center
19 as described under subd. 1., to provide care for the children of the claimant's
20 employees during the employees' working hours; minus any amount paid by an
21 employee of the claimant to reimburse the claimant for any amount paid by the
22 claimant under this subdivision; multiplied by 50%.

23 (c) Except as provided in par. (dm), the amount of the credit under this
24 subsection shall not exceed \$50,000 in a taxable year for each claimant and the total

1 amount of the credit for all claimants under this subsection and ss. 71.07 (5d) and
2 71.28 (5d) shall not exceed \$1,500,000 in a state fiscal year.

3 (d) 1. No credit may be allowed under this subsection unless the claimant files
4 annually an application with the department of revenue on or before March 1 and
5 includes with that application a statement from the department of health and family
6 services that verifies that the day care center under par. (b) is licensed under s. 48.65.
7 A claimant may apply for and be allocated a credit under this subsection before the
8 claimant pays expenses under par. (b), except that, if the claimant does not pay the
9 expenses in the taxable year related to the credit, the claimant shall not receive the
10 credit and the department of revenue may allocate the amount of the credit to
11 another claimant.

12 2. After March 1, the department shall allocate randomly the credits under this
13 subsection and ss. 71.07 (5d) and 71.28 (5d). After the department has allocated the
14 credits, the department shall compile a waiting list of claimants who were not
15 allocated credits and shall allocate randomly any unused credits to the claimants on
16 the waiting list. No credit may be allowed under this subsection after the
17 department has awarded the total amount of the credit for all claimants under par.
18 (c).

19 (dm) Claimants who jointly construct, equip, or operate a licensed day care
20 center may jointly claim the credit as provided under this subsection, if the claimants
21 file a joint application under par. (d) 1. Claimants who file a joint application and
22 who are allocated a credit under par. (b) may apportion the amount of the credit
23 among the joint claimants in any manner that the joint claimants choose ~~except that~~

24 The total amount of the credit for the joint claimants shall not exceed \$50,000 in a
25 taxable year.

1 (e) Section 71.28 (4) (e), as it applies to the credit under s. 71.28 (4), applies to
2 the credit under this subsection.

3 (f) If a credit computed under this subsection is not entirely offset against
4 income or franchise taxes otherwise due, the unused balance may be carried forward
5 and credited against income or franchise taxes otherwise due for the following 5
6 taxable years to the extent not offset by those taxes otherwise due in all intervening
7 years between the year in which the expense was paid and the year in which the
8 carry-forward credit is claimed.

9 (g) A partnership, limited liability company, or tax-option corporation may
10 claim the credit under this subsection as an entity.

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

13 (i) Except as provided under par. (j), if the operation of a day care center under
14 par. (b) 1. ceases within 5 years after the date on which the construction of the day
15 care center is completed, a claimant who receives credits under par. (b) 1. and 2. for
16 the construction and operation of such a day care center shall add to the claimant's
17 liability for taxes imposed under s. 71.43 an amount equal to the total amount of the
18 credits received under par. (b) 1. and 2. multiplied by the following percentage:

19 1. If the operation of the day care center ceases during the first year after the
20 date on which the construction of the day care center is completed, 100%.

21 2. If the operation of the day care center ceases during the 2nd year after the
22 date on which the construction of the day care center is completed, 80%.

23 3. If the operation of the day care center ceases during the 3rd year after the
24 date on which the construction of the day care center is completed, 60%.

1 4. If the operation of the day care center ceases during the 4th year after the
2 date on which the construction of the day care center is completed, 40%.

3 5. If the operation of the day care center ceases during the 5th year after the
4 date on which the construction of the day care center is completed, 20%.

5 (j) Paragraph (i) does not apply to a claimant whose business ceases operation
6 within 5 years after the date on which the construction of the claimant's day care
7 center is completed; or whose day care center ceases operation for not more than 30
8 consecutive days in a taxable year; or who presents evidence to the department of
9 revenue that the majority of the claimant's employees with children who are eligible
10 to enroll in the claimant's day care center do not want to enroll their children in the
11 claimant's day care center. Care

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

13 71.49 (1) (dm) The day care center credit under s. 71.47 (5d).

14 SECTION 10. 77.92 (4) of the statutes, ~~as affected by 1999 Wisconsin Act 9,~~ is
15 amended to read:

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

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differences under s. 71.05 (13), (15), (16), (17) and (19); but excluding income, gain, loss and deductions from farming. "Net business income", with respect to a natural person, estate or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employe^e as defined in section 3121 (d) (3) of the Internal Revenue Code.

SECTION 11. Initial applicability.

(1) DAY CARE CENTER CREDIT. This act first applies to taxable years beginning on January 1, ~~2000~~

~~(END)~~

of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
5TH FLOOR
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-6948

November 14, 2000

MEMORANDUM

To: Representative Hoven

From: Joseph T. Kreye, Legislative Attorney

Re: LRB-0740 Day care center tax credit

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

JACKET FOR ASSEMBLY JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-2263 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266 3561 if you have any questions regarding this memorandum.



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 5, 2001

MEMORANDUM

To: Representative Hoven

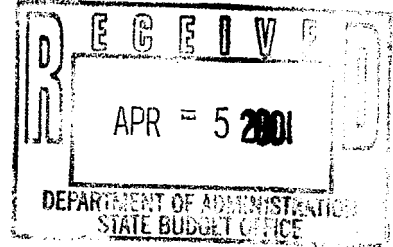
From: Joseph T. Kreye, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2001 AB-183** (LRB-0740/1)

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 3, 2001



TO: Joseph Kreye
Legislative Reference Bureau

FROM: Dennis Collier *Dennis Collier*
Department of Revenue

SUBJECT: Technical Memorandum on AB 183: Income and Franchise Tax Credit for Expenses to Construct or Operate a Day Care Center for Children of Employees

The analysis states that partnerships, limited liability companies and tax-option corporations compute the credit and pass it on to partners, members and shareholders in proportion to their ownership interests. The bill provides that partnerships, limited liability companies and tax-option corporations may claim the credit. However, since these entities do not typically have income, they would not be able to claim the credit. Either the bill should be amended to conform to the analysis or the analysis amended to conform to the bill.

The bill should also be clarified to provide that the partnership, limited liability company or tax-option corporation would file an annual application for the credit, not the partners, members or shareholders.

Limiting the credit to \$1.5 million in a state fiscal year and then reallocating unused credits on a waiting list is an extreme administrative burden, for the Department and for taxpayers. There would be no way to know that a business which was originally allocated the credits would not be using the credits against its tax liability until it filed a return (more than a year later) or upon an audit (which could be four years later). By that time, businesses on a waiting list would have made decisions on providing child care services based on a belief that they would not be receiving credits and would probably have filed their own returns for the tax year at issue. Even if such a business would qualify for the credits in the tax year at issue, it would have to amend its returns going back to the original claim year.

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>
one-time	s. 20.566 (1) (a)	\$54,700	0.25
annual	s. 20.566 (1) (a)	\$64,600	1.0

If you have any questions regarding this technical memorandum, please contact Pam Walgren at (608) 266-7817.

DC:PW:ds
I:\fsn01-02\pw\ab183.tec