

2001 DRAFTING REQUEST

Bill

Received: 10/02/2000

Received By: shoveme

Wanted: As time permits

Identical to LRB:

For: Administration-Budget 6-1805

By/Representing: Geisler

This file may be shown to any legislator: NO

Drafter: shoveme

May Contact:

Alt. Drafters: jkreye

Subject: Tax - individual income

Extra Copies:

Pre Topic:

DOA:.....Geisler -

Topic:

Credit for tax paid to another state, partners of a partnership

Instructions:

See Attached. Am; s. 71.07 (7) (b)

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>
/1	shoveme 10/05/2000	jdyer 10/06/2000	pgreensl 10/06/2000	_____	lrb_docadmin 10/06/2000		State

FE Sent For:

<END>

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11 NES 10/5/00

FE Sent For:

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May 30, 2000

**TITLE:** Credit for Tax Paid to Another State- Partners of a Partnership

**SUMMARY OF RECOMMENDATION:**

Amend income tax statutes to extend a credit to partners of a partnership who pay tax to another state if those partners are residents of Wisconsin and otherwise qualify for a credit for taxes paid to another state. Fiscal effect would be a small revenue loss.

**DESCRIPTION OF CURRENT LAW AND PROBLEM**

A partnership doing business in Illinois is required by Illinois law to pay "Illinois replacement tax" on the portion of the partnership's net income that is distributable to partners who are natural persons (this tax is computed on the Illinois partnership return, Form IL-1065). (NOTE: The partnership is only liable for Illinois replacement tax on the portion of its net income that is distributable to partners who are natural persons. In the case of partners that are S corporations or LLCs, the Illinois replacement tax is imposed on the S corporation or LLC itself, rather than on the partnership.)

Section 71.07(7)(b), Wis. Stats.(1997-98), does not allow Wisconsin resident members of a partnership to claim credit for tax that the partnership may pay to another state. This same statute does, however, allow Wisconsin resident shareholders of S corporations and members of LLCs treated as partnerships to claim credit for tax that the S corporation or LLC may pay to another state. Thus, partners of a partnership are treated less favorably than shareholders of an S corporation and members of an LLC in situations where another state imposes its tax directly on the partnership, S corporation, or LLC treated as a partnership. (NOTE: The language in sec. 71.07(7)(b) that provides the credit to shareholders of S corporations and members of LLCs was enacted in 1997 Wisconsin Act 27.)

**ADMINISTRATIVE IMPACT**

Minimal

**FISCAL EFFECT**

Unknown, but will decrease revenues minimally.

**DRAFTING INSTRUCTIONS**

Amend sec. 71.07(7)(b) to extend the credit to partners of partnership that pays tax to another state, if those partners are residents of Wisconsin and otherwise qualify for the credit provided under sec. 71.07.

**EFFECTIVE DATE AND/OR INITIAL APPLICABILITY**

Tax years beginning on or after January 1, 2001.

**DOR CONTACT PERSON**

Clay Seth, 266-8920

**PREPARED BY**

Tom Reid, 266-8474



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-0659/1  
MES&JK.....

JLD

DOA:.....Geisler – Credit for tax paid to another state, partners of a partnership

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

do not gen

1 AN ACT ...; relating to: expanding the other state tax credit to partners of a  
2 partnership.

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*Analysis by the Legislative Reference Bureau*

TAXATION ✓

INCOME TAXATION ✓

Under the current law “other state tax credit”, resident shareholders of subchapter S corporations and members of limited liability corporations (LLCs) treated as partnerships, may claim a tax credit for taxes that those S corporations and LLCs pay to another state.

This bill expands the other state tax credit so that it may be claimed by otherwise qualified resident partners of a partnership that pays taxes to another state.

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:*

3 SECTION 1. 71.07 (7) (b) of the statutes is amended to read:





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partnership

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