

**2001 DRAFTING REQUEST**

**Bill**

Received: **01/07/2001**

Received By: **kahlepj**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget 6-7329**

By/Representing: **Walker**

This file may be shown to any legislator: **NO**

Drafter: **kahlepj**

May Contact:

Alt. Drafters: **jkreye**

Subject: **Econ. Development - bus. dev.  
Tax - corp. inc. and fran.  
Tax - property  
Tax - sales  
Tax Credits - miscellaneous**

Extra Copies:

**Pre Topic:**

DOA:..... Walker -

**Topic:**

Create high-tech development zones

**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>
/?	kahlepj 01/09/2001 jkreye 01/10/2001 kahlepj 01/10/2001	csicilia 01/11/2001		_____			State
/1	kahlepj 01/15/2001	wjackson 01/15/2001	martykr 01/11/2001	_____	lrb docadmin 01/11/2001		State
/2		chanaman 01/22/2001	pgreensl 01/16/2001 haugeca 01/16/2001	_____	lrb docadmin 01/16/2001		State
/3			pgreensl 01/22/2001	_____	lrb docadmin 01/23/2001		State

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/5	jkreye 02/06/2001	wjackson 02/06/2001	pgreensl 02/04/2001	_____	gretskl 02/04/2001		State
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/3		16 WJ 2/6	pgreensl 01/22/2001		lrb docadmin 01/23/2001		State

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*Handwritten notes:*  
4-2/King 3-01  
762/3  
76/2/emb

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*1/10 PG*

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1/22/01



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## Kahler, Pam

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**From:** Walker, William  
**Sent:** Sunday, January 07, 2001 1:00 PM  
**To:** Shovers, Marc  
**Cc:** Currier, Dawn; Kahler, Pam; Kreye, Joseph  
**Subject:** Additional Governor's Drafting Request

(Dawn: for Commerce. "Technology Zones".)

(Marc, I'm guessing this should go to you since it is similar to the Technology Employment Financing Initiative - TEFI.)

(Pam and Joseph, FYI)

The Governor's staff has requested the following draft (at the last minute for which I apologize but do not take responsibility).

Unfortunately, this draft will be complex. (Note that we have little guidance. It is basically the Governor's idea to create Michigan's renaissance zones in Wisconsin.)

**Goal:** create geographic zones in which new or expanding high-tech businesses can claim state tax credits for real and personal property taxes, state income taxes, and state and local sales taxes.

### Similar programs:

- Development zones. However, this goal is to encourage high-tech businesses to start and grow rather than to create jobs in blighted areas.
- TEFI. Since it seeks to promote high technology businesses. *The Governors staff claim that this proposal will replace TEFI. We should know by Tuesday am.*
- Michigan's renaissance zones.

### "Details":

- Basics
  - 100 initial zones - Commerce designates more
  - \$3 million cap per zone
- State tax credits for the following
  - Real and personal property taxes
  - State income taxes
  - State and local sales taxes
- Scope of credits
  - Provide 100% credit for 3 years with expansion to 5 years for business growth over a certain percentage
  - Allow claim of credits for 10 years *bus or zone?*
- ✓ Credits available to high technology businesses
- ✓ Credits available for new or expanding businesses only

### Holes:

I suggest drafting it so Commerce fills gaps by rule. E.g.,

- What is high-tech?
- What is new/expanding?
- What growth allows the extension to 5 years?

**Bill Walker**  
Executive Policy and Budget Analyst  
Department of Administration  
(608) 266-7329



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1856/7  
JK&PJK

TODAY

1  
y's

DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

Thurs.  
J-note

do not  
you can't

1

AN ACT relating to: the budget.

ten

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**

**ECONOMIC DEVELOPMENT**

Under the bill, the department of commerce must designate not fewer than 100 areas in the state as technology zones. Any new or expanding high-technology business located in a technology zone that is certified by the department of commerce (technology business) may claim a tax credit equal to the amount of real and personal property taxes the business paid in the taxable year; the amount of sales and use taxes the business paid in the taxable year; and the amount of income and franchise taxes the business paid in the taxable year. A technology business is entitled to claim the tax credit for three years, or for up to five years if the business experiences growth to an extent determined by the department of commerce. A technology zone's designation is effective for 10 years, but not more than \$3,000,000 in tax credits may be claimed in a technology zone.

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, ~~(3e)~~, and (3s) 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).

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167

7 SECTION 2. 71.07 (3g) of the statutes is created to read:

8 71.07 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
9 subsection, s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96  
10 (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal  
11 to ~~any of~~ <sup>sum of the</sup> the following:

12 1. The amount of real and personal property taxes imposed under s. 70.01 that  
13 the business paid in the taxable year.

14 2. The amount of income and franchise taxes imposed under s. 71.02 that the  
15 business paid in the taxable year.

16 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
17 that the business paid in the taxable year.

18 (b) The department of revenue shall notify the department of commerce of all  
19 claims under this subsection. (f)

20 (c) Section 71.28 (4) (g) and (h) as it applies to the credit under s. 71.28 (4)  
21 applies to the credit under par. (a).

22 SECTION 3. 71.10 (4) (grd) of the statutes is created to read:

23 71.10 (4) (grd) Technology zones credit under s.71.07 (3g).

24 SECTION 4. 71.21 (4) of the statutes is amended to read:

1           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
2           (2dj), (2dL), (2ds), (2dx) and, (3g), and (3s) and passed through to partners shall be  
3           added to the partnership's income.

4           History: 1987 a. 312, 411; 1989 a. 31; 1993 a. 112; 1995 a. 27, 400; 1997 a. 27.

4           **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

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

20          History: 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 336; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428;  
1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; s. 13.93 (2) (c).

20          **SECTION 6.** 71.26 (3) (n) of the statutes is amended to read:

21          71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain  
22          corporate acquisitions) are modified so that they apply to losses under sub. (4) and

SECTION 6

1 credits under s. 71.28 (1di), (1dL), (1dx) and, (3) to, (4), and (5) instead of to federal  
2 credits and federal net operating losses.

History: 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 336; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428; 1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; s. 13.93 (2) (c).

3 SECTION 7. 71.28 (3g) of the statutes is created to read:

4 71.28 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
5 subsection, s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96  
6 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
7 to ~~any~~ <sup>sum of the</sup> of the following:

8 1. The amount of real and personal property taxes imposed under s. 70.01 that  
9 the business paid in the taxable year.

10 2. The amount of income and franchise taxes imposed under s. 71.23 that the  
11 business paid in the taxable year.

12 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
13 that the business paid in the taxable year.

14 (b) The department of revenue shall notify the department of commerce of all  
15 claims under this subsection. (F)

16 (c) Subsection (4) (g) and (h) as it applies to the credit under sub. (4) applies to  
17 the credit under par. (a).

18 SECTION 8. 71.30 (3) (eon) of the statutes is created to read:

19 71.30 (3) (eon) Technology zones credit under s.71.28 (3g).

20 SECTION 9. 71.47 (3g) of the statutes is created to read:

21 71.47 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
22 subsection, s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96  
23 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount equal  
24 to ~~any~~ <sup>sum of the</sup> of the following:

Insert major/Item 6-3 to 6-6

1           1. The amount of real and personal property taxes imposed under s. 70.01 that  
2 the business paid in the taxable year.

3           2. The amount of income and franchise taxes imposed under s. 71.43 that the  
4 business paid in the taxable year.

5           3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
6 that the business paid in the taxable year.

7           (b) The department of revenue shall notify the department of commerce of all  
8 claims under this subsection. (f)

9           (c) Section 71.28 (4)(g) and (h) as it applies to the credit under s. 71.28 (4)  
10 applies to the credit under par. (a).

11           **SECTION 10.** 77.92 (4) of the statutes is amended to read:

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

This section is out of numerical order. Please  
move to 6-11.

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

History: 1989 a. 335; 1991 a. 39, 269; 1993 a. 16, 112, 490; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9.

3 SECTION 11. 71.34 (1) (g) of the statutes is amended to read:

4 71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
5 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) and, (3), and  
6 (3g) and passed through to shareholders.

History: 1987 a. 312; 1987 a. 411 ss. 18, 23, 146; 1989 a. 31, 36; 1991 a. 39, 269; 1993 a. 16, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237; 1999 a. 9, 194.

7 SECTION 12. 73.03 (35m) of the statutes is created to read:

8 73.03 (35m) To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g)  
9 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
10 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
11 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

Insert material from 5-11-99

12 SECTION 13. 560.96 of the statutes is created to read:

13 560.96 Technology zones. (1) In this section, "tax credit" means a credit  
14 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

15 (2) (a) The department shall designate not fewer than 100 areas in the state  
16 as technology zones. A business that is located in a technology zone and that is  
17 certified by the department under sub. (3) is eligible for a tax credit as provided in  
18 sub. (3).

19 (b) The designation of a technology zone shall be in effect for 10 years from the  
20 time that the area is designated. However, not more than \$3,000,000 in tax credits  
21 may be claimed in a technology zone.

22 (3) (a) The department shall certify for tax credits in a technology zone a  
23 business that satisfies all of the following requirements:

24 1. Is located in the technology zone.

This section is out of numerical order. Please move it to 4-19

1           2. Is a new or expanding business.

2           3. Is a high-technology business.

3           (b) Unless its certification is revoked, and subject to sub. (2) (b), a business that  
4 is certified under this subsection may claim a tax credit for 3 years, except that a  
5 business that experiences growth to the extent determined by the department under  
6 sub. (4) (c) may claim a tax credit for up to 5 years.

7           (4) (a) The department shall notify the department of revenue of all the  
8 following:

9           1. A technology zone's designation.

10          2. A business's certification.

11          3. The extension or revocation of a business's certification.

12          (b) The department shall annually verify information submitted to the  
13 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

14          (c) The department shall promulgate rules for the operation of this section,  
15 including rules related to all the following:

16          1. A business's eligibility for certification.

17          2. Reasons for revoking a business's certification.

18          3. The extent of, and how to measure, business growth for extending a  
19 business's eligibility to claim tax credits.

20           **SECTION 9344. Initial applicability; revenue.**

21           (1) TECHNOLOGY ZONES CREDIT. The treatment of sections 71.05 (6) (a) 15., 71.07  
22 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a), 71.26 (3) (n), 71.28 (3g), 71.30 (3) (con),  
23 71.47 (3g), 77.92 (4), 71.34 (1) (g), 73.03 (35m), and 560.96 of the statutes first applies  
24 to taxable years beginning on January 1 of the year in which this subsection takes  
25 effect, except that if this subsection takes effect after July 31 ~~this~~ the treatment of

1 sections 71.05 (6) (a) 15., 71.07 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a), 71.26 (3)  
2 (n), 71.28 (3g), 71.30 (3) (eon), 71.47 (3g), 77.92 (4), 71.34 (1) (g), 73.03 (35m), and  
3 560.96 of the statutes first applies to taxable years beginning on January 1 of the  
4 year following the year in which this subsection takes effect.

5

(END)

*D-note*

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

LRB-1856/dn  
PJK&JK.....

*JT*  
*g's*

Bill:

1. Note that, with this program located in subch. IX of ch. 560, program operations are paid out of s. 20.143 (1) (e). Okay?

Pamela J. Kahler  
Senior Legislative Attorney  
Phone: (608) 266-2682  
E-mail: pam.kahler@legis.state.wi.us

*JK*

2. Because the credit includes a credit for income and franchise taxes, the total amount of the credit that a business may claim will always exceed the tax liability of the business. As drafted, the bill provides a nonrefundable credit but allows a claimant to carry over any unused portion of the credit into the following 15 taxable years. Is that okay, or do you want the business to receive refunds? Please note that such refunds would likely be substantial.



## Kahler, Pam

---

**From:** Walker, William  
**Sent:** Thursday, January 11, 2001 2:23 PM  
**To:** Kahler, Pam; Kreye, Joseph  
**Subject:** FW: LRB Draft: 01-1856/1 Create high-tech development zones

Regarding your questions:

1. Note that, with this program located in subch. IX of ch. 560, program operations are paid out of s. 20.143 (1) (e). Okay?

Yes, OK.

2. Because the credit includes a credit for income and franchise taxes, the total amount of the credit that a business may claim will always exceed the tax liability of the business. As drafted, the bill provides a nonrefundable credit but allows a claimant to carry over any unused portion of the credit into the following 15 taxable years. Is that okay or do you want the businesses to receive refunds? Please note that such refunds would likely be substantial.

Yes, we want it nonrefundable.

FYI: We hope to have a decision on this item today but no promises.

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

**From:** Marty, Karen  
**Sent:** Thursday, January 11, 2001 2:07 PM  
**To:** Walker, William  
**Cc:** Schmiedicke, David; Currier, Dawn; Hanaman, Cathlene; Haugen, Caroline  
**Subject:** LRB Draft: 01-1856/1 Create high-tech development zones

Following is the PDF version of draft 01-1856/1.



01-1856/1



01-1856/1dn

**Kahler, Pam**

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**From:** Walker, William  
**Sent:** Thursday, January 11, 2001 6:11 PM  
**To:** Kreye, Joseph; Kahler, Pam; Shovers, Marc  
**Subject:** FYI: Commerce Tax Issues

Governor's Decisions:

LRB-0666 (Corp headquarters tax credit) - Out  
LRB-0667 (Capital investment tax credit) - Out  
LRB-1397 (Technology employment initiative) - Out

LRB-1856 (Technology zones) - In as modified:

(Commerce designates up to 20 zones (7 in the first year, 7 in the 2d year, 6 in the 3rd year)  
\$5 million cap per zone

We'll want additional language guiding Commerce viz. zone selection and company certification. I'll need to think about that early tomorrow am (stuff to you by 1:00?).

**Bill Walker**  
Executive Policy and Budget Analyst  
Department of Administration  
(608) 266-7329

*Redraft 1856*

## Kahler, Pam

---

**From:** Walker, William  
**Sent:** Friday, January 12, 2001 1:58 PM  
**To:** Kahler, Pam  
**Subject:** RE: Technology Zones Addition

1. Oops: Keep the 10 year duration and forget any rules about it.
2. More Thought: The idea was to extend certification for 2 years based on "growth" of the business. I want

(a) Extension based on growth

(b) Growth defined as job plus other measures of growth that Commerce finds appropriate to the specific company (no specific requirement for number of jobs nor that jobs be the dominant category)

(c) Meaning of growth set in each contract

(d) Baseline for growth set in each contract

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

**From:** Kahler, Pam  
**Sent:** Friday, January 12, 2001 1:40 PM  
**To:** Walker, William  
**Subject:** RE: Technology Zones Addition

Bill:

A couple of comments/questions:

I assume you want to get rid of the 10-year duration for the zones, since you want Commerce to promulgate a rule re. duration?

The draft does not mention anything about a base number of jobs, so that should not be included in agreement or rules. Was it your intention that a tech business's extension be based on job creation?

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

**From:** Walker, William  
**Sent:** Friday, January 12, 2001 11:58 AM  
**To:** Kreye, Joseph  
**Cc:** Kahler, Pam  
**Subject:** Technology Zones Addition

Please add to the technology zones draft:

- ✓ Please be sure Commerce has authority to revise the boundaries of an existing zone after it is designated.
- ✓ Commerce shall enter into an agreement with a technology business
  - specify base number of jobs
  - conditions for the additional 2 year extension ) *see above*
- ✓ Commerce shall promulgate rules about
  - ✓ certification
  - ✓ ~~specification of base number of jobs~~ *baselines*
  - ✓ standards for extension *→*
  - ✓ definition of technology business
  - ✓ definition of new and expanding
  - ✓ ~~duration of a zone~~
  - ✓ standards for revising the geographic area of an existing zone ) *see above*
- ✓ In certifying a company Commerce shall consider
  - Company's job creation
  - Extent and nature of the high technology used by the business
  - Likelihood that the business will attract related businesses (e.g., encouraging a clustering among high-tech businesses)
  - Amount of capital investment likely
  - Riskiness of the company

Any other things that come to your mind?

**Bill Walker**

Executive Policy and Budget Analyst

Department of Administration

(608) 266-7329



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1856/A

JK&PJK:cjs:km

nm not run  
EWJ

DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

SOON  
(1-15)

do not  
get cut

with  
The department of  
Commerce may certify

1 AN ACT relating to: the budget.

Analysis by the Legislative Reference Bureau

COMMERCE AND ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

Under the bill, the department of commerce must designate ~~not fewer than 100~~ areas in the state as technology zones. Any new or expanding high-technology business located in a technology zone ~~that is certified by the department of commerce~~ ~~technology business may claim~~ a tax credit equal to the amount of real and personal property taxes the business paid in the taxable year; the amount of sales and use taxes the business paid in the taxable year; and the amount of income and franchise taxes the business paid in the taxable year. A ~~business~~ business is entitled to claim the tax credit for three years, or for up to five years if the business experiences growth to an extent determined by the department of commerce. A technology zone's designation is effective for ten years, but not more than \$5,000,000 in tax credits may be claimed in a technology zone.

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:

certified by the department of commerce

for

5

up to 20

**SECTION 1**

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, (3g), and (3s)~~ 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 (3g) of the statutes is created to read:

8           71.07 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
9           subsection, s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96  
10          (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal  
11          to the sum of the following:

12          1. The amount of real and personal property taxes imposed under s. 70.01 that  
13          the business paid in the taxable year.

14          2. The amount of income and franchise taxes imposed under s. 71.02 that the  
15          business paid in the taxable year.

16          3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
17          that the business paid in the taxable year.

18          (b) The department of revenue shall notify the department of commerce of all  
19          claims under this subsection.

20          (c) Section 71.28 (4) (f), (g) and (h) as it applies to the credit under s. 71.28 (4)  
21          applies to the credit under par. (a).

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

23          71.10 (4) (grd) Technology zones credit under s.71.07 (3g).

24          **SECTION 4.** 71.21 (4) of the statutes is amended to read:

1           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
2           (2dj), (2dL), (2ds), (2dx) ~~and, (3g), and (3s)~~ and passed through to partners shall be  
3           added to the partnership's income.

4           **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

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

21          **SECTION 6.** 71.26 (3) (n) of the statutes is amended to read:

22          71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain  
23          corporate acquisitions) are modified so that they apply to losses under sub. (4) and  
24          credits under s. 71.28 (1di), (1dL), (1dx) ~~and, (3) to, (4), and (5)~~ instead of to federal  
25          credits and federal net operating losses.

1           **SECTION 7.** 71.28 (3g) of the statutes is created to read:

2           **71.28 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
3 subsection, s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96  
4 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
5 to the sum of the following:

6           1. The amount of real and personal property taxes imposed under s. 70.01 that  
7 the business paid in the taxable year.

8           2. The amount of income and franchise taxes imposed under s. 71.23 that the  
9 business paid in the taxable year.

10          3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
11 that the business paid in the taxable year.

12          (b) The department of revenue shall notify the department of commerce of all  
13 claims under this subsection.

14          (c) Subsection (4) (f), (g) and (h) as it applies to the credit under sub. (4) applies  
15 to the credit under par. (a).

16           **SECTION 8.** 71.30 (3) (eon) of the statutes is created to read:

17           **71.30 (3) (eon) Technology zones credit under s.71.28 (3g).**

18           **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

19           **71.34 (1) (g)** An addition shall be made for credits computed by a tax-option  
20 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) ~~and, (3), and~~  
21 (3g) and passed through to shareholders.

22           **SECTION 10.** 71.47 (3g) of the statutes is created to read:

23           **71.47 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
24 subsection, s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96



1 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount equal  
2 to the sum of the following:

3 1. The amount of real and personal property taxes imposed under s. 70.01 that  
4 the business paid in the taxable year.

5 2. The amount of income and franchise taxes imposed under s. 71.43 that the  
6 business paid in the taxable year.

7 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
8 that the business paid in the taxable year.

9 (b) The department of revenue shall notify the department of commerce of all  
10 claims under this subsection.

11 (c) Section 71.28 (4) (f), (g) and (h) as it applies to the credit under s. 71.28 (4)  
12 applies to the credit under par. (a).

13 **SECTION 11.** 73.03 (35m) of the statutes is created to read:

14 73.03 (35m) To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g)  
15 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
16 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
17 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

18 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

19 77.92 (4) "Net business income", with respect to a partnership, means taxable  
20 income as calculated under section 703 of the Internal Revenue Code; plus the items  
21 of income and gain under section 702 of the Internal Revenue Code, including taxable  
22 state and municipal bond interest and excluding nontaxable interest income or  
23 dividend income from federal government obligations; minus the items of loss and  
24 deduction under section 702 of the Internal Revenue Code, except items that are not  
25 deductible under s. 71.21; plus guaranteed payments to partners under section 707

1 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
2 (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (3g), and (3s); and plus or minus, as appropriate,  
3 transitional adjustments, depreciation differences and basis differences under s.  
4 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss and deductions  
5 from farming. "Net business income", with respect to a natural person, estate or  
6 trust, means profit from a trade or business for federal income tax purposes and  
7 includes net income derived as an employee as defined in section 3121 (d) (3) of the  
8 Internal Revenue Code.

9 SECTION 13. 560.96 of the statutes is created to read:

10 **560.96 Technology zones.** (1) In this section, "tax credit" means a credit  
11 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

12 (2) (a) The department shall designate ~~any business area in the state~~  
13 as technology zones. *Insert 6-13 ✓* A business that is located in a technology zone and that is  
14 certified by the department under sub. (3) is eligible for a tax credit as provided in  
15 sub. (3).

16 (b) The designation of a technology zone shall be in effect for 10 years from the  
17 *the department first designates* time that the area ~~is designated~~. However, not more than \$<sup>5</sup>1,000,000 in tax credits  
18 may be claimed in a technology zone. *Insert 6-18 ✓*

19 (3) (a) The department ~~shall~~ *may* certify for tax credits in a technology zone a  
20 business that satisfies all of the following requirements:

- 21 1. Is located in the technology zone.
- 22 2. Is a new or expanding business.
- 23 3. Is a high-technology business.

24 *CSA* Unless its certification is revoked, and subject to sub. (2) (b), a business that  
25 is certified under this subsection may claim a tax credit for 3 years, except that a

*Insert 6-23*

*The business*

for that business

par. (d) and

Insert 7-2

1 business that experiences growth ~~to the extent~~ <sup>as</sup> determined by the department under  
2 sub. ~~(c)~~ <sup>(c)</sup> may claim a tax credit for up to 5 years.

3 (4) (a) The department shall notify the department of revenue of all the  
4 following:

- 5 1. A technology zone's designation.
- 6 2. A business's certification.
- 7 3. The extension or revocation of a business's certification.

8 (b) The department shall annually verify information submitted to the  
9 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

10 ~~(5)~~ The department shall promulgate rules for the operation of this section,  
11 including rules related to all the following:

- 12 (a) ~~is~~ A business's eligibility for certification.
- 13 ~~(d)~~ Reasons for revoking a business's certification.
- 14 ~~(c)~~ The extent of, and how to measure, business growth for extending a  
15 business's eligibility to claim tax credits.

Insert 7-15

16 **SECTION 9344. Initial applicability; revenue.**

17 (1) TECHNOLOGY ZONES CREDIT. The treatment of sections 71.05 (6) (a) 15., 71.07  
18 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a), 71.26 (3) (n), 71.28 (3g), 71.30 (3) (eon),  
19 71.34 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96 of the statutes first applies  
20 to taxable years beginning on January 1 of the year in which this subsection takes  
21 effect, except that if this subsection takes effect after July 31 the treatment of  
22 sections 71.05 (6) (a) 15., 71.07 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a), 71.26 (3)  
23 (n), 71.28 (3g), 71.30 (3) (eon), 71.34 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and

1 560.96 of the statutes first applies to taxable years beginning on January 1 of the  
2 year following the year in which this subsection takes effect.

3 (END)

2001-2002 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1856/lins  
JK&PJK:cjs:km

INSERT 6-13

1 up to 7 areas in the state in fiscal year 2001-02, up to 7 areas in the state in fiscal  
2 year 2002-03, and up to 6 areas in the state in fiscal year 2003-04

(END OF INSERT 6-13)

INSERT 6-18

3 The department may change the boundaries of a technology zone during the time  
4 that its designation is in effect. A change in the boundaries of a technology zone does  
5 not affect the duration of the designation of the area or the maximum tax credit  
6 amount ~~for~~ the technology zone. *→ that may be claimed in*

(END OF INSERT 6-18)

INSERT 6-23

7 (b) In determining whether to certify a business under this subsection, the  
8 department shall consider all of the following:

- 9 1. How many new jobs the business is likely to create.
- 10 2. The extent and nature of the high technology used by the business.
- 11 3. The likelihood that the business will attract related enterprises.
- 12 4. The amount of capital investment the business is likely to make in the state.
- 13 5. The riskiness of the business.

(END OF INSERT 6-23)

INSERT 7-2

14 (d) The department shall enter into an agreement with a business that is  
15 certified under this subsection. The agreement shall specify the extent and type of

*, which shall be specific to the business,*

① growth that the business must experience to extend its eligibility for a tax credit, the  
2 business's baseline against which that growth will be measured, and any other  
3 conditions that the business must satisfy to extend its eligibility for a tax credit.

(END OF INSERT 7-2)

INSERT 7-15

4 (a) A business's eligibility for certification, including definitions for all of the  
5 following:

6 1. New or expanding business.

7 2. High-technology business.

8 (b) Certifying a business, including use of the factors under sub. (3) (b). ✓

9 (c) Standards for extending a business's certification, including what  
10 measures, in addition to job creation, the department will use to determine the  
11 growth of a specific business and how the department will establish baselines  
12 against which to measure growth.

13 e ← (d) Standards for changing the boundaries of a technology zone.

(END OF INSERT 7-15)

*(d) Reasons for revoking a business's certification*

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

LRB-1856/1dn  
PJK&JK:cjs:km

January 11, 2001

Bill:

1. Note that, with this program located in subch. IX of ch. 560, program operations are paid out of s. 20.143 (1) (e). Okay?
2. Because the credit includes a credit for income and franchise taxes, the total amount of the credit that a business may claim will always exceed the tax liability of the business. As drafted, the bill provides a nonrefundable credit but allows a claimant to carry over any unused portion of the credit into the following 15 taxable years. Is that okay or do you want the businesses to receive refunds? Please note that such refunds would likely be substantial.

Pamela J. Kahler  
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Phone: (608) 266-2682  
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State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1856/2  
JK&PJK:cjs&wlj:pg

3

(H)

DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

*don't get lost*

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**

**ECONOMIC DEVELOPMENT**

Under the bill, the department of commerce must designate up to 20 areas in the state as technology zones. The department of commerce may certify any new or expanding high-technology business located in a technology zone for a tax credit equal to the amount of real and personal property taxes the business paid in the taxable year; the amount of sales and use taxes the business paid in the taxable year; and the amount of income and franchise taxes the business paid in the taxable year. A business certified by the department of commerce is entitled to claim the tax credit for three years, or for up to five years if the business experiences growth to an extent determined by the department of commerce. A technology zone's designation is effective for ten years, but not more than \$5,000,000 in tax credits may be claimed in a technology zone.

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 (3g), and (3s) 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).

*and  
ss. 73.03 (35m) and 560.96*

7           **SECTION 2.** 71.07 (3g) of the statutes is created to read:

8           71.07 (3g) **TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
9           subsection (s. 73.03 (35m), and s. 560.96, a business that is certified under s. 560.96  
10          (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal  
11          to the sum of the following:

12          1. The amount of real and personal property taxes imposed under s. 70.01 that  
13          the business paid in the taxable year.

14          2. The amount of income and franchise taxes imposed under s. 71.02 that the  
15          business paid in the taxable year.

16          3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
17          that the business paid in the taxable year.

18          (b) The department of revenue shall notify the department of commerce of all  
19          claims under this subsection.

20          (c) Section 71.28 (4) (f), (g) and (h) as it applies to the credit under s. 71.28 (4)  
21          applies to the credit under par. (a).

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

23          71.10 (4) (grd) Technology zones credit under s.71.07 (3g).

24          **SECTION 4.** 71.21 (4) of the statutes is amended to read:

1           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
2           (2dj), (2dL), (2ds), (2dx) ~~and, (3g), and (3s)~~ and passed through to partners shall be  
3           added to the partnership's income.

4           **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

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

21          **SECTION 6.** 71.26 (3) (n) of the statutes is amended to read:

22          71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain  
23          corporate acquisitions) are modified so that they apply to losses under sub. (4) and  
24          credits under s. 71.28 (1di), (1dL), (1dx) ~~and, (3) to, (4), and (5)~~ instead of to federal  
25          credits and federal net operating losses.

ss. 73.03 (35m) and 560.96

1 SECTION 7. 71.28 (3g) of the statutes is created to read:

2 71.28 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
3 subsection, ~~s. 73.03 (35m), and s. 560.96,~~ a business that is certified under s. 560.96  
4 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
5 to the sum of the following:

6 1. The amount of real and personal property taxes imposed under s. 70.01 that  
7 the business paid in the taxable year.

8 2. The amount of income and franchise taxes imposed under s. 71.23 that the  
9 business paid in the taxable year.

10 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
11 that the business paid in the taxable year.

12 (b) The department of revenue shall notify the department of commerce of all  
13 claims under this subsection.

14 (c) Subsection (4) (f), (g) and (h) as it applies to the credit under sub. (4) applies  
15 to the credit under par. (a).

16 SECTION 8. 71.30 (3) (eon) of the statutes is created to read:

17 71.30 (3) (eon) Technology zones credit under s.71.28 (3g).

18 SECTION 9. 71.34 (1) (g) of the statutes is amended to read:

19 71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
20 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) ~~and (3), and~~  
21 (3g) and passed through to shareholders.

22 SECTION 10. 71.47 (3g) of the statutes is created to read:

23 71.47 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
24 subsection, ~~s. 73.03 (35m) and s. 560.96,~~ a business that is certified under s. 560.96

and

1 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount equal  
2 to the sum of the following:

3 1. The amount of real and personal property taxes imposed under s. 70.01 that  
4 the business paid in the taxable year.

5 2. The amount of income and franchise taxes imposed under s. 71.43 that the  
6 business paid in the taxable year.

7 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
8 that the business paid in the taxable year.

9 (b) The department of revenue shall notify the department of commerce of all  
10 claims under this subsection.

11 (c) Section 71.28 (4) (f), (g) and (h) as it applies to the credit under s. 71.28 (4)  
12 applies to the credit under par. (a).

13 **SECTION 11.** 73.03 (35m) of the statutes is created to read:

14 **73.03 (35m)** To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g),  
15 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
16 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
17 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

18 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

19 **77.92 (4)** "Net business income", with respect to a partnership, means taxable  
20 income as calculated under section 703 of the Internal Revenue Code; plus the items  
21 of income and gain under section 702 of the Internal Revenue Code, including taxable  
22 state and municipal bond interest and excluding nontaxable interest income or  
23 dividend income from federal government obligations; minus the items of loss and  
24 deduction under section 702 of the Internal Revenue Code, except items that are not  
25 deductible under s. 71.21; plus guaranteed payments to partners under section 707

1 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
2 (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (3g), and (3s); and plus or minus, as appropriate,  
3 transitional adjustments, depreciation differences and basis differences under s.  
4 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss and deductions  
5 from farming. "Net business income", with respect to a natural person, estate or  
6 trust, means profit from a trade or business for federal income tax purposes and  
7 includes net income derived as an employee as defined in section 3121 (d) (3) of the  
8 Internal Revenue Code.

9 SECTION 13. 560.96 of the statutes is created to read:

10 560.96 Technology zones. (1) In this section, "tax credit" means a credit  
11 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

12 (2) (a) The department shall designate as technology zones up to 7 areas in the  
13 state in fiscal year 2001-02, up to 7 areas in the state in fiscal year 2002-03, and up  
14 to 6 areas in the state in fiscal year 2003-04. A business that is located in a  
15 technology zone and that is certified by the department under sub. (3) is eligible for  
16 a tax credit as provided in sub. (3).

17 (b) The designation of an area as a technology zone shall be in effect for 10 years  
18 from the time that the department first designates the area. However, not more than  
19 \$5,000,000 in tax credits may be claimed in a technology zone. The department may  
20 change the boundaries of a technology zone during the time that its designation is  
21 in effect. A change in the boundaries of a technology zone does not affect the duration  
22 of the designation of the area or the maximum tax credit amount that may be claimed  
23 in the technology zone.

24 (3) (a) The department may certify for tax credits in a technology zone a  
25 business that satisfies all of the following requirements:

- 1           1. The business is located in the technology zone.
- 2           2. The business is a new or expanding business.
- 3           3. The business is a high-technology business.

4           (b) In determining whether to certify a business under this subsection, the  
5 department shall consider all of the following:

- 6           1. How many new jobs the business is likely to create.
- 7           2. The extent and nature of the high technology used by the business.
- 8           3. The likelihood that the business will attract related enterprises.
- 9           4. The amount of capital investment the business is likely to make in the state.
- 10          5. The riskiness of the business.

11          (c) Unless its certification is revoked, and subject to sub. (2) (b), a business that  
12 is certified under this subsection may claim a tax credit for 3 years, except that a  
13 business that experiences growth, as determined for that business by the  
14 department under par. (d) and sub. (5) (c), may claim a tax credit for up to 5 years.

15          (d) The department shall enter into an agreement with a business that is  
16 certified under this subsection. The agreement shall specify the extent and type of  
17 growth, which shall be specific to the business, that the business must experience to  
18 extend its eligibility for a tax credit, the business's baseline against which that  
19 growth will be measured, and any other conditions that the business must satisfy to  
20 extend its eligibility for a tax credit.

21          (4) (a) The department shall notify the department of revenue of all the  
22 following:

- 23           1. A technology zone's designation.
- 24           2. A business's certification.
- 25           3. The extension or revocation of a business's certification.

1 (b) The department shall annually verify information submitted to the  
2 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

3 (5) The department shall promulgate rules for the operation of this section,  
4 including rules related to all the following:

5 (a) A business's eligibility for certification, including definitions for all of the  
6 following:

7 1. New or expanding business.

8 2. High-technology business.

9 (b) Certifying a business, including use of the factors under sub. (3) (b).

10 (c) Standards for extending a business's certification, including what  
11 measures, in addition to job creation, the department will use to determine the  
12 growth of a specific business and how the department will establish baselines  
13 against which to measure growth.

14 (d) Reasons for revoking a business's certification.

15 (e) Standards for changing the boundaries of a technology zone.

16 **SECTION 9344. Initial applicability; revenue.**

17 (1) **TECHNOLOGY ZONES CREDIT.** The treatment of sections 71.05 (6) (a) 15., 71.07  
18 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a) and (3) (n), 71.28 (3g), 71.30 (3) (eon), 71.34  
19 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96 of the statutes first applies to  
20 taxable years beginning on January 1 of the year in which this subsection takes  
21 effect, except that if this subsection takes effect after July 31 the treatment of  
22 sections 71.05 (6) (a) 15., 71.07 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a) and (3) (n),  
23 71.28 (3g), 71.30 (3) (eon), 71.34 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96

1 of the statutes first applies to taxable years beginning on January 1 of the year  
2 following the year in which this subsection takes effect.

3 (END)



## Kahler, Pam

---

**From:** Walker, William  
**Sent:** Friday, February 02, 2001 3:00 PM  
**To:** Kahler, Pam; Kreye, Joseph  
**Subject:** Technology zones

Pam,

Following up on my phone call.

Make the two changes we discussed:

- 560.96(3)(b)5 change "riskiness" to "economic viability"
- 560.96(5) Include the criteria for actual zone designation in the rule making authority section.

Also, tell me what you think of Commerce's next request. Is it a simple administrative change that we can make without difficulty or is it more substantive?

**560.96(4) (b)** The department shall verify information submitted to the department under ss. 71.07 (3g) (b), and 71.47 (3g) (b).

### **Comment:**

The 71.28 language leads one to believe that a certified business is eligible for the full amounts of 1.2.&3. And the business will make the claim on their annual tax forms then under (b) DOR will notify commerce of the amounts of those claims. Yet under 560.96 (4) (b), commerce is asked to verify the information similar to the present system of tax credits. This language makes it difficult to manage the number of credits. **Section 11. 73.03 (35m)** To deny a portion of a credit claimed under .....Refers to the 5 million cap which if gone doesn't matter, however, difficult to manage if claims go directly to revenue.

### **Suggestion:**

Commerce certifies the business for a certain amount of tax credits over the 3-5 year period. Annually the business must submit an annual project report to commerce, which will contain but not limited to items 1.2. & 3 above. Verification will be issued by commerce as to the amount of tax credits the business is eligible for in any given year. This will be submitted to DOR in order to claim the tax credits. (Similar to present system).

**Bill Walker**  
Executive Policy and Budget Analyst  
Department of Administration  
(608) 266-7329



State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1856/A

JK&PJK:cjs&wlj/pg

*rm is am*

*eking*

4

DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

*5000  
6000  
(2-2)*

*do not  
get cost*

1 AN ACT *f*; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**

**ECONOMIC DEVELOPMENT**

*(Department)*

Under the bill, the department of commerce *(must)* designate up to 20 areas in the state as technology zones. The department ~~department~~ may certify any new or expanding high-technology business located in a technology zone for a tax credit ~~amount~~ the amount of real and personal property taxes <sup>that</sup> the business paid in the taxable year; the amount of sales and use taxes <sup>that</sup> the business paid in the taxable year; and the amount of income and franchise taxes <sup>that</sup> the business paid in the taxable year. A business certified by the department ~~department~~ is entitled to claim the tax credit for three years, or for up to five years if the business experiences growth to an extent determined by the department ~~department~~. A technology zone's designation is effective for ten years, but not more than \$5,000,000 in tax credits may be claimed in a technology zone.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

*insert A-1*

*up to the amount established  
by the department,  
of government*

**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, (3g), and (3s)~~ 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 (3g) of the statutes is created to read:

8           71.07 (3g) **TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
9           subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
10          (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal  
11          to the sum of the following:

12           1. The amount of real and personal property taxes imposed under s. 70.01 that  
13          the business paid in the taxable year.

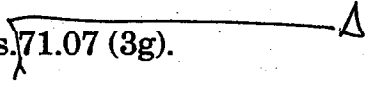
14           2. The amount of income and franchise taxes imposed under s. 71.02 that the  
15          business paid in the taxable year.

16           3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
17          that the business paid in the taxable year.

18           (b) The department of revenue shall notify the department of commerce of all  
19          claims under this subsection.

20           (c) Section 71.28 (4) (f), (g), and (h) as it applies to the credit under s. 71.28 (4),  
21          applies to the credit under par. (a).

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

23           71.10 (4) (grd) Technology zones credit under s. 71.07 (3g). 

24           **SECTION 4.** 71.21 (4) of the statutes is amended to read:

1           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
2 (2dj), (2dL), (2ds), (2dx) ~~and, (3g), and~~ (3s) and passed through to partners shall be  
3 added to the partnership's income.

4           **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

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

21           **SECTION 6.** 71.26 (3) (n) of the statutes is amended to read:

22           71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain  
23 corporate acquisitions) are modified so that they apply to losses under sub. (4) and  
24 credits under s. 71.28 (1di), (1dL), (1dx) ~~and, (3) to, (4), and~~ (5) instead of to federal  
25 credits and federal net operating losses.

1           **SECTION 7.** 71.28 (3g) of the statutes is created to read:

2           **71.28 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
3 subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
4 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
5 to the sum of the following:

6           1. The amount of real and personal property taxes imposed under s. 70.01 that  
7 the business paid in the taxable year.

8           2. The amount of income and franchise taxes imposed under s. 71.23 that the  
9 business paid in the taxable year.

10          3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
11 that the business paid in the taxable year.

12          (b) The department of revenue shall notify the department of commerce of all  
13 claims under this subsection.

14          (c) Subsection (4) (f), (g), and (h) as it applies to the credit under sub. (4) applies  
15 to the credit under par. (a).

16           **SECTION 8.** 71.30 (3) (eon) of the statutes is created to read:

17           **71.30 (3)** (eon) Technology zones credit under s. 71.28 (3g).

18           **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

19           **71.34 (1) (g)** An addition shall be made for credits computed by a tax-option  
20 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) and (3), and  
21 (3g) and passed through to shareholders.

22           **SECTION 10.** 71.47 (3g) of the statutes is created to read:

23           **71.47 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
24 subsection and ss. 73.03 (35m), and 560.96, a business that is certified under s.

1 560.96 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount  
2 equal to the sum of the following:

3 1. The amount of real and personal property taxes imposed under s. 70.01 that  
4 the business paid in the taxable year.

5 2. The amount of income and franchise taxes imposed under s. 71.43 that the  
6 business paid in the taxable year.

7 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
8 that the business paid in the taxable year.

9 (b) The department of revenue shall notify the department of commerce of all  
10 claims under this subsection.

11 (c) Section 71.28 (4) (f), (g), and (h) as it applies to the credit under s. 71.28 (4)  
12 applies to the credit under par. (a).

13 **SECTION 11.** 73.03 (35m) of the statutes is created to read:

14 73.03 (35m) To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g),  
15 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
16 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
17 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

18 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

19 77.92 (4) "Net business income", with respect to a partnership, means taxable  
20 income as calculated under section 703 of the Internal Revenue Code; plus the items  
21 of income and gain under section 702 of the Internal Revenue Code, including taxable  
22 state and municipal bond interest and excluding nontaxable interest income or  
23 dividend income from federal government obligations; minus the items of loss and  
24 deduction under section 702 of the Internal Revenue Code, except items that are not  
25 deductible under s. 71.21; plus guaranteed payments to partners under section 707

1 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
2 (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (3g), and (3s); and plus or minus, as appropriate,  
3 transitional adjustments, depreciation differences and basis differences under s.  
4 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss and deductions  
5 from farming. "Net business income", with respect to a natural person, estate or  
6 trust, means profit from a trade or business for federal income tax purposes and  
7 includes net income derived as an employee as defined in section 3121 (d) (3) of the  
8 Internal Revenue Code.

9 **SECTION 13.** 560.96 of the statutes is created to read:

10 **560.96 Technology zones.** (1) In this section, "tax credit" means a credit  
11 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

12 (2) (a) The department shall designate as technology zones up to 7 areas in the  
13 state in fiscal year 2001–02, up to 7 areas in the state in fiscal year 2002–03, and up  
14 to 6 areas in the state in fiscal year 2003–04. A business that is located in a  
15 technology zone and that is certified by the department under sub. (3) is eligible for  
16 a tax credit as provided in sub. (3).

17 (b) The designation of an area as a technology zone shall be in effect for 10 years  
18 from the time that the department first designates the area. However, not more than  
19 \$5,000,000 in tax credits may be claimed in a technology zone. The department may  
20 change the boundaries of a technology zone during the time that its designation is  
21 in effect. A change in the boundaries of a technology zone does not affect the duration  
22 of the designation of the area or the maximum tax credit amount that may be claimed  
23 in the technology zone.

24 (3) (a) The department may certify for tax credits in a technology zone a  
25 business that satisfies all of the following requirements:

- 1           1. The business is located in the technology zone.
- 2           2. The business is a new or expanding business.
- 3           3. The business is a high-technology business.

4           (b) In determining whether to certify a business under this subsection, the  
5 department shall consider all of the following:

- 6           1. How many new jobs the business is likely to create.
- 7           2. The extent and nature of the high technology used by the business.
- 8           3. The likelihood that the business will attract related enterprises.
- 9           4. The amount of capital investment <sup>that ~~will~~</sup> the business is likely to make in the state.
- 10          5. The ~~purpose~~ of the business. *economic viability*

*Insert 7-11*

11          (c) ~~Unless its certification is revoked under subsection (2)(b),~~ a business that  
12 is certified ~~under this subsection~~ may claim a tax credit for 3 years, except that a  
13 business that experiences growth, as determined for that business by the  
14 department under par. (d) and sub. (5) (a), may claim a tax credit for up to 5 years.

*Insert 7-16*

15          (d) The department shall enter into an agreement with a business that is  
16 certified under this subsection. The agreement shall specify <sup>e</sup> the extent and type of  
17 growth, which shall be specific to the business, that the business must experience to  
18 extend its eligibility for a tax credit, the business' baseline against which that  
19 growth will be measured, ~~and~~ any other conditions that the business must satisfy to  
20 extend its eligibility for a tax credit, *and reporting requirements with which the business must comply*

21          (4) (a) The department shall notify the department of revenue of all the  
22 following: *Dept of Commerce*

- 23           1. A technology zone's designation.
- 24           2. A business's certification. *and the limit on the amount of tax credits the business may claim that*
- 25           3. The extension or revocation of a business's certification.



1 (b) The department shall annually verify information submitted to the  
2 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

3 (5) The department shall promulgate rules for the operation of this section,  
4 including rules related to all the following:

Insert 8-4

5 b (b) A business's eligibility for certification, including definitions for all of the  
6 following:

- 7 1. New or expanding business.
- 8 2. High-technology business.

Insert 8-9

9 c (b) Certifying a business, including use of the factors under sub. (3) (b).

10 e (b) Standards for extending a business's certification, including what  
11 measures, in addition to job creation, the department will use to determine the  
12 growth of a specific business and how the department will establish baselines  
13 against which to measure growth.

Insert 8-13g

14 h (b) Reasons for revoking a business's certification.

15 i (b) Standards for changing the boundaries of a technology zone.

16 **SECTION 9344. Initial applicability; revenue.**

17 (1) TECHNOLOGY ZONES CREDIT. The treatment of sections 71.05 (6) (a) 15., 71.07  
18 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a) and (3) (n), 71.28 (3g), 71.30 (3) (eon), 71.34  
19 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96 of the statutes first applies to  
20 taxable years beginning on January 1 of the year in which this subsection takes  
21 effect, except that if this subsection takes effect after July 31 the treatment of  
22 sections 71.05 (6) (a) 15., 71.07 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a) and (3) (n),  
23 71.28 (3g), 71.30 (3) (eon), 71.34 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96

1 of the statutes first applies to taxable years beginning on January 1 of the year  
2 following the year in which this subsection takes effect.

3 (END)

2001-2002 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1856/4ins  
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INSERT A-1

*not*, up to an amount established by the department, based on  
(END OF INSERT A-1)

INSERT 7-11

1 *not* When the department certifies a business under this subsection, the  
2 department shall establish a limit on the amount of tax credits that the business may  
3 claim. Unless its certification is revoked, and subject to the limit *on the tax credit amount* established by the  
4 department under this paragraph

(END OF INSERT 7-11)

INSERT 7-16

5 *not* the limit on the amount of tax credits that the business may claim,

(END OF INSERT 7-16)

INSERT 8-4

6 *H* (a) Criteria for designating an area as a technology zone.

(END OF INSERT 8-4)

INSERT 8-9

7 *H* (d) Standards for establishing the limit on the amount of tax credits that a  
8 business may claim.

(END OF INSERT 8-9)

INSERT 8-13

9 *H* (f) Reporting requirements for certified businesses.

*of commerce*

1 (g) The exchange of information between the department and the department ✓  
2 of revenue.

(END OF INSERT 8-13)



DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

in 2-4-01

SOON

D-N

DO NOT GEN

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**  
**ECONOMIC DEVELOPMENT**

Under the bill, the department of commerce (department) must designate up to 20 areas in the state as technology zones. The department may certify any new or expanding high-technology business located in a technology zone for a tax credit, up to an amount established by the department, based on the amount of real and personal property taxes that the business paid in the taxable year; the amount of sales and use taxes that the business paid in the taxable year; and the amount of income and franchise taxes that the business paid in the taxable year. A business certified by the department is entitled to claim the tax credit, up to the amount established by the department, for three years, or for up to five years if the business experiences growth to an extent determined by the department. A technology zone's designation is effective for ten years, but not more than \$5,000,000 in tax credits may be claimed in a technology zone.

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, (3g), and (3s)~~ 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 (3g) of the statutes is created to read:

8           71.07 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
9           subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
10          (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal  
11          to the sum of the following: *as established under s. 560.96(3)(c)*

12           1. The amount of real and personal property taxes imposed under s. 70.01 that  
13           the business paid in the taxable year.

14           2. The amount of income and franchise taxes imposed under s. 71.02 that the  
15           business paid in the taxable year.

16           3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
17           that the business paid in the taxable year.

18           (b) The department of revenue shall notify the department of commerce of all  
19           claims under this subsection.

20           (c) Section 71.28 (4) (f), (g), and (h), as it applies to the credit under s. 71.28 (4),  
21           applies to the credit under par. (a).

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

23          71.10 (4) (grd) Technology zones credit under s. 71.07 (3g).

24          **SECTION 4.** 71.21 (4) of the statutes is amended to read:

1           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
2           (2dj), (2dL), (2ds), (2dx) ~~and, (3g), and~~ (3s) and passed through to partners shall be  
3           added to the partnership's income.

4           **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

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

21          **SECTION 6.** 71.26 (3) (n) of the statutes is amended to read:

22          71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain  
23          corporate acquisitions) are modified so that they apply to losses under sub. (4) and  
24          credits under s. 71.28 (1di), (1dL), (1dx) ~~and, (3) to, (4), and~~ (5) instead of to federal  
25          credits and federal net operating losses.

1           **SECTION 7.** 71.28 (3g) of the statutes is created to read:

2           71.28 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
3 subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
4 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
5 to the sum of the following: *↑ as established under s. 560.96(3)(c)*

6           1. The amount of real and personal property taxes imposed under s. 70.01 that  
7 the business paid in the taxable year.

8           2. The amount of income and franchise taxes imposed under s. 71.23 that the  
9 business paid in the taxable year.

10          3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
11 that the business paid in the taxable year.

12          (b) The department of revenue shall notify the department of commerce of all  
13 claims under this subsection.

14          (c) Subsection (4) (f), (g), and (h), as it applies to the credit under sub. (4), applies  
15 to the credit under par. (a).

16           **SECTION 8.** 71.30 (3) (eon) of the statutes is created to read:

17           71.30 (3) (eon) Technology zones credit under s. 71.28 (3g).

18           **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

19           71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
20 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) ~~and, (3), and~~  
21 (3g) and passed through to shareholders.

22           **SECTION 10.** 71.47 (3g) of the statutes is created to read:

23           71.47 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
24 subsection and ss. 73.03 (35m), and 560.96, a business that is certified under s.



1 560.96 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount  
2 equal to the sum of the following:

*or established under s. 560.96(3)(c)*

3 1. The amount of real and personal property taxes imposed under s. 70.01 that  
4 the business paid in the taxable year.

5 2. The amount of income and franchise taxes imposed under s. 71.43 that the  
6 business paid in the taxable year.

7 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
8 that the business paid in the taxable year.

9 (b) The department of revenue shall notify the department of commerce of all  
10 claims under this subsection.

11 (c) Section 71.28 (4) (f), (g), and (h), as it applies to the credit under s. 71.28 (4),  
12 applies to the credit under par. (a).

13 **SECTION 11.** 73.03 (35m) of the statutes is created to read:

14 73.03 (35m) To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g),  
15 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
16 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
17 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

18 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

19 77.92 (4) "Net business income", with respect to a partnership, means taxable  
20 income as calculated under section 703 of the Internal Revenue Code; plus the items  
21 of income and gain under section 702 of the Internal Revenue Code, including taxable  
22 state and municipal bond interest and excluding nontaxable interest income or  
23 dividend income from federal government obligations; minus the items of loss and  
24 deduction under section 702 of the Internal Revenue Code, except items that are not  
25 deductible under s. 71.21; plus guaranteed payments to partners under section 707

*see #, cr, 71.49 (1)(con) ↓  
11.49 (1)(con) = Technology zones credit under s. 71.47(3g) ↓*

1 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
2 (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (3g), and (3s); and plus or minus, as appropriate,  
3 transitional adjustments, depreciation differences and basis differences under s.  
4 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss and deductions  
5 from farming. “Net business income”, with respect to a natural person, estate or  
6 trust, means profit from a trade or business for federal income tax purposes and  
7 includes net income derived as an employee as defined in section 3121 (d) (3) of the  
8 Internal Revenue Code.

9 **SECTION 13.** 560.96 of the statutes is created to read:

10 **560.96 Technology zones.** (1) In this section, “tax credit” means a credit  
11 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

12 (2) (a) The department shall designate as technology zones up to 7 areas in the  
13 state in fiscal year 2001–02, up to 7 areas in the state in fiscal year 2002–03, and up  
14 to 6 areas in the state in fiscal year 2003–04. A business that is located in a  
15 technology zone and that is certified by the department under sub. (3) is eligible for  
16 a tax credit as provided in sub. (3).

17 (b) The designation of an area as a technology zone shall be in effect for 10 years  
18 from the time that the department first designates the area. However, not more than  
19 \$5,000,000 in tax credits may be claimed in a technology zone. The department may  
20 change the boundaries of a technology zone during the time that its designation is  
21 in effect. A change in the boundaries of a technology zone does not affect the duration  
22 of the designation of the area or the maximum tax credit amount that may be claimed  
23 in the technology zone.

24 (3) (a) The department may certify for tax credits in a technology zone a  
25 business that satisfies all of the following requirements:

- 1           1. The business is located in the technology zone.
- 2           2. The business is a new or expanding business.
- 3           3. The business is a high-technology business.

4           (b) In determining whether to certify a business under this subsection, the  
5 department shall consider all of the following:

- 6           1. How many new jobs the business is likely to create.
- 7           2. The extent and nature of the high technology used by the business.
- 8           3. The likelihood that the business will attract related enterprises.
- 9           4. The amount of capital investment that the business is likely to make in the  
10 state.
- 11          5. The economic viability of the business.

12          (c) When the department certifies a business under this subsection, the  
13 department shall establish a limit on the amount of tax credits that the business may  
14 claim. Unless its certification is revoked, and subject to the limit on the tax credit  
15 amount established by the department under this paragraph, a business that is  
16 certified may claim a tax credit for 3 years, except that a business that experiences  
17 growth, as determined for that business by the department under par. (d) and sub.  
18 (5) (e), may claim a tax credit for up to 5 years.

19          (d) The department shall enter into an agreement with a business that is  
20 certified under this subsection. The agreement shall specify the limit on the amount  
21 of tax credits that the business may claim, the extent and type of growth, which shall  
22 be specific to the business, that the business must experience to extend its eligibility  
23 for a tax credit, the business' baseline against which that growth will be measured,  
24 any other conditions that the business must satisfy to extend its eligibility for a tax  
25 credit, and reporting requirements with which the business must comply.

1           (4) (a) The department of commerce shall notify the department of revenue of  
2 all the following:

3           1. A technology zone's designation.

4           2. A business' certification and the limit on the amount of tax credits that the  
5 business may claim.

6           3. The extension or revocation of a business' certification.

7           (b) The department shall annually verify information submitted to the  
8 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

9           (5) The department shall promulgate rules for the operation of this section,  
10 including rules related to all the following:

11           (a) Criteria for designating an area as a technology zone.

12           (b) A business' eligibility for certification, including definitions for all of the  
13 following:

14           1. New or expanding business.

15           2. High-technology business.

16           (c) Certifying a business, including use of the factors under sub. (3) (b).

17           (d) Standards for establishing the limit on the amount of tax credits that a  
18 business may claim.

19           (e) Standards for extending a business' certification, including what measures,  
20 in addition to job creation, the department will use to determine the growth of a  
21 specific business and how the department will establish baselines against which to  
22 measure growth.

23           (f) Reporting requirements for certified businesses.

24           (g) The exchange of information between the department of commerce and the  
25 department of revenue.

1 (h) Reasons for revoking a business' certification.

2 (i) Standards for changing the boundaries of a technology zone.

3 **SECTION 9344. Initial applicability; revenue.**

4 (1) TECHNOLOGY ZONES CREDIT. The treatment of sections 71.05 (6) (a) 15., 71.07  
5 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a) and (3) (n), 71.28 (3g), 71.30 (3) (eon), 71.34  
6 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96 of the statutes first applies to  
7 taxable years beginning on January 1 of the year in which this subsection takes  
8 effect, except that if this subsection takes effect after July 31 the treatment of  
9 sections 71.05 (6) (a) 15., 71.07 (3g), 71.10 (4) (grd), 71.21 (4), 71.26 (2) (a) and (3) (n),  
10 71.28 (3g), 71.30 (3) (eon), 71.34 (1) (g), 71.47 (3g), 73.03 (35m), 77.92 (4), and 560.96  
11 of the statutes first applies to taxable years beginning on January 1 of the year  
12 following the year in which this subsection takes effect.

13

(END)

1856/5

vlc:wlj:

D-N

date

William Walker:

This draft makes some technical  
corrections to LRB-1856/4.

vlc

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

LRB-1856/5dn  
JK&PJK:cjs/wlj/kmg:pg

February 4, 2001

William Walker:

This draft makes some technical corrections to LRB-1856/4.

Joseph T. Kreye  
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State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1856/5  
JK&PJK:cjs/wlj/kmg:pg  
6

DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

m 2-6-01

TODAY  
5:00 PM

D-N

DO NOT GEN

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**

**ECONOMIC DEVELOPMENT**

Under the bill, the department of commerce (department) must designate up to 20 areas in the state as technology zones. The department may certify any new or expanding high-technology business located in a technology zone for a tax credit, up to an amount established by the department, based on the amount of real and personal property taxes that the business paid in the taxable year; the amount of sales and use taxes that the business paid in the taxable year; and the amount of income and franchise taxes that the business paid in the taxable year. A business certified by the department is entitled to claim the tax credit, up to the amount established by the department, for three years, or for up to five years if the business experiences growth to an extent determined by the department. A technology zone's designation is effective for ten years, but not more than \$5,000,000 in tax credits may be claimed in a technology zone.

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:*



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

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

SECTION 2. 71.07 (3g) of the statutes is created to read:

71.07 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96 (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal to the sum of the following, as established under s. 560.96 (3) (c):

1. The amount of real and personal property taxes imposed under s. 70.01 that the business paid in the taxable year.

2. The amount of income and franchise taxes imposed under s. 71.02 that the business paid in the taxable year.

3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71 that the business paid in the taxable year.

(b) The department of revenue shall notify the department of commerce of all claims under this subsection.

(c) Section 71.28 (4) (f), (g), and (h), as it applies to the credit under s. 71.28 (4), applies to the credit under par. (a).

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

71.10 (4) (grd) Technology zones credit under s. 71.07 (3g).

~~SECTION 4. 71.21 (4) of the statutes is amended to read.~~

1 ~~71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),~~  
2 ~~(2dj), (2dL), (2ds), (2dx) and, (3g), and (3s) and passed through to partners shall be~~  
3 ~~added to the partnership's income.~~

4 **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

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

21 **SECTION 6.** 71.26 (3) (n) of the statutes is amended to read:

22 71.26 (3) (n) Sections 381, 382 and 383 (relating to carry-overs in certain  
23 corporate acquisitions) are modified so that they apply to losses under sub. (4) and  
24 credits under s. 71.28 (1di), (1dL), (1dx) ~~and, (3) to, (4), and (5)~~ instead of to federal  
25 credits and federal net operating losses.

1           **SECTION 7.** 71.28 (3g) of the statutes is created to read:

2           **71.28 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
3 subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
4 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
5 to the sum of the following, as established under s. 560.96 (3) (c):

6           1. The amount of real and personal property taxes imposed under s. 70.01 that  
7 the business paid in the taxable year.

8           2. The amount of income and franchise taxes imposed under s. 71.23 that the  
9 business paid in the taxable year.

10          3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
11 that the business paid in the taxable year.

12          (b) The department of revenue shall notify the department of commerce of all  
13 claims under this subsection.

14          (c) Subsection (4) (f), (g), and (h), as it applies to the credit under sub. (4), applies  
15 to the credit under par. (a).

16           **SECTION 8.** 71.30 (3) (eon) of the statutes is created to read:

17           **71.30 (3)** (eon) Technology zones credit under s. 71.28 (3g).

18           ~~**SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:~~

19           ~~71.34 (1) (g) An addition shall be made for credits computed by a tax-option~~  
20           ~~corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) and, (3), and~~  
21           ~~(3g) and passed through to shareholders.~~

22           **SECTION 10.** 71.47 (3g) of the statutes is created to read:

23           **71.47 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
24 subsection and ss. 73.03 (35m), and 560.96, a business that is certified under s.

1 560.96 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount  
2 equal to the sum of the following, as established under s. 560.96 (3) (c):

3 1. The amount of real and personal property taxes imposed under s. 70.01 that  
4 the business paid in the taxable year.

5 2. The amount of income and franchise taxes imposed under s. 71.43 that the  
6 business paid in the taxable year.

7 3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
8 that the business paid in the taxable year.

9 (b) The department of revenue shall notify the department of commerce of all  
10 claims under this subsection.

11 (c) Section 71.28 (4) (f), (g), and (h), as it applies to the credit under s. 71.28 (4),  
12 applies to the credit under par. (a).

13 **SECTION 11.** 71.49 (1) (e) of the statutes is created to read:

14 71.49 (1) (e) Technology zones credit under s. 71.47 (3g).

15 **SECTION 12.** 73.03 (35m) of the statutes is created to read:

16 73.03 (35m) To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g),  
17 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
18 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
19 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

20 ~~**SECTION 13.** 77.92 (4) of the statutes is amended to read:~~

21 ~~77.92 (4) "Net business income", with respect to a partnership, means taxable~~  
22 ~~income as calculated under section 703 of the Internal Revenue Code; plus the items~~  
23 ~~of income and gain under section 702 of the Internal Revenue Code, including taxable~~  
24 ~~state and municipal bond interest and excluding nontaxable interest income or~~  
25 ~~dividend income from federal government obligations; minus the items of loss and~~

1 deduction under section 702 of the Internal Revenue Code, except items that are not  
2 deductible under s. 71.21; plus guaranteed payments to partners under section 707  
3 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
4 (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (3g), and (3s); and plus or minus, as appropriate,  
5 transitional adjustments, depreciation differences and basis differences under s.  
6 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss and deductions  
7 from farming. "Net business income", with respect to a natural person, estate or  
8 trust, means profit from a trade or business for federal income tax purposes and  
9 includes net income derived as an employee as defined in section 3121 (d) (3) of the  
10 Internal Revenue Code.

11 SECTION 14. 560.96 of the statutes is created to read:

12 **560.96 Technology zones.** (1) In this section, "tax credit" means a credit  
13 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

14 (2) (a) The department shall designate as technology zones up to 7 areas in the  
15 state in fiscal year 2001–02, up to 7 areas in the state in fiscal year 2002–03, and up  
16 to 6 areas in the state in fiscal year 2003–04. A business that is located in a  
17 technology zone and that is certified by the department under sub. (3) is eligible for  
18 a tax credit as provided in sub. (3).

19 (b) The designation of an area as a technology zone shall be in effect for 10 years  
20 from the time that the department first designates the area. However, not more than  
21 \$5,000,000 in tax credits may be claimed in a technology zone. The department may  
22 change the boundaries of a technology zone during the time that its designation is  
23 in effect. A change in the boundaries of a technology zone does not affect the duration  
24 of the designation of the area or the maximum tax credit amount that may be claimed  
25 in the technology zone.

1           **(3)** (a) The department may certify for tax credits in a technology zone a  
2 business that satisfies all of the following requirements:

- 3           1. The business is located in the technology zone.
- 4           2. The business is a new or expanding business.
- 5           3. The business is a high-technology business.

6           (b) In determining whether to certify a business under this subsection, the  
7 department shall consider all of the following:

- 8           1. How many new jobs the business is likely to create.
- 9           2. The extent and nature of the high technology used by the business.
- 10          3. The likelihood that the business will attract related enterprises.
- 11          4. The amount of capital investment that the business is likely to make in the  
12 state.
- 13          5. The economic viability of the business.

14          (c) When the department certifies a business under this subsection, the  
15 department shall establish a limit on the amount of tax credits that the business may  
16 claim. Unless its certification is revoked, and subject to the limit on the tax credit  
17 amount established by the department under this paragraph, a business that is  
18 certified may claim a tax credit for 3 years, except that a business that experiences  
19 growth, as determined for that business by the department under par. (d) and sub.

20 (5) (e), may claim a tax credit for up to 5 years.

21          (d) The department shall enter into an agreement with a business that is  
22 certified under this subsection. The agreement shall specify the limit on the amount  
23 of tax credits that the business may claim, the extent and type of growth, which shall  
24 be specific to the business, that the business must experience to extend its eligibility  
25 for a tax credit, the business' baseline against which that growth will be measured,

1 any other conditions that the business must satisfy to extend its eligibility for a tax  
2 credit, and reporting requirements with which the business must comply.

3 (4) (a) The department of commerce shall notify the department of revenue of  
4 all the following:

5 1. A technology zone's designation.

6 2. A business' certification and the limit on the amount of tax credits that the  
7 business may claim.

8 3. The extension or revocation of a business' certification.

9 (b) The department shall annually verify information submitted to the  
10 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

11 (5) The department shall promulgate rules for the operation of this section,  
12 including rules related to all the following:

13 (a) Criteria for designating an area as a technology zone.

14 (b) A business' eligibility for certification, including definitions for all of the  
15 following:

16 1. New or expanding business.

17 2. High-technology business.

18 (c) Certifying a business, including use of the factors under sub. (3) (b).

19 (d) Standards for establishing the limit on the amount of tax credits that a  
20 business may claim.

21 (e) Standards for extending a business' certification, including what measures,  
22 in addition to job creation, the department will use to determine the growth of a  
23 specific business and how the department will establish baselines against which to  
24 measure growth.

25 (f) Reporting requirements for certified businesses.

1 (g) The exchange of information between the department of commerce and the  
2 department of revenue.

3 (h) Reasons for revoking a business' certification.

4 (i) Standards for changing the boundaries of a technology zone.

5 **SECTION 9344. Initial applicability; revenue.**

6 (1) TECHNOLOGY ZONES CREDIT. The treatment of sections ~~71.05 (6) (a) 15~~ 71.07  
7 (3g), 71.10 (4) (grd), ~~71.21 (4), 71.26 (2) (a) and (3) (m)~~ 71.28 (3g), 71.30 (3) (eon), ~~71.34~~  
8 ~~(1) (g)~~ 71.47 (3g), 73.03 (35m), ~~71.92 (4)~~ and 560.96 of the statutes first applies to  
9 taxable years beginning on January 1 of the year in which this subsection takes  
10 effect, except that if this subsection takes effect after July 31 the treatment of  
11 sections ~~71.05 (6) (a) 15~~ 71.07 (3g), 71.10 (4) (grd), ~~71.21 (4), 71.26 (2) (a) and (3) (m)~~  
12 71.28 (3g), 71.30 (3) (eon), ~~71.34 (1) (g)~~ 71.47 (3g), 73.03 (35m), ~~71.92 (4)~~ and 560.96  
13 of the statutes first applies to taxable years beginning on January 1 of the year  
14 following the year in which this subsection takes effect.

15

(END)



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

LRB-1856/5<sup>6</sup>dn  
JK&RK/ep/wlj/epv

William Walker:

This draft reconciles LRB-0667/4 and LRB-1856/5. Both LRB-0667 and LRB-1856 should continue to appear in the compiled bill.

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

LRB-1856/6dn

JK:wlj:km

February 6, 2001

William Walker:

This draft reconciles LRB-0667/4 and LRB-1856/5. Both LRB-0667 and LRB-1856 should continue to appear in the compiled bill.

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State of Wisconsin  
2001 - 2002 LEGISLATURE

LRB-1856/6  
JK&PJK:cjs/wlj/kmg:km

DOA:.....Walker - Create high-tech development zones

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**

**ECONOMIC DEVELOPMENT**

Under the bill, the department of commerce (department) must designate up to 20 areas in the state as technology zones. The department may certify any new or expanding high-technology business located in a technology zone for a tax credit, up to an amount established by the department, based on the amount of real and personal property taxes that the business paid in the taxable year; the amount of sales and use taxes that the business paid in the taxable year; and the amount of income and franchise taxes that the business paid in the taxable year. A business certified by the department is entitled to claim the tax credit, up to the amount established by the department, for three years, or for up to five years if the business experiences growth to an extent determined by the department. A technology zone's designation is effective for ten years, but not more than \$5,000,000 in tax credits may be claimed in a technology zone.

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.** 71.07 (3g) of the statutes is created to read:

2           **71.07 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
3 subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
4 (3) may claim as a credit against the taxes imposed under s. 71.02 an amount equal  
5 to the sum of the following, as established under s. 560.96 (3) (c):

6           1. The amount of real and personal property taxes imposed under s. 70.01 that  
7 the business paid in the taxable year.

8           2. The amount of income and franchise taxes imposed under s. 71.02 that the  
9 business paid in the taxable year.

10           3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
11 that the business paid in the taxable year.

12           (b) The department of revenue shall notify the department of commerce of all  
13 claims under this subsection.

14           (c) Section 71.28 (4) (f), (g), and (h), as it applies to the credit under s. 71.28 (4),  
15 applies to the credit under par. (a).

16           **SECTION 2.** 71.10 (4) (grd) of the statutes is created to read:

17           **71.10 (4) (grd) Technology zones credit** under s. 71.07 (3g).

18           **SECTION 3.** 71.28 (3g) of the statutes is created to read:

19           **71.28 (3g) TECHNOLOGY ZONES CREDIT.** (a) Subject to the limitations under this  
20 subsection and ss. 73.03 (35m) and 560.96, a business that is certified under s. 560.96  
21 (3) may claim as a credit against the taxes imposed under s. 71.23 an amount equal  
22 to the sum of the following, as established under s. 560.96 (3) (c):

23           1. The amount of real and personal property taxes imposed under s. 70.01 that  
24 the business paid in the taxable year.

1           2. The amount of income and franchise taxes imposed under s. 71.23 that the  
2 business paid in the taxable year.

3           3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
4 that the business paid in the taxable year.

5           (b) The department of revenue shall notify the department of commerce of all  
6 claims under this subsection.

7           (c) Subsection (4) (f), (g), and (h), as it applies to the credit under sub. (4), applies  
8 to the credit under par. (a).

9           **SECTION 4.** 71.30 (3) (eon) of the statutes is created to read:

10          71.30 (3) (eon) Technology zones credit under s. 71.28 (3g).

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

12          71.47 (3g) TECHNOLOGY ZONES CREDIT. (a) Subject to the limitations under this  
13 subsection and ss. 73.03 (35m), and 560.96, a business that is certified under s.  
14 560.96 (3) may claim as a credit against the taxes imposed under s. 71.43 an amount  
15 equal to the sum of the following, as established under s. 560.96 (3) (c):

16           1. The amount of real and personal property taxes imposed under s. 70.01 that  
17 the business paid in the taxable year.

18           2. The amount of income and franchise taxes imposed under s. 71.43 that the  
19 business paid in the taxable year.

20           3. The amount of sales and use taxes imposed under ss. 77.52, 77.53, and 77.71  
21 that the business paid in the taxable year.

22           (b) The department of revenue shall notify the department of commerce of all  
23 claims under this subsection.

24           (c) Section 71.28 (4) (f), (g), and (h), as it applies to the credit under s. 71.28 (4),  
25 applies to the credit under par. (a).

1           **SECTION 6.** 71.49 (1) (eon) of the statutes is created to read:

2           71.49 (1) (eon) Technology zones credit under s. 71.47 (3g).

3           **SECTION 7.** 73.03 (35m) of the statutes is created to read:

4           73.03 (35m) To deny a portion of a credit claimed under s. 71.07 (3g), 71.28 (3g),  
5 or 71.47 (3g), if granting the full amount claimed would violate a requirement under  
6 s. 560.96 or would bring the total of the credits claimed under ss. 71.07 (3g), 71.28  
7 (3g), and 71.47 (3g) over the limit for all claimants under s. 560.96 (2).

8           **SECTION 8.** 560.96 of the statutes is created to read:

9           **560.96 Technology zones. (1)** In this section, “tax credit” means a credit  
10 under s. 71.07 (3g), 71.28 (3g), or 71.47 (3g).

11           **(2) (a)** The department shall designate as technology zones up to 7 areas in the  
12 state in fiscal year 2001–02, up to 7 areas in the state in fiscal year 2002–03, and up  
13 to 6 areas in the state in fiscal year 2003–04. A business that is located in a  
14 technology zone and that is certified by the department under sub. (3) is eligible for  
15 a tax credit as provided in sub. (3).

16           **(b)** The designation of an area as a technology zone shall be in effect for 10 years  
17 from the time that the department first designates the area. However, not more than  
18 \$5,000,000 in tax credits may be claimed in a technology zone. The department may  
19 change the boundaries of a technology zone during the time that its designation is  
20 in effect. A change in the boundaries of a technology zone does not affect the duration  
21 of the designation of the area or the maximum tax credit amount that may be claimed  
22 in the technology zone.

23           **(3) (a)** The department may certify for tax credits in a technology zone a  
24 business that satisfies all of the following requirements:

25           1. The business is located in the technology zone.

1           2. The business is a new or expanding business.

2           3. The business is a high-technology business.

3           (b) In determining whether to certify a business under this subsection, the  
4 department shall consider all of the following:

5           1. How many new jobs the business is likely to create.

6           2. The extent and nature of the high technology used by the business.

7           3. The likelihood that the business will attract related enterprises.

8           4. The amount of capital investment that the business is likely to make in the  
9 state.

10          5. The economic viability of the business.

11          (c) When the department certifies a business under this subsection, the  
12 department shall establish a limit on the amount of tax credits that the business may  
13 claim. Unless its certification is revoked, and subject to the limit on the tax credit  
14 amount established by the department under this paragraph, a business that is  
15 certified may claim a tax credit for 3 years, except that a business that experiences  
16 growth, as determined for that business by the department under par. (d) and sub.  
17 (5) (e), may claim a tax credit for up to 5 years.

18          (d) The department shall enter into an agreement with a business that is  
19 certified under this subsection. The agreement shall specify the limit on the amount  
20 of tax credits that the business may claim, the extent and type of growth, which shall  
21 be specific to the business, that the business must experience to extend its eligibility  
22 for a tax credit, the business' baseline against which that growth will be measured,  
23 any other conditions that the business must satisfy to extend its eligibility for a tax  
24 credit, and reporting requirements with which the business must comply.

1           (4) (a) The department of commerce shall notify the department of revenue of  
2 all the following:

3           1. A technology zone's designation.

4           2. A business' certification and the limit on the amount of tax credits that the  
5 business may claim.

6           3. The extension or revocation of a business' certification.

7           (b) The department shall annually verify information submitted to the  
8 department under ss. 71.07 (3g) (b), 71.28 (3g) (b), and 71.47 (3g) (b).

9           (5) The department shall promulgate rules for the operation of this section,  
10 including rules related to all the following:

11           (a) Criteria for designating an area as a technology zone.

12           (b) A business' eligibility for certification, including definitions for all of the  
13 following:

14           1. New or expanding business.

15           2. High-technology business.

16           (c) Certifying a business, including use of the factors under sub. (3) (b).

17           (d) Standards for establishing the limit on the amount of tax credits that a  
18 business may claim.

19           (e) Standards for extending a business' certification, including what measures,  
20 in addition to job creation, the department will use to determine the growth of a  
21 specific business and how the department will establish baselines against which to  
22 measure growth.

23           (f) Reporting requirements for certified businesses.

24           (g) The exchange of information between the department of commerce and the  
25 department of revenue.



1 (h) Reasons for revoking a business' certification.

2 (i) Standards for changing the boundaries of a technology zone.

3 **SECTION 9344. Initial applicability; revenue.**

4 (1) TECHNOLOGY ZONES CREDIT. The treatment of sections 71.07 (3g), 71.10 (4)  
5 (grd), 71.28 (3g), 71.30 (3) (eon), 71.47 (3g), 73.03 (35m), and 560.96 of the statutes  
6 first applies to taxable years beginning on January 1 of the year in which this  
7 subsection takes effect, except that if this subsection takes effect after July 31 the  
8 treatment of sections 71.07 (3g), 71.10 (4) (grd), 71.28 (3g), 71.30 (3) (eon), 71.47 (3g),  
9 73.03 (35m), and 560.96 of the statutes first applies to taxable years beginning on  
10 January 1 of the year following the year in which this subsection takes effect.

11 (END)