

2001 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-SB55)

Received: 06/21/2001

Received By: jkreye

Wanted: Soon

Identical to LRB:

For: Assembly Republican Caucus

By/Representing: Tessmer

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact: LFB

Addl. Drafters:

LFB

LFB

Subject: Tax - corp. inc. and fran.

Extra Copies:

~~ISR~~
~~TNF, PJH~~
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~~TNF, PJH~~
~~TNF, PJH~~
~~ISR~~
~~PG~~
~~TNF, ARG~~

Submit via email: NO

Requester's email:

Pre Topic:

ARC:.....Tessmer - AM18,

Topic:

Education tax credit

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 06/21/2001	csicilia 06/22/2001		_____ _____			
/1			pgreensl 06/22/2001	_____ _____	lrb_docadmin 06/22/2001		

FE Sent For:

<END>

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FE Sent For:

<END>

Memorandum

To: Fred Ammerman – Fiscal Bureau
Cathlene Hanaman – Reference Bureau

CC: Heather Smith – Assembly Republican Caucus

From: Paul Tessmer – Assembly Republican Caucus

Date: 06/21/01

Re: ARC Amendments – Passed 6-20-01

Please find enclosed copies of the budget amendments passed by the Assembly Republicans in Caucus on Tuesday, June 20, 2001. The amendments are provided in the following four areas:

- The Health Care Working Group Package. Associated freestanding amendments incorporated in this package are also provided. Contact Carolyn Hughes (ARC) at 7-4887.
- The Agriculture Working Group Package. Associated freestanding amendments incorporated in this package are also provided. Contact Mark Jefferson (ARC) at 7-0900.
- The Higher Education Working Group Package. Associated freestanding amendments incorporated in this package are also provided. Contact Jim Emerson (ARC) at 7-0904.
- Other Freestanding Amendments. Contact the ARC analyst listed on the amendment at 6-1452.

NOTE: The Working Group Package document takes precedence over its associated freestanding amendments. Please call the contact person listed above (or the ARC analyst listed on the amendment) for supporting documentation.

Hard copies of the Working Group Packages are also being sent to your office. The hard copies may contain supporting documentation not included in the Word document.

I am also available to help answer questions at 4-8587.

ARC Amendment #18

Higher Education (UW/Technical College) Workgroup Proposal (Reps. Kreibich, Huebsch, Skindrud and Krawczyk)

Fiscal Proposal

CUTS:

- Eliminate TOP program beginning July 1, 2002--\$8,300,000 GPR savings (**Rep. Ward ARC motion #63**).
- Reduce Fuel and Utilities Re-estimate by 20%--\$4.3 million GPR savings.
- Increase out-of-state tuition by \$6 million, a 2.5% increase per year.
- Reallocate \$8.75 million of WATF dollars to TEACH, cut \$8.75 million GPR from TEACH. From WATF, take UW Learning innovations (\$3,250,000), Internet2 and wireless networking (\$2,500,000), WI advanced distributed learning co-laboratory (\$1,000,000) and WTCS Internet Courses (\$2,000,000). Fund only the Digital Mammography machine (\$500,000) within the WATF dissolution.
- Eliminate the appropriation for Driver's Education Teachers--\$123,880 GPR savings. (**Rep. Gunderson ARC motion #277**)
- Require a \$5 million lapse over the biennium from the UW "auxiliary resources reserves" budget

TOTAL SAVINGS: \$32,473,880

SPENDING:

- \$7,388,654—selected UW Economic stimulus package. UW Green Bay (\$487,000), Chippewa Valley Initiative (\$3,800,000), UW River Falls (\$374,950), UW-Whitewater (\$2,000,000). In addition, add language regarding the funds appropriated to the "Economic Stimulus Package". Language requires the UW Board of Regents to spend those funds targeted to specific campuses on those campuses. Eliminate discretion of Board of Regents on spending this appropriation.
- \$1.2 million—**Rep. McCormick's ARC amendment #234** to provide bachelors degree in engineering from UW-Platteville @ UW-Fox Valley.
- \$3.1 million- 4% (2% each year) increase in WHEG for UW, Tech schools and private schools.
- \$1 million—for aid to Technical schools that have levied to the statutory cap.
- \$1.5 million—to increase "additional course selections" at Technical colleges.
- \$450,000—Provide funding for UW-Extension Small Business Development Centers, **2003 only**.

TOTAL SPENDING: \$14,638,654

NET SAVINGS: \$18,561,930

Policy Proposal



Incorporate Assembly Bill 320 (**Jensen**) relating to business education tax credit. Effective date of tax credit would be July 1, 2003.

Require all four year UW campuses to accept General education courses and courses reached in the Credit Transfer Initiatives between the UW and Technical College system from students @ Technical colleges (**Kreibich ARC motion #282**)

Allow Wisconsin Technical College school boards to schedule referenda to break the statutory cap. Require all such referenda be scheduled on regularly scheduled election dates.

Technical adjustment regarding non-resident tuition remission for certain veterans (**by request of Foti**) -Instead of a three-year timeframe, go to four years.

Grant PR spending authority to the UW System (**Rep. Jeskewitz ARC motion #251**)

Require the UW to make at least 70% of their undergraduate majors complete with 124 credits. (**Kreibich ARC motion #309**)

Provide a study requested by the Secretary of Department of Veteran Affairs regarding the creation of a post secondary education commission, to provide a comprehensive and coordinated statutory and policy framework for all post secondary education and training.

Incorporate **Montgomery ARC motion #315**, abolishing Pharmacy Internship Board and creating a Grant for Wisconsin Public Safety Institute.

Incorporate provisions of Assembly Bill 243 (**Wasserman, by request of Representative Foti**) relating to: restrictions on state employment and student financial assistance based on failure to register with the selective service system.

Incorporate provisions of Assembly Bill 298 (**Kreibich**) relating to the EdVest "grandparents deduction"



Grant University Board of Regents tuition flexibility.



State of Wisconsin
2001 - 2002 LEGISLATURE

LRBb1440/1

JK:.....

gjs

PM not
run

ARC:.....Tessmer - AM18, Education tax credit

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS ASSEMBLY AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 2001 ASSEMBLY BILL 144

m 6-21-01

substitute
amendment

- 1 At the locations indicated, amend the bill as follows:
- 2 1. Page 728, line 20: delete "and (3s)" and substitute "(3s), and (5r)".
- 3 2. Page 735, line 20: after that line insert: **Insert A** ✓
- 4 3. Page 737, line 24: after that line insert: **Insert B** ✓
- 5 4. Page 741, line 22: delete "and (3s)" and substitute "(3s), and (5r)".
- 6 5. Page 769, line 1: delete "and (3g) (1dx)" and substitute "(1dx), (3g), and (5r)". ✓
- 7 6. Page 798, line 22: after that line insert: **Insert C** ✓
- 8 7. Page 799, line 6: delete "and (3g)" and substitute "(3g), and (5r)". ✓
- 9 8. Page 821, line 17: after that line insert: **Insert D** ✓

2001 ASSEMBLY BILL 320

April 16, 2001 – Introduced by Representatives JENSEN, RHOADES, PLALE, WADE, MUSSER, GUNDRUM, URBAN, LADWIG, D. MEYER, DUFF, KESTELL, STARZYK, AINSWORTH, LOEFFELHOLZ, KRAWCZYK, TOWNSEND, OWENS, FREESE, MCCORMICK, GUNDERSON, HUNDERTMARK, PETTIS, RILEY, HAHN, HUEBSCH, ALBERS, MILLER, BERCEAU, OTT, VRAKAS, LEIBHAM, WARD, SYKORA, OLSEN, ZIEGELBAUER, SUDER, MONTGOMERY, STONE, KREIBICH, WASSERMAN, PLOUFF, PETROWSKI, JESKEWITZ, SERATTI, F. LASEE, JOHNSRUD, WALKER, KAUFERT, SCHOOFF, WIECKERT and UNDERHEIM, cosponsored by Senators M. MEYER, DARLING, MOORE, SCHULTZ, PLACHE, HUELSMAN, ROESSLER, HARS DORF, WELCH, BURKE, WIRCH and GEORGE, by request of Wisconsin Association of Independent Colleges and Universities; University of Wisconsin System; and Wisconsin Technical College System. Referred to Committee on Colleges and Universities.

1 **AN ACT to amend** 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2)
 2 (a) 10. and 77.92 (4); and **to create** 71.07-(5r), 71.10 (4) (cd), 71.28 (5r), 71.30
 3 (3) (dm), 71.47 (5r) and 71.49 (1) (dm) of the statutes; **relating to:** an education
 4 tax credit for businesses.

Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for businesses that pay tuition for an individual to attend a university, college, or technical college. Sole proprietorships, corporations, and insurers may claim the credit. Partnerships, limited liability companies, and tax-option corporations compute the credit but pass it on to the partners, members, and shareholders in proportion to their ownership interests. The credit is an amount equal to: 1) Fifty percent of the tuition paid by a business for an individual to attend school in a taxable year, if the individual is enrolled in a degree-granting program; and 2) Seventy five percent of the tuition paid by a business for an individual to attend school in a taxable year, if the individual is enrolled in a degree-granting program and if the individual's taxable income is not more than 185% of the federal poverty line. If the credit claimed by a business exceeds the business's tax liability, the state will not issue a refund check, but the business may carry forward any remaining credit to subsequent taxable years.

ASSEMBLY BILL 320

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:

INSERT
A

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

2 ~~71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),~~
3 ~~(2di), (2dj), (2dL), (2dr), (2ds), (2dx) and, (3s), and (5r) 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 71.07 (5r) of the statutes is created to read:

2148M

8 71.07 (5r) EDUCATION CREDIT. (a) In this subsection:

9 1. "Claimant" means a sole proprietor, a partner, a member of a limited liability
10 company, or a shareholder of a tax-option corporation who files a claim under this
11 subsection.

12 2. "Degree-granting program" means an educational program for which an
13 associate, a bachelor's, or a graduate degree is awarded upon successful completion.

14 3. "Family member" has the meaning given in s. 157.061 (7).

15 4. "Managing employee" means an individual who wholly or partially exercises
16 operational or managerial control over, or who directly or indirectly conducts, the
17 operation of the claimant's business.

18 5. "Poverty line" has the meaning given under s. 49.001 (5).

19 6. "Qualified postsecondary institution" means all of the following:



ASSEMBLY BILL 320

INSERT
A
↓

1 a. A University of Wisconsin System institution, a technical college system
2 institution, or a regionally accredited 4-year nonprofit college or university having
3 its regional headquarters and principal place of business in this state.

4 b. A school approved under s. 45.54, if the school has a physical presence, and
5 the delivery of education occurs, in this state.

6 (b) Subject to the limitations provided in this subsection, a claimant may claim
7 as a credit against the tax imposed under s. 71.02 an amount equal to the following:

8 1. Fifty percent of the tuition that the claimant paid or incurred during the
9 taxable year for an individual to participate in an education program of a qualified
10 postsecondary institution, if the individual was enrolled in a degree-granting
11 program.

12 2. Seventy five percent of the tuition that the claimant paid or incurred during
13 the taxable year for an individual to participate in an education program of a
14 qualified postsecondary institution, if the individual was enrolled in a
15 degree-granting program and if the individual's taxable income in the year prior to
16 commencing participation in the education program in connection with which a
17 credit is claimed is not more than 185% of the poverty line.

18 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
19 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
20 Internal Revenue Code.

21 (cm) A claimant may not claim the credit under par. (b) for any tuition amounts
22 that the claimant paid or incurred for a family member of the claimant or for a family
23 member of a managing employee unless all of the following apply:

24 1. The family member was employed an average of at least 20 hours a week as
25 an employee of the claimant, or the claimant's business, during the one-year period

2

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INDEX A

1 prior to commencing participation in the education program in connection with
2 which the claimant claims a credit under par. (b).

3 2. The family member is enrolled in a degree-granting program that is
4 substantially related to the claimant's business.

5 3. The family member is making satisfactory progress towards completing the
6 degree-granting program under subd. 2.

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

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

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

END OF INSERT A

19 "SECTION 4. 71.10 (4) (cd) of the statutes is created to read:
20 71.10 (4) (cd) The education credit under s. 71.07 (5r).
21 SECTION 4. 71.21 (4) of the statutes is amended to read:

INSERT B

22 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
23 (2dj), (2dL), (2ds), (2dx) and (3s) and (5r) and passed through to partners shall be
24 added to the partnership's income.

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

INSERT B

ASSEMBLY BILL 320

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

16 → SECTION 6. 71.28 (5r) of the statutes is created to read:

2179m

17 71.28 (5r) EDUCATION CREDIT. (a) In this subsection:

- 18 1. "Claimant" means a corporation that files a claim under this subsection.
- 19 2. "Degree-granting program" means an education program for which an
 20 associate, a bachelor's, or a graduate degree is awarded upon successful completion.
- 21 3. "Family member" has the meaning given in s. 157.061 (7).
- 22 4. "Managing employee" means an individual who wholly or partially exercises
 23 operational or managerial control over, or who directly or indirectly conducts, the
 24 operation of the claimant's business.
- 25 5. "Poverty line" has the meaning given under s. 49.001 (5).

INSERT
C

**ASSEMBLY BILL 320**

1 6. “Qualified postsecondary institution” means all of the following:

2 a. A University of Wisconsin System institution, a technical college system
3 institution, or a regionally accredited 4-year nonprofit college or university having
4 its regional headquarters and principal place of business in this state.

5 b. A school approved under s. 45.54, if the school has a physical presence, and
6 the delivery of education occurs, in this state.

7 (b) Subject to the limitations provided in this subsection, a claimant may claim
8 as a credit against the tax imposed under s. 71.23 an amount equal to the following:


9 1. Fifty percent of the tuition that the claimant paid or incurred during the
10 taxable year for an individual to participate in an education program of a qualified
11 postsecondary institution, if the individual was enrolled in a degree-granting
12 program.

13 2. Seventy five percent of the tuition that the claimant paid or incurred during
14 the taxable year for an individual to participate in an education program of a
15 qualified postsecondary institution, if the individual was enrolled in a
16 degree-granting program and if the individual’s taxable income in the year prior to
17 commencing participation in the education program in connection with which a
18 credit is claimed is not more than 185% of the poverty line.

19 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
20 that the claimant has excluded under section 127 of the Internal Revenue Code.

21 (cm) A claimant may not claim the credit under par. (b) for any tuition amounts
22 that the claimant paid or incurred for a family member of a managing employee
23 unless all of the following apply:

24 1. The family member was employed an average of at least 20 hours a week as
25 an employee of the claimant, or the claimant’s business, during the one-year period



ASSEMBLY BILL 320

INSERT C

1 prior to commencing participation in the education program in connection with
2 which the claimant claims a credit under par. (b).

3 2. The family member is enrolled in a degree-granting program that is
4 substantially related to the claimant's business.

5 3. The family member is making satisfactory progress towards completing the
6 degree-granting program under subd. 2.

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

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

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

19 SECTION 7. ^{2179p} 71.30 (3) (dm) of the statutes is created to read:

20 71.30 (3) (dm) The education credit under s. 71.28 (5r).

END OF INSERT C

~~21 SECTION 8. 71.34 (1) (g) of the statutes is amended to read:~~

~~22 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
23 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx) and, (3), and
24 (5r) and passed through to shareholders.~~

25 SECTION 9. 71.45 (2) (a) 10. of the statutes is amended to read:

INSERT D

2184m



ASSEMBLY BILL 320

SECTION 9

INSERT D

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

END OF INSERT D

INSERT E

7 ^{2193M} SECTION 10. 71.47 (5r) of the statutes is created to read:
 8 71.47 (5r) EDUCATION CREDIT. (a) In this subsection:
 9 1. "Claimant" means a corporation that files a claim under this subsection.
 10 2. "Degree-granting program" means an educational program for which an
 11 associate, a bachelor's, or a graduate degree is awarded upon successful completion.
 12 3. "Family member" has the meaning given in s. 157.061 (7).
 13 4. "Managing employee" means an individual who wholly or partially exercises
 14 operational or managerial control over, or who directly or indirectly conducts, the
 15 operation of the claimant's business.
 16 5. "Poverty line" has the meaning given under s. 49.001 (5).
 17 6. "Qualified postsecondary institution" means all of the following:
 18 a. A University of Wisconsin System institution, a technical college system
 19 institution, or a regionally accredited 4-year nonprofit college or university having
 20 its regional headquarters and principal place of business in this state.
 21 b. A school approved under s. 45.54, if the school has a physical presence, and
 22 the delivery of education occurs, in this state.
 23 (b) Subject to the limitations provided in this subsection, a claimant may claim
 24 as a credit against the tax imposed under s. 71.43 an amount equal to the following:

INSERT E



**ASSEMBLY BILL 320**

1 1. Fifty percent of the tuition that the claimant paid or incurred during the
2 taxable year for an individual to participate in an education program of a qualified
3 postsecondary institution, if the individual was enrolled in a degree-granting
4 program.

5 2. Seventy five percent of the tuition that the claimant paid or incurred during
6 the taxable year for an individual to participate in an education program of a
7 qualified postsecondary institution, if the individual was enrolled in a
8 degree-granting program and if the individual's taxable income in the year prior to
9 commencing participation in the education program in connection with which a
10 credit is claimed is not more than 185% of the poverty line.

11 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
12 that the claimant excluded under section 127 of the Internal Revenue Code.


13 (cm) A claimant may not claim the credit under par. (b) for any tuition amounts
14 that the claimant paid or incurred for a family member of a managing employee
15 unless all of the following apply:

16 1. The family member was employed an average of at least 20 hours a week as
17 an employee of the claimant, or the claimant's business, during the one-year period
18 prior to commencing participation in the education program in connection with
19 which the claimant claims a credit under par. (b).

20 2. The family member is enrolled in a degree-granting program that is
21 substantially related to the claimant's business.

22 3. The family member is making satisfactory progress towards completing the
23 degree-granting program under subd. 2.

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



ASSEMBLY BILL 320

1 (e) Partnerships, limited liability companies, and tax-option corporations may
 2 not claim the credit under this subsection, but the eligibility for, and the amount of,
 3 the credit are based on their payment of tuition under par. (b). A partnership, limited
 4 liability company, or tax-option corporation shall compute the amount of credit that
 5 each of its partners, members, or shareholders may claim and shall provide that
 6 information to each of them. Partners, members of limited liability companies, and
 7 shareholders of tax-option corporations may claim the credit in proportion to their
 8 ownership interest.

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

11 SECTION 11. ^{2193P} 71.49 (1) (dm) of the statutes is created to read:

12 71.49 (1) (dm) The education credit under s. 71.47 (5r).²

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

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

END OF INSERT

ASSEMBLY BILL 320

1 person, estate, or trust, means profit from a trade or business for federal income tax
2 purposes and includes net income derived as an employe as defined in section 3121
3 (d) (3) of the Internal Revenue Code.

4 **SECTION 13. Initial applicability.**

5 (1) EDUCATION CREDIT. This act first applies to taxable years beginning on
6 January 1 of the year in which this subsection takes effect, except that if this
7 subsection takes effect after July 31 this act first applies to taxable years beginning
8 on January 1 of the year following the year in which this subsection takes effect.

9 (END)

ARC:.....Tessmer – AM18, Education tax credit

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS ASSEMBLY AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 2001 SENATE BILL 55

1 At the locations indicated, amend the substitute amendment as follows:

2 **1.** Page 728, line 20: delete “and (3s)” and substitute “(3s), and (5r)”.

3 **2.** Page 735, line 20: after that line insert:

4 “**SECTION 2148m.** 71.07 (5r) of the statutes is created to read:

5 71.07 (5r) EDUCATION CREDIT. (a) In this subsection:

6 1. “Claimant” means a sole proprietor, a partner, a member of a limited liability
7 company, or a shareholder of a tax-option corporation who files a claim under this
8 subsection.

9 2. “Degree-granting program” means an educational program for which an
10 associate, a bachelor’s, or a graduate degree is awarded upon successful completion.

1 3. “Family member” has the meaning given in s. 157.061 (7).

2 4. “Managing employee” means an individual who wholly or partially exercises
3 operational or managerial control over, or who directly or indirectly conducts, the
4 operation of the claimant’s business.

5 5. “Poverty line” has the meaning given under s. 49.001 (5).

6 6. “Qualified postsecondary institution” means all of the following:

7 a. A University of Wisconsin System institution, a technical college system
8 institution, or a regionally accredited 4-year nonprofit college or university having
9 its regional headquarters and principal place of business in this state.

10 b. A school approved under s. 45.54, if the school has a physical presence, and
11 the delivery of education occurs, in this state.

12 (b) Subject to the limitations provided in this subsection, a claimant may claim
13 as a credit against the tax imposed under s. 71.02 an amount equal to the following:

14 1. Fifty percent of the tuition that the claimant paid or incurred during the
15 taxable year for an individual to participate in an education program of a qualified
16 postsecondary institution, if the individual was enrolled in a degree-granting
17 program.

18 2. Seventy five percent of the tuition that the claimant paid or incurred during
19 the taxable year for an individual to participate in an education program of a
20 qualified postsecondary institution, if the individual was enrolled in a
21 degree-granting program and if the individual’s taxable income in the year prior to
22 commencing participation in the education program in connection with which a
23 credit is claimed is not more than 185% of the poverty line.

1 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
2 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
3 Internal Revenue Code.

4 (cm) A claimant may not claim the credit under par. (b) for any tuition amounts
5 that the claimant paid or incurred for a family member of the claimant or for a family
6 member of a managing employee unless all of the following apply:

7 1. The family member was employed an average of at least 20 hours a week as
8 an employee of the claimant, or the claimant's business, during the one-year period
9 prior to commencing participation in the education program in connection with
10 which the claimant claims a credit under par. (b).

11 2. The family member is enrolled in a degree-granting program that is
12 substantially related to the claimant's business.

13 3. The family member is making satisfactory progress towards completing the
14 degree-granting program under subd. 2.

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

17 (e) Partnerships, limited liability companies, and tax-option corporations may
18 not claim the credit under this subsection, but the eligibility for, and the amount of,
19 the credit are based on their payment of tuition under par. (b). A partnership, limited
20 liability company, or tax-option corporation shall compute the amount of credit that
21 each of its partners, members, or shareholders may claim and shall provide that
22 information to each of them. Partners, members of limited liability companies, and
23 shareholders of tax-option corporations may claim the credit in proportion to their
24 ownership interest.

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

3 **3.** Page 737, line 24: after that line insert:

4 “SECTION 2150m. 71.10 (4) (cd) of the statutes is created to read:

5 71.10 (4) (cd) The education credit under s. 71.07 (5r).”.

6 **4.** Page 741, line 22: delete “and (3s)” and substitute “(3s), and (5r)”.

7 **5.** Page 769, line 1: delete “and (3g) (1dx)” and substitute “(1dx), (3g), and (5r)”.

8 **6.** Page 798, line 22: after that line insert:

9 “SECTION 2179m. 71.28 (5r) of the statutes is created to read:

10 71.28 (5r) EDUCATION CREDIT. (a) In this subsection:

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

12 2. “Degree-granting program” means an education program for which an
13 associate, a bachelor’s, or a graduate degree is awarded upon successful completion.

14 3. “Family member” has the meaning given in s. 157.061 (7).

15 4. “Managing employee” means an individual who wholly or partially exercises
16 operational or managerial control over, or who directly or indirectly conducts, the
17 operation of the claimant’s business.

18 5. “Poverty line” has the meaning given under s. 49.001 (5).

19 6. “Qualified postsecondary institution” means all of the following:

20 a. A University of Wisconsin System institution, a technical college system
21 institution, or a regionally accredited 4-year nonprofit college or university having
22 its regional headquarters and principal place of business in this state.

23 b. A school approved under s. 45.54, if the school has a physical presence, and
24 the delivery of education occurs, in this state.

1 (b) Subject to the limitations provided in this subsection, a claimant may claim
2 as a credit against the tax imposed under s. 71.23 an amount equal to the following:

3 1. Fifty percent of the tuition that the claimant paid or incurred during the
4 taxable year for an individual to participate in an education program of a qualified
5 postsecondary institution, if the individual was enrolled in a degree-granting
6 program.

7 2. Seventy five percent of the tuition that the claimant paid or incurred during
8 the taxable year for an individual to participate in an education program of a
9 qualified postsecondary institution, if the individual was enrolled in a
10 degree-granting program and if the individual's taxable income in the year prior to
11 commencing participation in the education program in connection with which a
12 credit is claimed is not more than 185% of the poverty line.

13 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
14 that the claimant has excluded under section 127 of the Internal Revenue Code.

15 (cm) A claimant may not claim the credit under par. (b) for any tuition amounts
16 that the claimant paid or incurred for a family member of a managing employee
17 unless all of the following apply:

18 1. The family member was employed an average of at least 20 hours a week as
19 an employee of the claimant, or the claimant's business, during the one-year period
20 prior to commencing participation in the education program in connection with
21 which the claimant claims a credit under par. (b).

22 2. The family member is enrolled in a degree-granting program that is
23 substantially related to the claimant's business.

24 3. The family member is making satisfactory progress towards completing the
25 degree-granting program under subd. 2.

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

3 (e) Partnerships, limited liability companies, and tax-option corporations may
4 not claim the credit under this subsection, but the eligibility for, and the amount of,
5 the credit are based on their payment of tuition under par. (b). A partnership, limited
6 liability company, or tax-option corporation shall compute the amount of credit that
7 each of its partners, members, or shareholders may claim and shall provide that
8 information to each of them. Partners, members of limited liability companies, and
9 shareholders of tax-option corporations may claim the credit in proportion to their
10 ownership interest.

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

13 **SECTION 2179p.** 71.30 (3) (dm) of the statutes is created to read:

14 71.30 (3) (dm) The education credit under s. 71.28 (5r).”.

15 **7.** Page 799, line 6: delete “and (3g)” and substitute “(3g), and (5r)”.

16 **8.** Page 821, line 17: after that line insert:

17 “**SECTION 2184m.** 71.45 (2) (a) 10. of the statutes is amended to read:

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

24 **9.** Page 831, line 18: after that line insert:

1 **SECTION 2193m.** 71.47 (5r) of the statutes is created to read:

2 **71.47 (5r) EDUCATION CREDIT.** (a) In this subsection:

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

4 2. “Degree-granting program” means an educational program for which an
5 associate, a bachelor’s, or a graduate degree is awarded upon successful completion.

6 3. “Family member” has the meaning given in s. 157.061 (7).

7 4. “Managing employee” means an individual who wholly or partially exercises
8 operational or managerial control over, or who directly or indirectly conducts, the
9 operation of the claimant’s business.

10 5. “Poverty line” has the meaning given under s. 49.001 (5).

11 6. “Qualified postsecondary institution” means all of the following:

12 a. A University of Wisconsin System institution, a technical college system
13 institution, or a regionally accredited 4-year nonprofit college or university having
14 its regional headquarters and principal place of business in this state.

15 b. A school approved under s. 45.54, if the school has a physical presence, and
16 the delivery of education occurs, in this state.

17 (b) Subject to the limitations provided in this subsection, a claimant may claim
18 as a credit against the tax imposed under s. 71.43 an amount equal to the following:

19 1. Fifty percent of the tuition that the claimant paid or incurred during the
20 taxable year for an individual to participate in an education program of a qualified
21 postsecondary institution, if the individual was enrolled in a degree-granting
22 program.

23 2. Seventy five percent of the tuition that the claimant paid or incurred during
24 the taxable year for an individual to participate in an education program of a
25 qualified postsecondary institution, if the individual was enrolled in a

1 degree-granting program and if the individual's taxable income in the year prior to
2 commencing participation in the education program in connection with which a
3 credit is claimed is not more than 185% of the poverty line.

4 (c) A claimant may not claim the credit under par. (b) for any tuition amounts
5 that the claimant excluded under section 127 of the Internal Revenue Code.

6 (cm) A claimant may not claim the credit under par. (b) for any tuition amounts
7 that the claimant paid or incurred for a family member of a managing employee
8 unless all of the following apply:

9 1. The family member was employed an average of at least 20 hours a week as
10 an employee of the claimant, or the claimant's business, during the one-year period
11 prior to commencing participation in the education program in connection with
12 which the claimant claims a credit under par. (b).

13 2. The family member is enrolled in a degree-granting program that is
14 substantially related to the claimant's business.

15 3. The family member is making satisfactory progress towards completing the
16 degree-granting program under subd. 2.

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

19 (e) Partnerships, limited liability companies, and tax-option corporations may
20 not claim the credit under this subsection, but the eligibility for, and the amount of,
21 the credit are based on their payment of tuition under par. (b). A partnership, limited
22 liability company, or tax-option corporation shall compute the amount of credit that
23 each of its partners, members, or shareholders may claim and shall provide that
24 information to each of them. Partners, members of limited liability companies, and

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

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

5 **SECTION 2193p.** 71.49 (1) (dm) of the statutes is created to read:

6 71.49 (1) (dm) The education credit under s. 71.47 (5r).”.

7 **10.** Page 849, line 13: delete “, and (3g), and (3s)” and substitute “and, (3g),
8 (3s), and (5r)”.

9 **11.** Page 1404, line 21: after that line insert:

10 “(9q) EDUCATION TAX CREDIT. The treatment of sections 71.05 (6) (a) 15. (as it
11 relates to the education tax credit), 71.07 (5r), 71.10 (4) (cd), 71.21 (4) (as it relates
12 to the education tax credit), 71.26 (2) (a) (as it relates to the education tax credit),
13 71.28 (5r), 71.30 (3) (dm), 71.34 (1) (g) (as it relates to the education tax credit), 71.45
14 (2) (a) 10., 71.47 (5r), 71.49 (1) (dm), and 77.92 (4) (as it relates to the education tax
15 credit), first applies to taxable years beginning on July 1, 2003.”.

16

(END)