



2001 ASSEMBLY BILL 555

October 10, 2001 - Introduced by LABOR AND WORKFORCE DEVELOPMENT. Referred to Committee on Labor and Workforce Development.

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 (5d), 71.10 (4) (cp), 71.28 (5d), 71.30
3 (3) (dm), 71.47 (5d) and 71.49 (1) (dm) of the statutes; **relating to:** an income
4 tax and franchise tax credit for training apprentices.

Analysis by the Legislative Reference Bureau

This bill creates an income tax and franchise tax credit for an employer that pays wages to an apprentice who is participating in a two-year to five-year apprenticeship program in which the apprentice is receiving instruction leading to qualification as a skilled journeyman in any of the five industrial manufacturing trades; any of the five private sector service occupations; or any of the five construction trades; with the most projected job openings for new entrants, as determined by the department of workforce development. The amount of the credit is five percent of the wages that are paid to an apprentice in a taxable year, but cannot exceed \$1,400, except that, in the taxable year in which the apprentice completes the apprenticeship program, the amount of the credit is eight percent of the wages that are paid to an apprentice, but cannot exceed \$3,000. Generally, no employer may claim the credit for taxable years beginning after December 31, 2004, if the number of employers training apprentices does not increase by more than 40% from January 1, 2002, to December 31, 2004.

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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, as affected by 2001 Wisconsin Act
2 16, is amended to read:

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

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

9 71.07 **(5d)** INDUSTRIAL, SERVICE, AND SKILLED TRADES APPRENTICESHIP CREDIT. (a)
10 In this subsection:

11 1. "Apprentice" means a person who participates in a 2-year to 5-year
12 apprenticeship program, as determined and approved by the department, in which
13 the person receives instruction leading to qualification as a skilled journeyman in an
14 industrial manufacturing trade, construction trade, or private sector service
15 occupation, if the apprenticeship program provides instruction related to any of the
16 5 manufacturing trades; any of the 5 construction trades; or any of the 5 private
17 sector service occupations; with the most projected job openings for new entrants, as
18 determined by the department.

19 2. "Claimant" means a person who files a claim under this subsection and who
20 is a trades trainer, as determined and approved by the department.

21 3. "Department" means the department of workforce development.

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1 (b) Subject to the limitations provided in this subsection, for taxable years
2 beginning after December 31, 2001, a claimant may claim as a credit against the
3 taxes imposed under s. 71.02 an amount that is equal to 5% of the wages that the
4 claimant paid to an apprentice in the taxable year, but not to exceed \$1,400, except
5 that a claimant may claim as a credit against the taxes imposed under s. 71.02 an
6 amount that is equal to 8% of the wages that the claimant paid to an apprentice in
7 the taxable year in which the apprentice completes an apprenticeship program, but
8 not to exceed \$3,000.

9 (c) This subsection does not apply to taxable years that begin after December
10 31, 2004, if the number of employers training apprentices in department-approved
11 programs does not increase by more than 40% from January 1, 2002, to December
12 31, 2004, as determined by the department, except that a claimant who has claimed
13 a credit for an apprentice's wages in any taxable year beginning before January 1,
14 2005, may continue to claim a credit for the apprentice's wages in succeeding taxable
15 years, until the apprentice completes the apprenticeship program. As soon as
16 practicable after December 31, 2004, the department shall certify to the department
17 of revenue the number of employers training apprentices in approved programs on
18 January 1, 2002, and the number of employers training apprentices in approved
19 programs on December 31, 2004.

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

22 (e) Partnerships, limited liability companies, and tax-option corporations may
23 not claim the credit under this subsection, but the eligibility for, and the amount of,
24 the credit are based on their payment of wages under par. (b). A partnership, limited
25 liability company, or tax-option corporation shall compute the amount of credit that

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1 each of its partners, members, or shareholders may claim and shall provide that
2 information to each of them. Partners, members of limited liability companies, and
3 shareholders of tax-option corporations may claim the credit in proportion to their
4 ownership interests.

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

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

8 71.10 (4) (cp) Industrial, service, and skilled trades apprenticeship credit
9 under s. 71.07 (5d).

10 **SECTION 4.** 71.21 (4) of the statutes, as affected by 2001 Wisconsin Act 16, is
11 amended to read:

12 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
13 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), ~~and (3s),~~ and (5d) and passed through to
14 partners shall be added to the partnership's income.

15 **SECTION 5.** 71.26 (2) (a) of the statutes, as affected by 2001 Wisconsin Act 16,
16 is amended to read:

17 71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means
18 the gross income as computed under the Internal Revenue Code as modified under
19 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
20 computed under s. 71.28 (1), (3), (4), (5), plus the amount of the credit computed
21 under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), ~~and (3g) (1dx), (3g), and~~
22 (5d) and not passed through by a partnership, limited liability company, or
23 tax-option corporation that has added that amount to the partnership's, limited
24 liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1)
25 (g) plus the amount of losses from the sale or other disposition of assets the gain from

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

7 **SECTION 6.** 71.28 (5d) of the statutes is created to read:

8 **71.28 (5d) INDUSTRIAL, SERVICE, AND SKILLED TRADES APPRENTICESHIP CREDIT.** (a)

9 In this subsection:

10 1. "Apprentice" means a person who participates in a 2-year to 5-year
11 apprenticeship program, as determined and approved by the department, in which
12 the person receives instruction leading to qualification as a skilled journeyman in an
13 industrial manufacturing trade, construction trade, or private sector service
14 occupation, if the apprenticeship program provides instruction related to any of the
15 5 manufacturing trades; any of the 5 construction trades; or any of the 5 private
16 sector service occupations; with the most projected job openings for new entrants, as
17 determined by the department.

18 2. "Claimant" means a person who files a claim under this subsection and who
19 is a trades trainer, as determined and approved by the department.

20 3. "Department" means the department of workforce development.

21 (b) Subject to the limitations provided in this subsection, for taxable years
22 beginning after December 31, 2001, a claimant may claim as a credit against the
23 taxes imposed under s. 71.23 an amount that is equal to 5% of the wages that the
24 claimant paid to an apprentice in the taxable year, but not to exceed \$1,400, except
25 that a claimant may claim as a credit against the taxes imposed under s. 71.23 an

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1 amount that is equal to 8% of the wages that the claimant paid to an apprentice in
2 the taxable year in which the apprentice completes an apprenticeship program, but
3 not to exceed \$3,000.

4 (c) This subsection does not apply to taxable years that begin after December
5 31, 2004, if the number of employers training apprentices in department-approved
6 programs does not increase by more than 40% from January 1, 2002, to December
7 31, 2004, as determined by the department, except that a claimant who has claimed
8 a credit for an apprentice's wages in any taxable year beginning before January 1,
9 2005, may continue to claim a credit for the apprentice's wages in succeeding taxable
10 years, until the apprentice completes the apprenticeship program. As soon as
11 practicable after December 31, 2004, the department shall certify to the department
12 of revenue the number of employers training apprentices in approved programs on
13 January 1, 2002, and the number of employers training apprentices in approved
14 programs on December 31, 2004.

15 (d) The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit
16 under sub. (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 wages 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 interests.

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

3 **SECTION 7.** 71.30 (3) (dm) of the statutes is created to read:

4 71.30 (3) (dm) The industrial, service, and skilled trades apprenticeship credit
5 under s. 71.28 (5d).

6 **SECTION 8.** 71.34 (1) (g) of the statutes, as affected by 2001 Wisconsin Act 16,
7 is amended to read:

8 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
9 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), and
10 (3g), and (5d) and passed through to shareholders.

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

12 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
13 computed under s. 71.47 (1dd) to (1dx), and (5d) and not passed through by a
14 partnership, limited liability company or tax-option corporation that has added that
15 amount to the partnership's, limited liability company's, or tax-option corporation's
16 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
17 s. 71.47 (1), (3), (4), and (5).

18 **SECTION 10.** 71.47 (5d) of the statutes is created to read:

19 71.47 (5d) INDUSTRIAL, SERVICE, AND SKILLED TRADES APPRENTICESHIP CREDIT. (a)
20 In this subsection:

21 1. "Apprentice" means a person who participates in a 2-year to 5-year
22 apprenticeship program, as determined and approved by the department, in which
23 the person receives instruction leading to qualification as a skilled journeyman in
24 any industrial manufacturing trade, construction trade, or private sector service
25 occupation, if the apprenticeship program provides instruction related to any of the

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1 5 manufacturing trades; any of the 5 construction trades; or any of the 5 private
2 sector service occupations; with the most projected job openings for new entrants, as
3 determined by the department.

4 2. "Claimant" means a person who files a claim under this subsection and who
5 is a trades trainer, as determined and approved by the department.

6 3. "Department" means the department of workforce development.

7 (b) Subject to the limitations provided in this subsection, for taxable years
8 beginning after December 31, 2001, a claimant may claim as a credit against the
9 taxes imposed under s. 71.43 an amount that is equal to 5% of the wages that the
10 claimant paid to an apprentice in the taxable year, but not to exceed \$1,400, except
11 that a claimant may claim as a credit against the taxes imposed under s. 71.43 an
12 amount that is equal to 8% of the wages that the claimant paid to an apprentice in
13 the taxable year in which the apprentice completes an apprenticeship program, but
14 not to exceed \$3,000.

15 (c) This subsection does not apply to taxable years that begin after December
16 31, 2004, if the number of employers training apprentices in department-approved
17 programs does not increase by more than 40% from January 1, 2002, to December
18 31, 2004, as determined by the department, except that a claimant who has claimed
19 a credit for an apprentice's wages in any taxable year beginning before January 1,
20 2005, may continue to claim a credit for the apprentice's wages in succeeding taxable
21 years, until the apprentice completes the apprenticeship program. As soon as
22 practicable after December 31, 2004, the department shall certify to the department
23 of revenue the number of employers training apprentices in approved programs on
24 January 1, 2002, and the number of employers training apprentices in approved
25 programs on December 31, 2004.

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1 (d) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
2 under s. 71.28 (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 wages 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 interests.

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

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

14 71.49 (1) (dm) Industrial, service, and skilled trades apprenticeship credit
15 under s. 71.47 (5d).

16 **SECTION 12.** 77.92 (4) of the statutes, as affected by 2001 Wisconsin Act 16, is
17 amended to read:

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

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

8 (END)