

2003 DRAFTING REQUEST

Bill

Received: **10/15/2003**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB: **03-2626/1**

For: **Gabe Loeffelholz (608) 266-1170**

By/Representing: **linda**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax - corp. inc. and fran.**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Loeffelholz@legis.state.wi.us**

Carbon copy (CC:) to: **joseph.kreye@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

Apprentice training tax credit

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 10/15/2003	kfollett 10/15/2003		_____			State
/1			rschluet 10/16/2003	_____	mbarman 10/16/2003	lnorthro 10/21/2003	

FE Sent For:

"/1" 10/21/03
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<END>

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/?	jkreye	1/1/03 10/15					
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Handwritten signature and date 10/15

Large handwritten signature and date 10-16-03

<END>

FE Sent For:

3509/1

2003 BILL

in 10-15-03

due Fri. 10-17

Regen

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, 2008, if the number of employers training apprentices does not increase by more than 40% from January 1, 2006, to December 31, 2008.

percent

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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 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), (2dm), (2dr), (2ds), (2dx), (3g), ~~and (3s)~~, and (5d) and not passed
4 through by a partnership, limited liability company, or tax-option corporation that
5 has added that amount to the partnership's, company's, or tax-option corporation's
6 income under s. 71.21 (4) or 71.34 (1) (g).

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

8 71.07 (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.

BILL

1 (b) Subject to the limitations provided in this subsection, for taxable years
2 beginning after December 31, 2005, a claimant may claim as a credit against the
3 taxes imposed under s. 71.02 an amount that is equal to 5%^{e percent} 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%^{e percent} 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, 2008, if the number of employers training apprentices in department-approved
11 programs does not increase by more than 40%^{e percent} from January 1, 2006, to December
12 31, 2008, 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 2009, 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, 2008, the department shall certify to the department
17 of revenue the number of employers training apprentices in approved programs on
18 January 1, 2006, and the number of employers training apprentices in approved
19 programs on December 31, 2008.

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

BILL

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 is amended to read:

11 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
12 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), ~~and (3s)~~, and (5d) and passed through to
13 partners shall be added to the partnership's income.

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

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

BILL

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

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

6 **71.28 (5d) INDUSTRIAL, SERVICE, AND SKILLED TRADES APPRENTICESHIP CREDIT.** (a)

7 In this subsection:

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

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

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

19 (b) Subject to the limitations provided in this subsection, for taxable years
20 beginning after December 31, 2005, a claimant may claim as a credit against the
21 taxes imposed under s. 71.23 an amount that is equal to 5% of the wages that the
22 claimant paid to an apprentice in the taxable year, but not to exceed \$1,400, except
23 that a claimant may claim as a credit against the taxes imposed under s. 71.23 an
24 amount that is equal to 8% of the wages that the claimant paid to an apprentice in

BILL

1 the taxable year in which the apprentice completes an apprenticeship program, but
2 not to exceed \$3,000.

3 (c) This subsection does not apply to taxable years that begin after December
4 31, 2008, if the number of employers training apprentices in department-approved
5 programs does not increase by more than 40% ^{percent} from January 1, 2006, to December
6 31, 2008, as determined by the department, except that a claimant who has claimed
7 a credit for an apprentice's wages in any taxable year beginning before January 1,
8 2009, may continue to claim a credit for the apprentice's wages in succeeding taxable
9 years, until the apprentice completes the apprenticeship program. As soon as
10 practicable after December 31, 2008, the department shall certify to the department
11 of revenue the number of employers training apprentices in approved programs on
12 January 1, 2006, and the number of employers training apprentices in approved
13 programs on December 31, 2008.

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

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

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

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

2 71.30 (3) (dm) The industrial, service, and skilled trades apprenticeship credit
3 under s. 71.28 (5d).

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

5 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
6 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), and
7 (3g), and (5d) and passed through to shareholders.

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

9 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
10 computed under s. 71.47 (1dd) to (1dx), and (5d) and not passed through by a
11 partnership, limited liability company or tax-option corporation that has added that
12 amount to the partnership's, limited liability company's, or tax-option corporation's
13 income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under
14 s. 71.47 (1), (3), (4), and (5).

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

16 71.47 (5d) INDUSTRIAL, SERVICE, AND SKILLED TRADES APPRENTICESHIP CREDIT. (a)
17 In this subsection:

18 1. "Apprentice" means a person who participates in a 2-year to 5-year
19 apprenticeship program, as determined and approved by the department, in which
20 the person receives instruction leading to qualification as a skilled journeyman in
21 any industrial manufacturing trade, construction trade, or private sector service
22 occupation, if the apprenticeship program provides instruction related to any of the
23 5 manufacturing trades; any of the 5 construction trades; or any of the 5 private
24 sector service occupations; with the most projected job openings for new entrants, as
25 determined by the department.

BILL

1 2. “Claimant” means a person who files a claim under this subsection and who
2 is a trades trainer, as determined and approved by the department.

3 3. “Department” means the department of workforce development.

4 (b) Subject to the limitations provided in this subsection, for taxable years
5 beginning after December 31, 2005, a claimant may claim as a credit against the
6 taxes imposed under s. 71.43 an amount that is equal to ^{e percent} 5% of the wages that the
7 claimant paid to an apprentice in the taxable year, but not to exceed \$1,400, except
8 that a claimant may claim as a credit against the taxes imposed under s. 71.43 an
9 amount that is equal to ^{e percent} 8% of the wages that the claimant paid to an apprentice in
10 the taxable year in which the apprentice completes an apprenticeship program, but
11 not to exceed \$3,000.

12 (c) This subsection does not apply to taxable years that begin after December
13 31, 2008, if the number of employers training apprentices in department-approved
14 programs does not increase by more than ^{e percent} 40% from January 1, 2006, to December
15 31, 2008, as determined by the department, except that a claimant who has claimed
16 a credit for an apprentice’s wages in any taxable year beginning before January 1,
17 2009, may continue to claim a credit for the apprentice’s wages in succeeding taxable
18 years, until the apprentice completes the apprenticeship program. As soon as
19 practicable after December 31, 2008, the department shall certify to the department
20 of revenue the number of employers training apprentices in approved programs on
21 January 1, 2006, and the number of employers training apprentices in approved
22 programs on December 31, 2008.

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

BILL

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 wages 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 interests.

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

12 71.49 (1) (dm) Industrial, service, and skilled trades apprenticeship credit
13 under s. 71.47 (5d).

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

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

BILL

1 loss, and deductions from farming. "Net business income", with respect to a natural
2 person, estate, or trust, means profit from a trade or business for federal income tax
3 purposes and includes net income derived as an employee as defined in section 3121
4 (d) (3) of the Internal Revenue Code.

5 (END)

Northrop, Lori

From: Narveson, Linda
Sent: Tuesday, October 21, 2003 3:44 PM
To: LRB.Legal
Subject: Draft review: LRB 03-3509/1 Topic: Apprentice training tax credit

It has been requested by <Narveson, Linda> that the following draft be jacketed for the ASSEMBLY:

Draft review: LRB 03-3509/1 Topic: Apprentice training tax credit

Emery, Lynn

From: Narveson, Linda
Sent: Tuesday, October 21, 2003 3:44 PM
To: LRB.Legal
Subject: Submitted: LRB 03-3509/1 Topic: Apprentice training tax credit?body=

Could we please have a fiscal estimate prepared for this legislation? Thank you.



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 264-6948

STEPHEN R. MILLER
CHIEF

October 31, 2003

MEMORANDUM

To: Representative Loeffelholz

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

Subject: Technical Memorandum to **AB-626** (LRB 03-3509/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

October 27, 2003

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on LRB 3509/1: Apprentice Training Tax Credit

It is unclear if the \$1,400/\$3,000 limits for the apprenticeship credit apply to each employer in a taxable year or to each apprentice hired by the employer. The estimate assumes the limits apply to each apprentice.

In order to avoid a double tax credit benefit, the draft should specify that the same wages that qualify for the apprenticeship credit do not also qualify for the jobs retained or created components of the development zones credit.

The proposed legislation makes no provision for funding the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>
one-time	s. 20.566 (2)(a)	\$19,500

If you have questions regarding this technical memorandum, please contact Pam Walgren at 266-7817; for administrative costs, contact Julie Feavel at 267-9892.



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 264-6948

STEPHEN R. MILLER
CHIEF

LRB

November 7, 2003

MEMORANDUM

To: Representative Loeffelholz

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

Subject: Technical Memorandum to **AB-626** (LRB 03-3509/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

LRB

InterOffice Memo

Department of Workforce Development

Date: November 6, 2003

File Ref: technical memo on lrb 3509.doc

To: DOA

From: JoAnna Richard
Executive Assistant

Subject: **Technical Memo on LRB 3509/1 Apprenticeship Tax Credit**

The legislation as drafted only requires DWD to certify the number of employers hiring apprentices in approved programs to DOR who will then allow the tax credits. However, it appears that the intent of the legislation is only to allow tax credits for the apprentices those employers hire who are in the approved programs. The legislation may want to clarify that DWD will provide to DOR the names of the employers and their apprentices in the approved programs.