

**SENATE SUBSTITUTE AMENDMENT 1,  
TO 2003 SENATE BILL 197**

1     **AN ACT** *to renumber and amend* 71.04 (4), 71.04 (8) (b), 71.25 (6), 71.25 (10)  
2           (b) and 71.45 (3) (b); *to amend* 71.04 (5) (intro.), 71.04 (6) (intro.), 71.04 (7) (d),  
3           71.04 (8) (c), 71.04 (10), 71.25 (7) (intro.), 71.25 (8) (intro.), 71.25 (9) (d), 71.25  
4           (10) (c), 71.25 (11), 71.45 (3) (intro.), 71.45 (3) (a) and 71.45 (3m); and *to create*  
5           71.04 (4) (a), 71.04 (4) (b), 71.04 (4) (c), 71.04 (4) (d), 71.04 (4) (e), 71.04 (4m),  
6           71.25 (6) (a), 71.25 (6) (b), 71.25 (6) (c), 71.25 (6) (d), 71.25 (6) (e), 71.25 (6m),  
7           71.45 (3d) and 71.45 (3e) of the statutes; **relating to:** single sales factor  
8           apportionment of income for corporate income tax and franchise tax purposes  
9           and granting rule-making authority.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

10           **SECTION 1.** 71.04 (4) of the statutes is renumbered 71.04 (4) (intro.) and  
11           amended to read:

1           71.04 (4) NONRESIDENT ALLOCATION AND APPORTIONMENT FORMULA. (intro.)  
2 Nonresident individuals and nonresident estates and trusts engaged in business  
3 within and without the state shall be taxed only on such income as is derived from  
4 business transacted and property located within the state. The amount of such  
5 income attributable to Wisconsin may be determined by an allocation and separate  
6 accounting thereof, when the business of such nonresident individual or nonresident  
7 estate or trust within the state is not an integral part of a unitary business, but the  
8 department of revenue may permit an allocation and separate accounting in any case  
9 in which it is satisfied that the use of such method will properly reflect the income  
10 taxable by this state. In all cases in which allocation and separate accounting is not  
11 permissible, the determination shall be made in the following manner: for all  
12 businesses except air carriers, financial organizations, telecommunications  
13 companies, pipeline companies, public utilities, railroads, sleeping car companies  
14 and car line companies there shall first be deducted from the total net income of the  
15 taxpayer the part thereof (less related expenses, if any) that follows the situs of the  
16 property or the residence of the recipient. The remaining net income shall be  
17 apportioned to Wisconsin this state by use of an ~~apportionment fraction composed~~  
18 ~~of a sales factor representing 50% of the fraction, a property factor representing 25%~~  
19 ~~of the fraction and a payroll factor representing 25% of the fraction.~~ the following:

20           **SECTION 2.** 71.04 (4) (a) of the statutes is created to read:

21           71.04 (4) (a) For taxable years beginning before January 1, 2006, an  
22 apportionment fraction composed of a sales factor under sub. (7) representing 50%  
23 of the fraction, a property factor under sub. (5) representing 25% of the fraction, and  
24 a payroll factor under sub. (6) representing 25% of the fraction.

25           **SECTION 3.** 71.04 (4) (b) of the statutes is created to read:

1           71.04 (4) (b) For taxable years beginning after December 31, 2005, and before  
2           January 1, 2007, an apportionment fraction composed of a sales factor under sub. (7)  
3           representing 60% of the fraction, a property factor under sub. (5) representing 20%  
4           of the fraction, and a payroll factor under sub. (6) representing 20% of the fraction.

5           **SECTION 4.** 71.04 (4) (c) of the statutes is created to read:

6           71.04 (4) (c) For taxable years beginning after December 31, 2006, and before  
7           January 1, 2008, an apportionment fraction composed of a sales factor under sub. (7)  
8           representing 80% of the fraction, a property factor under sub. (5) representing 10%  
9           of the fraction, and a payroll factor under sub. (6) representing 10% of the fraction.

10          **SECTION 5.** 71.04 (4) (d) of the statutes is created to read:

11          71.04 (4) (d) For taxable years beginning after December 31, 2007, an  
12          apportionment fraction composed of the sales factor under sub. (7).

13          **SECTION 6.** 71.04 (4) (e) of the statutes is created to read:

14          71.04 (4) (e) For taxable years beginning after December 31, 2005, and before  
15          January 1, 2008, the apportionment fraction for the remaining net income of a  
16          financial organization shall include a sales factor that represents more than 50% of  
17          the apportionment fraction, as determined by rule by the department. For taxable  
18          years beginning after December 31, 2007, the apportionment fraction for the  
19          remaining net income of a financial organization is composed of a sales factor, as  
20          determined by rule by the department.

21          **SECTION 7.** 71.04 (4m) of the statutes is created to read:

22          71.04 (4m) APPORTIONMENT FORMULA COMPUTATION. (a) 1. For taxable years  
23          beginning before January 1, 2008, if both the numerator and the denominator of the  
24          sales factor under sub. (7) related to a taxpayer's remaining net income are zero, the

1 sales factor under sub. (7) is eliminated from the apportionment formula to  
2 determine the taxpayer's remaining net income under sub. (4).

3 2. For taxable years beginning after December 31, 2007, if both the numerator  
4 and the denominator of the sales factor under sub. (7) related to a taxpayer's  
5 remaining net income are zero, none of the taxpayer's remaining net income is  
6 apportioned to this state.

7 (b) 1. For taxable years beginning before January 1, 2008, if the numerator of  
8 the sales factor under sub. (7) related to a taxpayer's remaining net income is a  
9 negative number and the denominator of the sales factor under sub. (7) related to a  
10 taxpayer's remaining net income is a positive number, a negative number, or zero,  
11 the sales factor under sub. (7) is zero.

12 2. For taxable years beginning after December 31, 2007, if the numerator of the  
13 sales factor under sub. (7) related to a taxpayer's remaining net income is a negative  
14 number and the denominator of the sales factor under sub. (7) related to a taxpayer's  
15 remaining net income is a positive number, a negative number, or zero, none of the  
16 taxpayer's remaining net income is apportioned to this state.

17 (c) 1. For taxable years beginning before January 1, 2008, if the numerator of  
18 the sales factor under sub. (7) related to a taxpayer's remaining net income is a  
19 positive number and the denominator of the sales factor under sub. (7) related to a  
20 taxpayer's remaining net income is zero or a negative number, the sales factor under  
21 sub. (7) is one.

22 2. For taxable years beginning after December 31, 2007, if the numerator of the  
23 sales factor under sub. (7) related to a taxpayer's remaining net income is a positive  
24 number and the denominator of the sales factor under sub. (7) related to a taxpayer's

1 remaining net income is zero or a negative number, all of the taxpayer’s remaining  
2 net income is apportioned to this state.

3 **SECTION 8.** 71.04 (5) (intro.) of the statutes is amended to read:

4 71.04 (5) PROPERTY FACTOR. (intro.) For purposes of sub. (4) and for taxable  
5 years beginning before January 1, 2008:

6 **SECTION 9.** 71.04 (6) (intro.) of the statutes is amended to read:

7 71.04 (6) PAYROLL FACTOR. (intro.) For purposes of sub. (4) and for taxable years  
8 beginning before January 1, 2008:

9 **SECTION 10.** 71.04 (7) (d) of the statutes is amended to read:

10 71.04 (7) (d) Sales, other than sales of tangible personal property, are in this  
11 state if the income-producing activity is performed in this state. If the  
12 income-producing activity is performed both in and outside this state the sales shall  
13 be divided between those states having jurisdiction to tax such business in  
14 proportion to the direct costs of performance incurred in each such state in rendering  
15 this service. Services performed in states which do not have jurisdiction to tax the  
16 business shall be deemed to have been performed in the state to which compensation  
17 is allocated by ~~sub. s.~~ 71.04 (6), 2001 stats.

18 **SECTION 11.** 71.04 (8) (b) of the statutes is renumbered 71.04 (8) (b) 1. and  
19 amended to read:

20 71.04 (8) (b) 1. “Public For taxable years beginning before January 1, 2006,  
21 “public utility”, as used in this section, means any business entity described under  
22 subd. 2. and any business entity which owns or operates any plant, equipment,  
23 property, franchise, or license for the transmission of communications or the  
24 production, transmission, sale, delivery, or furnishing of electricity, water or steam,

1 the rates of charges for goods or services of which have been established or approved  
2 by a federal, state or local government or governmental agency. “Public

3 2. In this section, for taxable years beginning after December 31, 2005, “public  
4 utility” also means any business entity providing service to the public and engaged  
5 in the transportation of goods and persons for hire, as defined in s. 194.01 (4),  
6 regardless of whether or not the entity’s rates or charges for services have been  
7 established or approved by a federal, state or local government or governmental  
8 agency.

9 **SECTION 12.** 71.04 (8) (c) of the statutes is amended to read:

10 71.04 **(8)** (c) The net business income of railroads, sleeping car companies, car  
11 line companies, pipeline companies, financial organizations, telecommunications  
12 companies, air carriers, and public utilities requiring apportionment shall be  
13 apportioned pursuant to rules of the department of revenue, but the income taxed  
14 is limited to the income derived from business transacted and property located  
15 within the state.

16 **SECTION 13.** 71.04 (10) of the statutes is amended to read:

17 71.04 **(10)** DEPARTMENT MAY WAIVE FACTOR. Where, in the case of any nonresident  
18 individual or nonresident estate or trust engaged in business within in and without  
19 the outside of this state of Wisconsin and required to apportion its income as provided  
20 in this section, it shall be shown to the satisfaction of the department of revenue that  
21 the use of any one of the 3 factors provided under sub. (4) gives an unreasonable or  
22 inequitable final average ratio because of the fact that such nonresident individual  
23 or nonresident estate or trust does not employ, to any appreciable extent in its trade  
24 or business in producing the income taxed, the factors made use of in obtaining such  
25 ratio, this factor may, with the approval of the department of revenue, be omitted in

1 obtaining the final average ratio which is to be applied to the remaining net income.

2 This subsection does not apply to taxable years beginning after December 31, 2007.

3 **SECTION 14.** 71.25 (6) of the statutes is renumbered 71.25 (6) (intro.) and  
4 amended to read:

5 71.25 **(6)** ALLOCATION AND SEPARATE ACCOUNTING AND APPORTIONMENT FORMULA.  
6 (intro.) Corporations engaged in business within and without the state shall be taxed  
7 only on such income as is derived from business transacted and property located  
8 within the state. The amount of such income attributable to Wisconsin may be  
9 determined by an allocation and separate accounting thereof, when the business of  
10 such corporation within the state is not an integral part of a unitary business, but  
11 the department of revenue may permit an allocation and separate accounting in any  
12 case in which it is satisfied that the use of such method will properly reflect the  
13 income taxable by this state. In all cases in which allocation and separate accounting  
14 is not permissible, the determination shall be made in the following manner: for all  
15 businesses except air carriers, financial organizations, telecommunications  
16 companies, pipeline companies, public utilities, railroads, sleeping car companies,  
17 car line companies and corporations or associations that are subject to a tax on  
18 unrelated business income under s. 71.26 (1) (a) there shall first be deducted from  
19 the total net income of the taxpayer the part thereof (less related expenses, if any)  
20 that follows the situs of the property or the residence of the recipient. The remaining  
21 net income shall be apportioned to Wisconsin this state by use of an apportionment  
22 ~~fraction composed of a sales factor under sub. (9) representing 50% of the fraction,~~  
23 ~~a property factor under sub. (7) representing 25% of the fraction and a payroll factor~~  
24 ~~under sub. (8) representing 25% of the fraction.~~ the following:

25 **SECTION 15.** 71.25 (6) (a) of the statutes is created to read:

1           71.25 **(6)** (a) For taxable years beginning before January 1, 2006, an  
2           apportionment fraction composed of a sales factor under sub. (9) representing 50%  
3           of the fraction, a property factor under sub. (7) representing 25% of the fraction, and  
4           a payroll factor under sub. (8) representing 25% of the fraction.

5           **SECTION 16.** 71.25 (6) (b) of the statutes is created to read:

6           71.25 **(6)** (b) For taxable years beginning after December 31, 2005, and before  
7           January 1, 2007, an apportionment fraction composed of a sales factor under sub. (9)  
8           representing 60% of the fraction, a property factor under sub. (7) representing 20%  
9           of the fraction, and a payroll factor under sub. (8) representing 20% of the fraction.

10          **SECTION 17.** 71.25 (6) (c) of the statutes is created to read:

11          71.25 **(6)** (c) For taxable years beginning after December 31, 2006, and before  
12          January 1, 2008, an apportionment fraction composed of a sales factor under sub. (9)  
13          representing 80% of the fraction, a property factor under sub. (7) representing 10%  
14          of the fraction, and a payroll factor under sub. (8) representing 10% of the fraction.

15          **SECTION 18.** 71.25 (6) (d) of the statutes is created to read:

16          71.25 **(6)** (d) For taxable years beginning after December 31, 2007, an  
17          apportionment fraction composed of the sales factor under sub. (9).

18          **SECTION 19.** 71.25 (6) (e) of the statutes is created to read:

19          71.25 **(6)** (e) For taxable years beginning after December 31, 2005, and before  
20          January 1, 2008, the apportionment fraction for the remaining net income of a  
21          financial organization shall include a sales factor that represents more than 50% of  
22          the apportionment fraction, as determined by rule by the department. For taxable  
23          years beginning after December 31, 2007, the apportionment fraction for the  
24          remaining net income of a financial organization is composed of a sales factor, as  
25          determined by rule by the department.



1           **SECTION 20.** 71.25 (6m) of the statutes is created to read:

2           71.25 **(6m)** APPORTIONMENT FORMULA COMPUTATION. (a) 1. For taxable years  
3 beginning before January 1, 2008, if both the numerator and the denominator of the  
4 sales factor under sub. (9) related to a taxpayer's remaining net income are zero, the  
5 sales factor under sub. (9) is eliminated from the apportionment formula to  
6 determine the taxpayer's remaining net income under sub. (6).

7           2. For taxable years beginning after December 31, 2007, if both the numerator  
8 and the denominator of the sales factor under sub. (9) related to a taxpayer's  
9 remaining net income are zero, none of the taxpayer's remaining net income is  
10 apportioned to this state.

11           (b) 1. For taxable years beginning before January 1, 2008, if the numerator of  
12 the sales factor under sub. (9) related to a taxpayer's remaining net income is a  
13 negative number and the denominator of the sales factor under sub. (9) related to a  
14 taxpayer's remaining net income is a positive number, a negative number, or zero,  
15 the sales factor under sub. (9) is zero.

16           2. For taxable years beginning after December 31, 2007, if the numerator of the  
17 sales factor under sub. (9) related to a taxpayer's remaining net income is a negative  
18 number and the denominator of the sales factor under sub. (9) related to a taxpayer's  
19 remaining net income is a positive number, a negative number, or zero, none of the  
20 taxpayer's remaining net income is apportioned to this state.

21           (c) 1. For taxable years beginning before January 1, 2008, if the numerator of  
22 the sales factor under sub. (9) related to a taxpayer's remaining net income is a  
23 positive number and the denominator of the sales factor under sub. (9) related to a  
24 taxpayer's remaining net income is zero or a negative number, the sales factor under  
25 sub. (9) is one.

1           2. For taxable years beginning after December 31, 2007, if the numerator of the  
2 sales factor under sub. (9) related to a taxpayer's remaining net income is a positive  
3 number and the denominator of the sales factor under sub. (9) related to a taxpayer's  
4 remaining net income is zero or a negative number, all of the taxpayer's remaining  
5 net income is apportioned to this state.

6           **SECTION 21.** 71.25 (7) (intro.) of the statutes is amended to read:

7           71.25 (7) PROPERTY FACTOR. (intro.) For purposes of sub. ~~(5)~~ (6) and for taxable  
8 years beginning before January 1, 2008:

9           **SECTION 22.** 71.25 (8) (intro.) of the statutes is amended to read:

10          71.25 (8) PAYROLL FACTOR. (intro.) For purposes of sub. ~~(5)~~ (6) and for taxable  
11 years beginning before January 1, 2008:

12          **SECTION 23.** 71.25 (9) (d) of the statutes is amended to read:

13          71.25 (9) (d) Sales, other than sales of tangible personal property, are in this  
14 state if the income-producing activity is performed in this state. If the  
15 income-producing activity is performed both in and outside this state the sales shall  
16 be divided between those states having jurisdiction to tax such business in  
17 proportion to the direct costs of performance incurred in each such state in rendering  
18 this service. Services performed in states which do not have jurisdiction to tax the  
19 business shall be deemed to have been performed in the state to which compensation  
20 is allocated by ~~sub. s. 71.25 (8), 2001 stats.~~

21          **SECTION 24.** 71.25 (10) (b) of the statutes is renumbered 71.25 (10) (b) 1. and  
22 amended to read:

23          71.25 (10) (b) 1. In this section, for taxable years beginning before January 1,  
24 2006, "public utility" means any business entity described under subd. 2. and any  
25 business entity which owns or operates any plant, equipment, property, franchise,

1 or license for the transmission of communications or the production, transmission,  
2 sale, delivery, or furnishing of electricity, water or steam the rates of charges for  
3 goods or services of which have been established or approved by a federal, state or  
4 local government or governmental agency. “Public

5 2. In this section, for taxable years beginning after December 31, 2005, “public  
6 utility” also means any business entity providing service to the public and engaged  
7 in the transportation of goods and persons for hire, as defined in s. 194.01 (4),  
8 regardless of whether or not the entity’s rates or charges for services have been  
9 established or approved by a federal, state or local government or governmental  
10 agency.

11 **SECTION 25.** 71.25 (10) (c) of the statutes is amended to read:

12 71.25 (10) (c) The net business income of railroads, sleeping car companies, car  
13 line companies, pipeline companies, financial organizations, telecommunications  
14 companies, air carriers, and public utilities requiring apportionment shall be  
15 apportioned pursuant to rules of the department of revenue, but the income taxed  
16 is limited to the income derived from business transacted and property located  
17 within the state.

18 **SECTION 26.** 71.25 (11) of the statutes is amended to read:

19 71.25 (11) DEPARTMENT MAY WAIVE FACTOR. Where, in the case of any corporation  
20 engaged in business ~~within in~~ and ~~without the~~ outside of this state of Wisconsin and  
21 required to apportion its income as provided in sub. (6), it shall be shown to the  
22 satisfaction of the department of revenue that the use of any one of the 3 factors  
23 provided in sub. (6) gives an unreasonable or inequitable final average ratio because  
24 of the fact that such corporation does not employ, to any appreciable extent in its  
25 trade or business in producing the income taxed, the factors made use of in obtaining

1 such ratio, this factor may, with the approval of the department of revenue, be  
2 omitted in obtaining the final average ratio which is to be applied to the remaining  
3 net income. This subsection does not apply to taxable years beginning after  
4 December 31, 2007.

5 **SECTION 27.** 71.45 (3) (intro.) of the statutes is amended to read:

6 71.45 (3) APPORTIONMENT. (intro.) ~~With respect~~ Except as provided in sub. (3d),  
7 to determine Wisconsin income for purposes of the franchise tax, domestic insurers  
8 not engaged in the sale of life insurance but which that, in the taxable year, have  
9 collected received premiums, other than life insurance premiums, written on  
10 subjects of for insurance on property or risks resident, located or to be performed  
11 outside this state, there shall be subtracted from multiply the net income figure  
12 derived by application of sub. (2) (a) to arrive at Wisconsin income constituting the  
13 measure of the franchise tax an amount calculated by multiplying such adjusted  
14 federal taxable income by the arithmetic average of the following 2 percentages:

15 **SECTION 28.** 71.45 (3) (a) of the statutes is amended to read:

16 71.45 (3) (a) ~~The~~ Subject to sub. (3d), the percentage of total determined by  
17 dividing the sum of direct premiums written on all property and risks for insurance  
18 other than life insurance, with respect to all property and risks resident, located, or  
19 to be performed in this state, and assumed premiums written for reinsurance, other  
20 than life insurance, with respect to all property and risks resident, located, or to be  
21 performed in this state, by the sum of direct premiums written for insurance on all  
22 property and risks, other than life insurance, wherever located during the taxable  
23 year, as reflects, and assumed premiums written on insurance for reinsurance on all  
24 property and risks, other than life insurance, where the subject of insurance was  
25 resident, located or to be performed outside this state wherever located. In this

1 paragraph, “direct premiums” means direct premiums as reported for the taxable  
2 year on an annual statement that is filed by the insurer with the commissioner of  
3 insurance under s. 601.42 (1g) (a). In this paragraph, “assumed premiums” means  
4 assumed reinsurance premiums from domestic insurance companies as reported for  
5 the taxable year on an annual statement that is filed with the commissioner of  
6 insurance under s. 601.42 (1g) (a).

7 **SECTION 29.** 71.45 (3) (b) of the statutes is renumbered 71.45 (3) (b) 1. and  
8 amended to read:

9 71.45 (3) (b) 1. The Subject to sub. (3d), the percentage of determined by  
10 dividing the payroll, exclusive of life insurance payroll, paid in this state in the  
11 taxable year by total payroll, exclusive of life insurance payroll, paid everywhere in  
12 the taxable year as reflects such compensation paid outside this state.  
13 Compensation.

14 2. Under subd. 1., payroll is paid outside in this state if the individual’s service  
15 is performed entirely outside in this state; or the individual’s service is performed  
16 both within and without in and outside of this state, but the service performed within  
17 outside of this state is incidental to the individual’s service without in this state; or  
18 some service is performed without in this state and the base of operations, or if there  
19 is no base of operations, the place from which the service is directed or controlled is  
20 without in this state, or the base of operations or the place from which the service is  
21 directed or controlled is not in any state in which some part of the service is  
22 performed, but the individual’s residence is outside in this state.

23 **SECTION 30.** 71.45 (3d) of the statutes is created to read:

24 71.45 (3d) PHASE IN; DOMESTIC INSURERS. (a) For taxable years beginning after  
25 December 31, 2005, and before January 1, 2007, a domestic insurer that is subject

1 to apportionment under sub. (3) and this subsection shall multiply the net income  
2 figure derived by the application of sub. (2) by an apportionment fraction composed  
3 of the percentage under sub. (3) (a) representing 60% of the fraction and the  
4 percentage under sub. (3) (b) 1. representing 40% of the fraction.

5 (b) For taxable years beginning after December 31, 2006, and before January  
6 1, 2008, a domestic insurer that is subject to apportionment under sub. (3) and this  
7 subsection shall multiply the net income figure derived by the application of sub. (2)  
8 by an apportionment fraction composed of the percentage under sub. (3) (a)  
9 representing 80% of the fraction and the percentage under sub. (3) (b) 1. representing  
10 20% of the fraction.

11 (c) For taxable years beginning after December 31, 2007, a domestic insurer  
12 that is subject to apportionment under sub. (3) and this subsection shall multiply the  
13 net income figure derived by the application of sub. (2) by the percentage under sub.  
14 (3) (a).

15 **SECTION 31.** 71.45 (3e) of the statutes is created to read:

16 71.45 **(3e)** APPORTIONMENT FORMULA COMPUTATION. (a) 1. For taxable years  
17 beginning before January 1, 2008, if both the numerator and the denominator used  
18 to determine the percentage under sub. (3) (a) related to a taxpayer's net income are  
19 zero, the percentage under sub. (3) (a) is eliminated from the apportionment formula  
20 to determine the taxpayer's income under sub. (3).

21 2. For taxable years beginning after December 31, 2007, if both the numerator  
22 and the denominator used to determine the percentage under sub. (3) (a) related to  
23 a taxpayer's net income are zero, none of the taxpayer's net income is apportioned  
24 to this state.

1 (b) 1. For taxable years beginning before January 1, 2008, if the numerator  
2 used to determine the percentage under sub. (3) (a) related to a taxpayer's net income  
3 is a negative number and the denominator used to determine the percentage under  
4 sub. (3) (a) related to a taxpayer's net income is a positive number, a negative number,  
5 or zero, the percentage under sub. (3) (a) is zero.

6 2. For taxable years beginning after December 31, 2007, if the numerator used  
7 to determine the percentage under sub. (3) (a) related to a taxpayer's net income is  
8 a negative number and the denominator used to determine the percentage under  
9 sub. (3) (a) related to a taxpayer's net income is a positive number, a negative number,  
10 or zero, none of the taxpayer's net income is apportioned to this state.

11 (c) 1. For taxable years beginning before January 1, 2008, if the numerator used  
12 to determine the percentage under sub. (3) (a) related to a taxpayer's net income is  
13 a positive number and the denominator used to determine the percentage under sub.  
14 (3) (a) related to a taxpayer's net income is zero or a negative number, the percentage  
15 under sub. (3) (a) is one.

16 2. For taxable years beginning after December 31, 2007, if the numerator used  
17 to determine the percentage under sub. (3) (a) related to a taxpayer's net income is  
18 a positive number and the denominator used to determine the percentage under sub.  
19 (3) (a) related to a taxpayer's net income is zero or a negative number, all of the  
20 taxpayer's net income is apportioned to this state.

21 **SECTION 32.** 71.45 (3m) of the statutes is amended to read:

22 71.45 (3m) ARITHMETIC AVERAGE. The Except as provided in sub. (3d), the  
23 arithmetic average of the 2 percentages referred to in sub. (3) shall be applied to the  
24 net income figure arrived at by the successive application of sub. (2) (a) and (b) with  
25 respect to Wisconsin insurers to which sub. (2) (a) and (b) applies and which have

1 ~~collected~~ received premiums, ~~other than life insurance premiums,~~ written upon for  
2 ~~insurance, other than life insurance,~~ where the subject of such insurance was on  
3 property or risks resident, located or to be performed outside this state, to arrive at  
4 Wisconsin income constituting the measure of the franchise tax.

5 **SECTION 33. Nonstatutory provisions; revenue.**

6 (1) INCOME APPORTIONMENT FOR FINANCIAL ORGANIZATIONS; RULES. The  
7 department of revenue shall submit in proposed form rules related to the  
8 apportionment of the income of financial organizations under sections 71.04 (4) (e)  
9 and 71.25 (6) (e) of the statutes, as created by this act, to the legislative council staff  
10 under section 227.15 (1) of the statutes no later than the first day of the 4th month  
11 beginning after the effective date of this subsection.

12 **SECTION 34. Initial applicability.**

13 (1) SINGLE SALES FACTOR APPORTIONMENT. The treatment of section 71.45 (3)  
14 (intro.), (a), and (b) and (3m) of the statutes first applies to taxable years beginning  
15 after December 31, 2005.

16 (END)