

2003 DRAFTING REQUEST

Bill

Received: **05/08/2003**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Steve Wieckert (608) 266-3070**

By/Representing:

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax Credits - miscellaneous**

Extra Copies:

Submit via email: **YES**

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

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

Pre Topic:

No specific pre topic given

Topic:

Extend carry forward of manufacturing sales tax credits

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>
/?							State
/1	jkreye 05/08/2003	csicilia 05/09/2003	jfrantze 05/09/2003		lemery 05/09/2003		State
	jkreye 06/11/2003	csicilia 06/12/2003					

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/2			rschluet 06/12/2003	_____	lemery 06/12/2003	amentkow 07/22/2003	

FE Sent For: 05/20/2003.

*1/2 At
Intro.*

<END>

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	jkreye 06/11/2003	csicilia 06/12/2003					

Per phone call from office

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/2			rschluet	_____	lemery		
			06/12/2003	_____	06/12/2003		

FE Sent For: 05/20/2003.

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/?							State

/1	jkreye 05/08/2003	csicilia 05/09/2003	jfrantze 05/09/2003		lemery 05/09/2003		
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FE Sent For: → 05-20-2003 (1) ← requested by Scott 6-12-03 JF

2003 DRAFTING REQUEST

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Wanted: Soon

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By/Representing:

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax Credits - miscellaneous

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1/?	jkreye	1 4/5	5/8/03	5/9			
				7/6/ch			
				3/9			

FE Sent For:

<END>

Steve Wlebeck 0-3070

extend carry forward under 71.28(3)(c)1.

from 15 to 20 years



2003 BILL

due Fri. 5-9-03

Gen. cat

1 AN ACT/...; relating to: the income and franchise tax credit for sales tax and use
2 tax paid on fuel and electricity consumed in manufacturing.

Analysis by the Legislative Reference Bureau

delete
xtra
space

Under current law, a manufacturer may claim an income or franchise tax credit in an amount that is equal to the sales tax and the use tax that the manufacturer paid on fuel and electricity used for manufacturing tangible property in this state. If the credit claimed by a manufacturer exceeds the manufacturer's tax liability in the taxable year, the manufacturer may carry forward any remaining credit to the following 15 taxable years. Under this bill, if the credit claimed by a manufacturer exceeds the manufacturer's tax liability in the taxable year, the manufacturer may carry forward any remaining credit to the following 20 taxable years.

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

INSERT
1-3

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

3 SECTION 1. 71.28 (3) (c) 1. of the statutes is amended to read:
4 71.28 (3) (c) 1. If the credit computed under par. (b) is not entirely offset against
5 Wisconsin income or franchise taxes otherwise due, the unused balance shall be

BILL

SECTION 1

1 carried forward and credited against Wisconsin income or franchise taxes otherwise
 2 due for the following ~~15~~ 20 taxable years to the extent not offset by these taxes
 3 otherwise due in all intervening years between the year in which the expense was
 4 incurred and the year in which the carry-forward credit is claimed. ✓

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16.

5 **SECTION 2. Initial applicability.**

6 (1) This act first applies to taxable years beginning on January 1, 2003.

7 (END)

INSERT
2-4

INSERT 1-3

X

Section #. 71.07 (3s) (c) 1. of the statutes is amended to read:

71.07 (3s) (c) 1. The credit under par. (b), including any credits carried over, may be offset only against the amount of the tax imposed upon or measured by the business operations of the claimant in which the fuel and electricity are consumed. If the credit computed is not entirely offset against taxes otherwise due, the unused balance shall be carried forward and credited against taxes otherwise due for the following ~~15~~²⁰ taxable years to the extent not offset by taxes otherwise due in all intervening years between the year in which the expense was incurred and the year in which the carry-forward credit is claimed.

History: 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109. 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109.

end of insert 1-3.

INSERT 2-4

X

Section #. 71.47 (3) (c) 1. of the statutes is amended to read:

71.47 (3) (c) 1. If the credit computed under par. (b) is not entirely offset against Wisconsin income or franchise taxes otherwise due, the unused balance shall be carried forward and credited against Wisconsin income or franchise taxes otherwise due for the following ~~15~~²⁰ taxable years to the extent not offset by these taxes otherwise due in all intervening years between the year in which the expense was incurred and the year in which the carry-forward credit is claimed.

1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16. 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16.

end of insert
2-4

Basford, Sarah

From: Basford, Sarah
Sent: Monday, May 12, 2003 9:38 AM
To: Becher, Scott
Subject: LRB -2684/1 (attached)



03-2684/1

Sarah Basford
Program Assistant
State of Wisconsin
Legislative Reference Bureau
PH: (608) 266-3561/FAX: (608) 264-6948
sarah.basford@legis.state.wi.us

Emery, Lynn

From: Emery, Lynn
Sent: Wednesday, May 21, 2003 3:35 PM
To: Becher, Scott
Subject: LRB-2684/1 (attached as requested)



03-2684/1

Lynn Emery
Program Assistant
Legislative Reference Bureau
608-266-3561
lynn.emery@legis.state.wi.us



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
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

June 10, 2003

MEMORANDUM

To: Representative Wieckert

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

Subject: Technical Memorandum to **(un-introduced)** (LRB 03-2684/1)

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

May 20, 2003

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on LRB 2684/1: Extend Carry Forward of Manufacturing Sales Tax Credit

The effective date language provides that the act first applies to taxable years beginning on January 1, 2003, which could be interpreted to mean that the extended carryforward period first applies to credits computed for taxable years beginning on or after January 1, 2003.

To avoid litigation on the issue, the author may wish to specify the carryforward first applies as follows:

- For regular corporations and insurance companies, the extended carryforward applies to credits computed for taxable years beginning on January 1, 1988.
- For individuals, tax-option corporations or partnerships that pass credits through to owners, the extended carryforward applies for credits computed for taxable years beginning on January 1, 1998.

If you have any questions regarding this technical memorandum, please contact Pam Walgren at 266-7817.

Barman, Mike

From: Barman, Mike
Sent: Wednesday, June 11, 2003 9:40 AM
To: Rep.Wieckert
Cc: Becher, Scott
Subject: LRB 03-2684/1 (Tech. Memo by DOR - attached - requested by Scott)



Wieckert_Tech_Me
mo.pdf

Memo

To: Senator Representative

X Wieckert

(The Draft's Requester)

Per your request: ... the attached fiscal estimate was prepared for your unIntroduced 2003 draft.

LRB Number: LRB **-2684**

Version: " / **1** "

Fiscal Estimate Prepared By: (agency abbr.) **DOR**

If you have questions about the enclosed fiscal estimate, you may contact the state agency representative that prepared the fiscal estimate. If you disagree with the enclosed fiscal estimate, please contact the LRB drafter of your proposal to discuss your options under the fiscal estimate procedure.

Entered In Computer And Copy Sent To Requester Via E-Mail: **06 / 10** / 2003

* * * * *

To: LRB - Legal Section PA's

Subject: *Fiscal Estimate Received For An Unintroduced Draft*

- > **If redrafted** ... please insert this cover sheet and attached early fiscal estimate into the drafting file ... after the draft's old version (the version that this fiscal estimate was based on), and before the markup of the draft on the updated version.
- > **If introduced** ... and the version of the attached fiscal estimate is for a **previous version** ... please insert this cover sheet and attached early fiscal estimate into the drafting file ... after the draft's old version (the version that this fiscal estimate was based on), and before the markup of the draft on the updated version. Have Mike (or Lynn) get the ball rolling on getting a fiscal estimate prepared for the introduced version.
- > **If introduced** ... and the version of the attached fiscal estimate is for the **current version** ... please write the draft's introduction number below and give to Mike (or Lynn) to process.

THIS DRAFT WAS INTRODUCED AS: 2003 _____

Barman, Mike

From: Barman, Mike
Sent: Tuesday, June 10, 2003 12:34 PM
To: Rep.Wieckert
Cc: Becher, Scott
Subject: LRB 03-2684/1 (FE by DOR - attached - fo your review)



FE_Wieckert.pdf

Fiscal Estimate Narratives

DOR 6/10/2003

LRB Number	03-2684/1	Introduction Number	Estimate Type	Original
Subject				
Extend carry forward of manufacturing sales tax credits				

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an income and franchise tax credit is available for the amount of sales and use tax paid on fuel and electricity used in manufacturing. If the credit claimed exceeds the manufacturer's tax liability in the current year, the manufacturer may carry forward the unused portion of the credit for 15 years to use in offsetting tax liability in those years.

The draft would extend the carryforward period from 15 years to 20 years for taxable years beginning on January 1, 2003.

Data are not available to estimate the fiscal effect of extending the carryforward period for the credit. However, it is believed that the fiscal effect may be small since manufacturers that cannot use the credit carryforward under the current 15-year period may also not have tax liability to offset in the next 5 years.

A substantial portion of the manufacturers sales tax credit is not used to offset tax liability in the year that it is claimed. Based on Department data, nearly 4,000 corporations had \$197 million of credit that was claimed in the current year and carryforward from prior years that was available for use in offsetting tax liability in 2001. Of these corporations, 1,200 corporations used \$22.4 million of the available credit to offset tax liability.

Long-Range Fiscal Implications



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-2684/1

JK:cjs:6

2
stays RM not R

2003 BILL

SAC

Refer cut in 6-11-03

D-N

500N

1 AN ACT to amend 71.07 (3s) (c) 1., 71.28 (3) (c) 1. and 71.47 (3) (c) 1. of the
2 statutes; relating to: the income and franchise tax credit for sales tax and use
3 tax paid on fuel and electricity consumed in manufacturing.

Analysis by the Legislative Reference Bureau

Under current law, a manufacturer may claim an income or franchise tax credit in an amount that is equal to the sales tax and the use tax that the manufacturer paid on fuel and electricity used for manufacturing tangible property in this state. If the credit claimed by a manufacturer exceeds the manufacturer's tax liability in the taxable year, the manufacturer may carry forward any remaining credit to the following 15 taxable years. Under this bill, if the credit claimed by a manufacturer exceeds the manufacturer's tax liability in the taxable year, the manufacturer may carry forward any remaining credit to the following 20 taxable years.

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:

4 SECTION 1. 71.07 (3s) (c) 1. of the statutes is amended to read:
5 71.07 (3s) (c) 1. The credit under par. (b), including any credits carried over,
6 may be offset only against the amount of the tax imposed upon or measured by the

BILL**SECTION 1**

1 business operations of the claimant in which the fuel and electricity are consumed.
 2 If the credit computed is not entirely offset against taxes otherwise due, the unused
 3 balance shall be carried forward and credited against taxes otherwise due for the
 4 following ~~15~~ 20 taxable years to the extent not offset by taxes otherwise due in all
 5 intervening years between the year in which the expense was incurred and the year
 6 in which the carry-forward credit is claimed.

7 **SECTION 2.** 71.28 (3) (c) 1. of the statutes is amended to read:

8 71.28 (3) (c) 1. If the credit computed under par. (b) is not entirely offset against
 9 Wisconsin income or franchise taxes otherwise due, the unused balance shall be
 10 carried forward and credited against Wisconsin income or franchise taxes otherwise
 11 due for the following ~~15~~ 20 taxable years to the extent not offset by these taxes
 12 otherwise due in all intervening years between the year in which the expense was
 13 incurred and the year in which the carry-forward credit is claimed.

14 **SECTION 3.** 71.47 (3) (c) 1. of the statutes is amended to read:

15 71.47 (3) (c) 1. If the credit computed under par. (b) is not entirely offset against
 16 Wisconsin income or franchise taxes otherwise due, the unused balance shall be
 17 carried forward and credited against Wisconsin income or franchise taxes otherwise
 18 due for the following ~~15~~ 20 taxable years to the extent not offset by these taxes
 19 otherwise due in all intervening years between the year in which the expense was
 20 incurred and the year in which the carry-forward credit is claimed.

21 **SECTION 4. Initial applicability.**

22 (1) This act first applies ~~to taxable years beginning on January 1, 2003.~~

23 *for corporations and insurance companies, to credit computed for
 taxable years beginning on January 1, 1988, and, for individuals,
 tax-option corporations, partnerships, and limited liability
 companies, to credit computed for taxable years beginning
 on January 1, 1998*

do note ↓

2684/20W
VLC

Representative Ulickert:

This draft incorporates the changes recommended
in the technical memorandum from DOR, dated
May 20, 2003.

VLC

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

LRB-2684/2dn
JK:cjs:rs

June 12, 2003

Representative Wieckert:

This draft incorporates the changes recommended in the technical memorandum from DOR, dated May 20, 2003.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.state.wi.us