

2005 ASSEMBLY BILL 744

October 11, 2005 – Introduced by Representatives PARISI, ZEPNICK, HINES, BLACK, MOLEPSKE and TURNER, cosponsored by Senators WIRCH and RISSER. Referred to Committee on Ways and Means.

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 (5e), 71.10 (4) (cq), 71.28 (5e), 71.30
3 (3) (dq), 71.47 (5e) and 71.49 (1) (dq) of the statutes; **relating to:** an income and
4 franchise tax credit for the sales and use taxes paid on the purchase of energy
5 efficient equipment.

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax credit for the amount of the sales and use taxes paid in the taxable year on the purchase of energy efficient equipment, including air conditioners, dehumidifiers, furnaces, boilers, refrigerators, freezers, and clothes washers, but not including televisions, audio equipment, and other consumer electronics. The amount of the credit may not exceed an amount equal to \$1,000 for each piece of equipment purchased in the taxable year.

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:

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

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

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

7 71.07 **(5e)** ENERGY EFFICIENT EQUIPMENT CREDIT. (a) *Definitions.* In this
8 subsection, "claimant" means a person who files a claim under this subsection.

9 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
10 claimant may claim as a credit against the taxes imposed under s. 71.02, up to the
11 amount of those taxes, an amount that is equal to the amount of the taxes imposed
12 under ss. 77.52 and 77.53 that the claimant paid in the taxable year on the purchase
13 of equipment that satisfies the energy efficiency guidelines established by the federal
14 environmental protection agency and the federal department of energy under the
15 Energy Star program, including air conditioners, dehumidifiers, furnaces, boilers,
16 refrigerators, freezers, and clothes washers, but not including televisions, audio
17 equipment, and other consumer electronics.

18 (c) *Limitations.* 1. The amount of the credit claimed under par. (b) may not
19 exceed an amount equal to \$1,000 for each piece of equipment purchased in the
20 taxable year.

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

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

4 (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under
5 s. 71.28 (4), applies to the credit under this subsection.

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

7 71.10 (4) (cq) Energy efficient equipment credit under s. 71.07 (5e).

8 **SECTION 4.** 71.21 (4) of the statutes is amended to read:

9 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
10 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), ~~and (5b), and (5e)~~ and passed
11 through to partners shall be added to the partnership's income.

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

13 71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means
14 the gross income as computed under the Internal Revenue Code as modified under
15 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
16 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)
17 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income
18 under this paragraph at the time that the taxpayer first claimed the credit plus the
19 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),
20 (1ds), (1dx), (3g), (3n), (3t), ~~and (5b), and (5e)~~ and not passed through by a
21 partnership, limited liability company, or tax-option corporation that has added that
22 amount to the partnership's, limited liability company's, or tax-option corporation's
23 income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or
24 other disposition of assets the gain from which would be wholly exempt income, as
25 defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and

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

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

7 **71.28 (5e) ENERGY EFFICIENT EQUIPMENT CREDIT.** (a) *Definitions.* In this
8 subsection, “claimant” means a person who files a claim under this subsection.

9 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
10 claimant may claim as a credit against the taxes imposed under s. 71.23, up to the
11 amount of those taxes, an amount that is equal to the amount of the taxes imposed
12 under ss. 77.52 and 77.53 that the claimant paid in the taxable year on the purchase
13 of equipment that satisfies the energy efficiency guidelines established by the federal
14 environmental protection agency and the federal department of energy under the
15 Energy Star program, including air conditioners, dehumidifiers, furnaces, boilers,
16 refrigerators, freezers, and clothes washers, but not including televisions, audio
17 equipment, and other consumer electronics.

18 (c) *Limitations.* 1. The amount of the credit claimed under par. (b) may not
19 exceed an amount equal to \$1,000 for each piece of equipment purchased in the
20 taxable year.

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

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

4 (d) *Administration.* Subsection (4) (e) to (h), as it applies to the credit under
5 sub. (4), applies to the credit under this subsection.

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

7 71.30 (3) (dq) Energy efficient equipment credit under s. 71.28 (5e).

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

9 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
10 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),
11 (3n), (3t), ~~and (5b)~~, and (5e) and passed through to shareholders.

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

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

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

20 71.47 (5e) ENERGY EFFICIENT EQUIPMENT CREDIT. (a) *Definitions.* In this
21 subsection, "claimant" means a person who files a claim under this subsection.

22 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
23 claimant may claim as a credit against the taxes imposed under s. 71.43, up to the
24 amount of those taxes, an amount that is equal to the amount of the taxes imposed
25 under ss. 77.52 and 77.53 that the claimant paid in the taxable year on the purchase

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1 of equipment that satisfies the energy efficiency guidelines established by the federal
2 environmental protection agency and the federal department of energy under the
3 Energy Star program, including air conditioners, dehumidifiers, furnaces, boilers,
4 refrigerators, freezers, and clothes washers, but not including televisions, audio
5 equipment, and other consumer electronics.

6 (c) *Limitations.* 1. The amount of the credit claimed under par. (b) may not
7 exceed an amount equal to \$1,000 for each piece of equipment purchased in the
8 taxable year.

9 2. 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 amounts under par. (b). A partnership,
12 limited liability company, or tax–option corporation shall compute the amount of
13 credit that each of its partners, members, or shareholders may claim and shall
14 provide that information to each of them. Partners, members of limited liability
15 companies, and shareholders of tax–option corporations may claim the credit in
16 proportion to their ownership interests.

17 (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under
18 s. 71.28 (4), applies to the credit under this subsection.

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

20 71.49 (1) (dq) Energy efficient equipment credit under s. 71.47 (5e).

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

22 77.92 (4) “Net business income,” with respect to a partnership, means taxable
23 income as calculated under section 703 of the Internal Revenue Code; plus the items
24 of income and gain under section 702 of the Internal Revenue Code, including taxable
25 state and municipal bond interest and excluding nontaxable interest income or

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1 dividend income from federal government obligations; minus the items of loss and
2 deduction under section 702 of the Internal Revenue Code, except items that are not
3 deductible under s. 71.21; plus guaranteed payments to partners under section 707
4 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
5 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), ~~and (5b)~~, and (5e); and
6 plus or minus, as appropriate, transitional adjustments, depreciation differences,
7 and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding
8 income, gain, loss, and deductions from farming. “Net business income,” with respect
9 to a natural person, estate, or trust, means profit from a trade or business for federal
10 income tax purposes and includes net income derived as an employee as defined in
11 section 3121 (d) (3) of the Internal Revenue Code.

12 **SECTION 13. Initial applicability.**

13 (1) This act first applies to taxable years beginning on January 1, 2006.

14 (END)