

2005 DRAFTING REQUEST

Assembly Substitute Amendment (ASA-AB1055)

Received: **02/21/2006**

Received By: **jkreye**

Wanted: **Today**

Identical to LRB:

For: **Phil Montgomery (608) 266-5840**

By/Representing: **adam**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Business - credits**

Extra Copies:

Submit via email: **YES**

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

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

Pre Topic:

No specific pre topic given

Topic:

Development zone tax credit for the license fee paid by certain insurers

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>
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/1			rschlue 02/21/2006	_____	sbasford 02/21/2006	sbasford 02/21/2006	

FE Sent For:

<END>

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jkreye

1/mk 2/21

2216

FE Sent For:

<END>

2-21-06

Adam ————— Rep Montgomery AB1055

see tech memo for SB602

adopt changes in memo by prepending a
mlr to AB1055

hearing on Wed

6-5840



CORRESPONDENCE/MEMORANDUM

DATE: February 20, 2006
TO: Joseph, Kreye, Senior Legislative Attorney
Legislative Reference Bureau
FROM: Louis Cornelius
Department of Commerce

SUBJECT: TECHNICAL MEMO ON 2005 SENATE BILL 602

I would like to bring your attention to the need for two cross-references in the Development Zone Program that the Department requires to administer the provisions in 2005 SB 602.

The newly-created credit provisions under s. 76.636, Stats., have not included cross-references to two development zones provisions under Chapter 560, Stats., in the Department of Commerce as follows:

- s. 560.795 (5) (d), Stats., which relates to the verification of expenses in the Development Opportunity Zone Program; and
- s. 560.70 (6), Stats., which relates to the definition of target group member.

The Department anticipates that the technical oversight in not including these two cross-references can be corrected by a simple amendment. If you have any questions, please call me at 266-8629.

50564/1
↑
Keep

ASA to

in 2-21-06
Today

2005 ASSEMBLY BILL 1055

February 20, 2006 - Introduced by Representatives NISCHKE, STONE, HONADEL and RICHARDS, cosponsored by Senators SCHULTZ, KAPANKE, KANAVAS, LAZICH and PLALE. Referred to Committee on Insurance.

~~re gen~~ ✓

1 AN ACT *to amend* 73.03 (35), 76.635 (title), 76.67 (2), 560.075 (1), 560.70 (7) (a),
2 560.70 (7) (b), 560.70 (7) (c), 560.75 (8), 560.785 (1) (d), 560.785 (1) (h), 560.795
3 (3) (d), 560.797 (4) (d), 560.797 (4) (g) and 560.798 (4) (b); and *to create* 76.636
4 of the statutes; **relating to:** creating a development zone credit for the license
5 fees paid by certain insurers.

Analysis by the Legislative Reference Bureau

~~Under current law, a business, including an insurer, may claim income and franchise tax credits for creating jobs or for the remediation of polluted or contaminated property in an area designated as a development zone by the Department of Commerce (Commerce). Under current law, certain insurers pay license fees to this state for the privilege of doing business in this state. Those insurers may claim as a credit against the amount of the fees the amount of their certified capital investments in certain companies, as qualified by Commerce. Under this bill, insurers who are subject to state license fees may claim as a credit against the amount of the fees their expenses related to creating jobs or for the remediation of polluted or contaminated property in an area designated as a development zone.~~

ASSEMBLY BILL 1055

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.** 73.03 (35) of the statutes is amended to read:

2 73.03 **(35)** To deny a portion of a credit claimed under s. 71.07 (2dd), (2de), (2di),
3 (2dj), (2dL), (2dm), (2dr), (2ds), or (2dx), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),
4 (1ds), (1dx), or (4) (am), or 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx),
5 or (4) (am), or 76.636 if granting the full amount claimed would violate a requirement
6 under s. 560.785 or would bring the total of the credits granted to that claimant under
7 all of those subsections over the limit for that claimant under s. 560.768, 560.795 (2)
8 (b), or 560.797 (5) (b).

9 **SECTION 2.** 76.635 (title) of the statutes is amended to read:

10 **76.635** (title) **Credit for investment in certified capital companies.**

11 **SECTION 3.** 76.636 of the statutes is created to read:

12 **76.636 Credit for certain development zone activities. (1) DEFINITIONS.**

13 In this section:

14 (a) “Brownfield” means an industrial or commercial facility in which expansion
15 or redevelopment is complicated by environmental contamination.

16 (b) “Development zone” means a development zone under s. 560.70, a
17 development opportunity zone under s. 560.795, an enterprise development zone
18 under s. 560.797, or an agricultural development zone under s. 560.798.

19 (c) “Environmental remediation” means removal or containment of
20 environmental pollution, as defined in s. 299.01 (4), and restoration of soil or
21 groundwater that is affected by environmental pollution, as defined in s. 299.01 (4),

ASSEMBLY BILL 1055

1 in a brownfield if that removal, containment, or restoration fulfills the requirement
2 under s. 71.47 (1de) (a) 1., unless an investigation of the property determines that
3 remediation is required and that remediation is not undertaken.

4 (d) "Full-time job" means a regular, nonseasonal, full-time position in which
5 an individual, as a condition of employment, is required to work at least 2,080 hours
6 per year, including paid leave and holidays, and for which the individual receives pay
7 that is equal to at least 150 percent of the federal minimum wage and receives
8 benefits that are not required by federal or state law. "Full-time job" does not include
9 initial training before an employment position begins.

10 (e) "Member of a targeted group" means a person who resides in an area
11 designated by the federal government as an economic revitalization area, a person
12 who is employed in an unsubsidized job but meets the eligibility requirements under
13 s. 49.145 (2) and (3) for a Wisconsin Works employment position, a person who is
14 employed in a trial job, as defined in s. 49.141 (1) (n), a person who is eligible for child
15 care assistance under s. 49.155, a person who is a vocational rehabilitation referral,
16 an economically disadvantaged youth, an economically disadvantaged veteran, a
17 supplemental security income recipient, a general assistance recipient, an
18 economically disadvantaged ex-convict, a qualified summer youth employee, as
19 defined in 26 USC 51 (d) (7), a dislocated worker, as defined in 29 USC 2801 (9), or
20 a food stamp recipient, if the person has been certified in the manner under s. 71.47
21 (1dj) (am) 3. by a designated local agency, as defined in s. 71.47 (1dj) (am) 2.

22 (2) CREDITS. Except as provided in s. 73.03 (35), and subject to s. 560.785, for
23 any taxable year for which an insurer is entitled under s. 560.795 (3) to claim tax
24 benefits or certified under s. 560.765 (3), 560.797 (4) or 560.798 (3), the insurer may

ASSEMBLY BILL 1055**SECTION 3**

1 claim as a credit against the fees due under s. 76.60, 76.63, 76.65, 76.66, or 76.67 the
2 following amounts:

3 (a) Fifty percent of the amount expended for environmental remediation in a
4 development zone.

5 (b) The amount determined by multiplying the amount determined under s.
6 560.785 (1) (b) by the number of full-time jobs created in a development zone and
7 filled by a member of a targeted group and by then subtracting the subsidies paid
8 under s. 49.147 (3) (a) for those jobs.

9 (c) The amount determined by multiplying the amount determined under s.
10 560.785 (1) (c) by the number of full-time jobs created in a development zone and not
11 filled by a member of a targeted group and by then subtracting the subsidies paid
12 under s. 49.147 (3) (a) for those jobs.

13 (d) The amount determined by multiplying the amount determined under s.
14 560.785 (1) (bm) by the number of full-time jobs retained, as provided in the rules
15 under s. 560.785, excluding jobs for which a credit has been claimed under s. 71.47
16 (1dj), in an enterprise development zone under s. 560.797 and for which significant
17 capital investment was made and by then subtracting the subsidies paid under s.
18 49.147 (3) (a) for those jobs.

19 (e) The amount determined by multiplying the amount determined under s.
20 560.785 (1) (c) by the number of full-time jobs retained, as provided in the rules
21 under s. 560.785, excluding jobs for which a credit has been claimed under s. 71.47
22 (1dj), in a development zone and not filled by a member of a targeted group and by
23 then subtracting the subsidies paid under s. 49.147 (3) (a) for those jobs.

24 **(3) CARRY-FORWARD.** If the credit under sub. (2) is not entirely offset against the
25 fees under s. 76.60, 76.63, 76.65, 76.66, or 76.67 otherwise due, the unused balance

ASSEMBLY BILL 1055

1 may be carried forward and credited against those fees for the following 15 years to
2 the extent that it is not offset by those fees otherwise due in all the years between
3 the year in which the expense was made and the year in which the carry-forward
4 credit is claimed.

5 (4) CREDIT PRECLUDED. If the certification of a person for tax benefits under s.
6 560.765 (3), 560.797 (4), or 560.798 (3) is revoked, or if the person becomes ineligible
7 for tax benefits under s. 560.795 (3), that person may not claim credits under this
8 section for the taxable year that includes the day on which the certification is
9 revoked; the taxable year that includes the day on which the person becomes
10 ineligible for tax benefits; or succeeding taxable years and that person may not carry
11 over unused credits from previous years to offset the fees under s. 76.60, 76.63, 76.65,
12 76.66, or 76.67 for the taxable year that includes the day on which certification is
13 revoked; the taxable year that includes the day on which the person becomes
14 ineligible for tax benefits; or succeeding taxable years.

15 (5) CARRY-OVER PRECLUDED. If a person who is entitled under s. 560.795 (3) to
16 claim tax benefits or certified under s. 560.765 (3), 560.797 (4), or 560.798 (3) for tax
17 benefits ceases business operations in the development zone during any of the
18 taxable years that that zone exists, that person may not carry over to any taxable
19 year following the year during which operations cease any unused credits from the
20 taxable year during which operations cease or from previous taxable years.

21 (6) ADMINISTRATION. Any insurer who claims a credit under sub. (2) shall
22 include with the insurer's annual return under s. 76.64 a copy of its certification for
23 tax benefits and a copy of its verification of expenses from the department of
24 commerce.

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SECTION 4



1 **SECTION 4.** 76.67 (2) of the statutes, as affected by 2005 Wisconsin Act 74, is
2 amended to read:

3 76.67 (2) If any domestic insurer is licensed to transact insurance business in
4 another state, this state may not require similar insurers domiciled in that other
5 state to pay taxes greater in the aggregate than the aggregate amount of taxes that
6 a domestic insurer is required to pay to that other state for the same year less the
7 credits under ss. 76.635, 76.636, and 76.655, except that the amount imposed shall
8 not be less than the total of the amounts due under ss. 76.65 (2) and 601.93 and, if
9 the insurer is subject to s. 76.60, 0.375% of its gross premiums, as calculated under
10 s. 76.62, less offsets allowed under s. 646.51 (7) or under ss. 76.635, 76.636, and
11 76.655 against that total, and except that the amount imposed shall not be less than
12 the amount due under s. 601.93.



13 **SECTION 5.** 560.075 (1) of the statutes, as created by 2005 Wisconsin Act 25, is
14 amended to read:

15 560.075 (1) In this section, “tax benefits” means the credits under ss. 71.07
16 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), and (3t), 71.28 (1dd),
17 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3g), and (3t), ~~and~~ 71.47 (1dd), (1de), (1di),
18 (1dj), (1dL), (1dm), (1ds), (1dx), (3g), and (3t), and 76.636.

19 **SECTION 6.** 560.70 (7) (a) of the statutes is amended to read:

20 560.70 (7) (a) Except as provided in pars. (b) and (c), “tax benefits” means the
21 development zones credit under ss. 71.07 (2dx), 71.28 (1dx), ~~and~~ 71.47 (1dx), and
22 76.636.

23 **SECTION 7.** 560.70 (7) (b) of the statutes is amended to read:

24 560.70 (7) (b) In s. 560.795, “tax benefits” means the development zones
25 investment credit under ss. 71.07 (2di), 71.28 (1di), and 71.47 (1di) and the

INSERT
6-18

ASSEMBLY BILL 1055

1 development zones credit under ss. 71.07 (2dx), 71.28 (1dx), ~~and 71.47 (1dx), and~~
2 76.636. With respect to the development opportunity zones under s. 560.795 (1) (e)
3 and (f), “tax benefits” also means the development zones capital investment credit
4 under ss. 71.07 (2dm), 71.28 (1dm), and 71.47 (1dm).

5 **SECTION 8.** 560.70 (7) (c) of the statutes is amended to read:

6 560.70 (7) (c) In s. 560.798, “tax benefits” means the development zones capital
7 investment credit under ss. 71.07 (2dm), 71.28 (1dm), and 71.47 (1dm) and the
8 development zones credits under ss. 71.07 (2dx), 71.28 (1dx), ~~and 71.47 (1dx), and~~
9 76.636.

10 **SECTION 9.** 560.75 (8) of the statutes is amended to read:

11 560.75 (8) Annually verify information submitted to the department under s.
12 71.07 (2dx), 71.28 (1dx) ~~or~~, 71.47 (1dx), or 76.636.

13 **SECTION 10.** 560.785 (1) (d) of the statutes is amended to read:

14 560.785 (1) (d) Except for a person claiming tax benefits only for environmental
15 remediation under s. 71.07 (2dx) (b) 1., 71.28 (1dx) (b) 1. ~~or~~, 71.47 (1dx) (b) 1., or
16 76.636, require at least 25% of the tax benefits claimed by a person to be based on
17 creating or retaining full-time jobs.

18 **SECTION 11.** 560.785 (1) (h) of the statutes is amended to read:

19 560.785 (1) (h) Provide that a person’s eligibility to claim tax benefits for
20 environmental remediation under s. 71.07 (2dx) (b) 1., 71.28 (1dx) (b) 1. ~~or~~, 71.47
21 (1dx) (b) 1., or 76.636 is not based on creating or retaining jobs.

22 **SECTION 12.** 560.795 (3) (d) of the statutes is amended to read:

23 560.795 (3) (d) The department annually shall verify information submitted
24 to the department under s. 71.07 (2di), (2dm), or (2dx), 71.28 (1di), (1dm), or (1dx),
25 ~~or 71.47 (1di), (1dm), or (1dx), or 76.636~~.

7
INSERT 7-25

✓
[insert 6-18]

Section #. 560.70 (6) of the statutes is amended to read:

560.70 (6) "Target population" means persons who are members of targeted groups for the purposes of the credit under ss. 71.07 (2dx), 71.28 (1dx) and [↓]~~71.47~~ [↓]71.47 (1dx) and 76.636

History: 1987 a. 328, 411; 1991 a. 39; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16.

[end of insert 6-18]

Insert 7-25

Section #. 560.795 (5) (d) of the statutes is amended to read:

560.795 (5) (d) The department annually shall verify information submitted to the department under s. 71.07 (2dm) or (2dx), 71.28 (1dm) or (1dx), ~~or~~ ^{or} 71.47 (1dm) or (1dx).

History: 1993 a. 232; 1995 a. 2; 1995 a. 27 ss. 6936p, 6936r, 9130 (4); 1997 a. 3, 27; 1999 a. 9, 32; 2001 a. 16, 104; 2003 a. 33.

or s. 76.636

end of 7-25