

2005 DRAFTING REQUEST

Bill

Received: **10/04/2004**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Percy**

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:

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

Pre Topic:

DOA:.....Percy, BB0091 -

Topic:

Claiming tax credits under the community, enterprise, and agricultural development zones

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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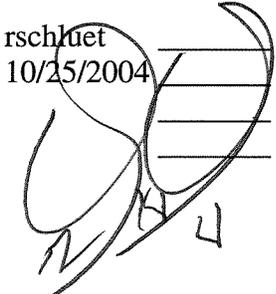
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CORRESPONDENCE MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: September 30, 2004
To: Steve Miller, Chief
Legislative Reference Bureau (LRB)
From: Doug Percy, Executive Budget and Policy Analyst
State Budget Office
Subject: Priority of Department of Commerce FY 2005-07 Budget Statutory
Language Proposals

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TO
RCT, JK,
MGG, RNK
MJC, RLR
if anyone
needs a
copy,
please
share or
let me
know!
CR-H

The following table lists the statutory language proposals included by Commerce in its FY 2005-07 biennial budget request. My understanding is that Commerce has not worked with the LRB on these requests. Therefore, I have attached a description of each statutory language request. These descriptions were prepared by Commerce and include a priority ranking. These rankings will be superceded by the rankings in the table below. If you have any questions, please contact me at 266-1039.

<u>Issue</u>	<u>Status</u>	<u>Analyst</u>	<u>Priority</u>
Streamlining the WDF Statutes	Attached	Doug	High
CDZ/EDZ Pooling	Attached	Doug	High
Clarifying State Statute affecting the claiming of tax credits under the Community, Enterprise and Agricultural Development Zones	Attached	Doug	High
Plumbing and Fire Sprinkler Credential Terms	Attached	Doug	High
Modify the definition of target group as it applies to the Community, Enterprise and Agricultural Development Zone Programs	Attached	Doug	High
Green Tier Eligible Expenses	Attached	Doug	Medium
Modifying Payments under the Gaming Economic Development and Diversification Programs and the Business Employees' Skills Training Program	Attached	Doug	Medium
IBRETA Technical Change	Attached	Doug	Medium

- BB0090
- BB0091
- BB0092
- BB0094
BB0093

Doug has given the LRB permission to talk to the
Commerce analysts

STATUTORY CHANGES FOR THE 2005-2007 BIENNIAL BUDGET

Below is the prioritized list, by category, of the statutory changes that the Department is requesting to be included in the 2005-2007 biennial budget. More detailed drafting instructions, as necessary, will soon be provided to the state budget office analyst for submittal to the Legislative Reference Bureau.

Priority

Proposed Statutory Change

High

Streamlining the WDF Statutes. Current law defines three programs for which WDF funds can be used including: Technology Development, Customized Labor Training and Major Economic Development. The various statutorily defined programs each have their own restrictions and specifications for what factors to consider in awarding funds. The Department proposes to rewrite the statutes to define goals rather than programs. The statutes would be amended to eliminate references to certain programs, and would standardize reporting, eligibility and awarding criteria. Possible examples of goals would include: capital financing, worker training, promoting entrepreneurial and/or technology-based companies. This proposal would allow for more flexibility in deploying state development resources, would reduce the administrative burden on the Department and shorten response time on projects. Simplifying the statutes governing WDF funds would allow the Department to be more creative in responding to a given company or to a larger issue.

High

Defining Eligible Expenses Under the Green Tier Program. Under the Green Tier legislation (2003 Act 276), the Department is required under Section 2, s. 299.85 (8) (f) to partner with the Department of Natural Resources to provide contractual and environmental management system information to potential participants as well as work with the DNR to administer Green Tier. Currently, the Department has 2.0 FTE positions funded by the DNR (20.143 (1) (kc)) that provide assistance to small business owners in achieving compliance with the federal Clean Air Act.

The Department proposes to make a technical change to its chapter 20 language to allow employees to charge time worked on s. 299.85 (8) (f) to ch. 20.143 (1) (kc). The Department does not anticipate any increased costs to either the Department or to the DNR due to this technical correction. This change will clear up

any auditing questions that may arise due to time worked under 20.143 (1) (kc).

High

Modifying Payments Under the Gaming Economic Development and Diversification Programs and the Business Employees' Skills Training Program. The Department administers the Early Planning Grant (EPG) Program and the Business Employees' Skills Training (BEST) Program. The EPG program stimulates the start-up and expansion of small businesses by providing financial assistance to fund professional services related to business start-ups or potential expansions. The BEST program provides grants to small businesses to assist employees or prospective employees in acquiring work skills sought by the business. Both programs are statutorily designated, and may be funded out of the Wisconsin Development Fund (WDF), Minority Business Development Fund (MBD), the Rural Economic Development Fund (RED) and the Gaming Economic Development and Diversification Fund (Gaming).

Under current statutes, the Department is able to "...contract directly with and pay grant proceeds directly to any person providing technical or management assistance to the grant recipient". This language currently applies only to the EPG programs statutorily authorized under the WDF, MBD and RED appropriations. The Department has indicated that it would like this language extended to the Gaming and BEST statutory language in order to provide maximum flexibility in awarding grants directly to the provider of technical assistance. The Department has noted that these changes would make the Gaming and BEST language consistent with the language currently under the WDF, MBD and RED programs.

High

CDZ/EDZ Pooling. This proposal would pool the community development zone (CDZ) and enterprise development zone (EDZ) program allocations into a \$275.155 million pool, and remove the \$3 million cap on EDZs. These changes would give Commerce access to the full allocation of tax credits authorized by the Legislature, much of which is currently unavailable due to statutory constraints. The proposal does not seek additional allocation authority.

High

Clarify state statute affecting the claiming of tax credits under the Community, Enterprise and Agricultural Development Zones. Under current law, a development zone business may only claim credit against taxes imposed on income derived from the business activities in the development zone. Tax credits in the Community Development Zone (CDZ) and Enterprise Development Zone (EDZ) programs currently operate under three different credit claiming limitations depending on the taxable year in which the credit was earned. This provision is administratively difficult for businesses, creates confusion for taxpayers and poses administrative problems for the Department of Revenue. In addition, Commerce has encountered a number of instances where

71.07
(2dx) (h)
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71.28 (1dx) (h)
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71.47 (1dx) (h)
(intro.)

it has been unable to offer the tax credit incentive because, while the project is creating jobs and making investment, the development zone location itself is not a profit center for the business. This proposal would make a retroactive change to reinstate the claiming language in effect between 1998 and 1999 (credits may be offset against any Wisconsin income tax due).

High

Plumbing and Fire Sprinkler Credential Terms. The Department recently changed the terms of Safety and Buildings credentials indicated by administrative rule (Comm 5, Licenses, Certifications, and Registrations) from two and three years to four years, and also increased the certification portion of the fees to reflect the increased terms. This change resulted in a reduced credentialing workload because credentials are renewed less frequently. The Department utilized the position savings associated with this item to compensate for reduced credentialing staffing due to 2001 WI Act 16 & 109 cuts in positions.

The Department now proposes to change the terms of credentials whose terms are indicated by statute from two to four years, and to change the certification fees associated with those credentials to reflect the increased terms. Specifically, plumbing and fire sprinkler credentials indicated in s. 145.08, Stats.

Revenue collected for credentials would remain the same. However, annual revenue would be less evenly distributed among fiscal years. Specifically, revenue would substantially increase for the first and second years, when renewal fees paid would be for the four-year terms instead of the two-year terms, and substantially decrease for the third and fourth years when few renewals would be processed. This revenue trend would gradually diminish as new credentials are received for the four-year terms.

Medium

IBRETA Technical Change. The transfer of the Bureau of Housing from the Department of Administration to the Department of Commerce should have made a technical change to require real estate brokers to pay IBRETA funds to Commerce.

In 1993, the Wisconsin Legislature passed a law requiring real estate brokers to establish interest-bearing real estate trust accounts for the deposit of all down payments, earnest money deposits and other trust funds received by the broker and related to the conveyance of real estate. On an annual basis, the interest from IBRETA accounts are remitted to the state and are used to supplement state and federal funds that support programs serving homeless persons. Between \$300,000 and \$450,000 is remitted annually. To date, the IBRETA funds have been directed to the Department of Administration, the agency that housed the programs serving homeless persons.

Medium

Modify the definition of target group as it applies to the Community, Enterprise and Agricultural Development Zones

Programs. Current state law stipulates that an area must be specifically designated as an empowerment zone or an enterprise community. Two years ago Milwaukee was federally designated a Renewal Community, which eliminated the Enterprise Community designation. This technical change will revise the definition of a target group member to include a person who resides in a federally designated economic revitalization area. This change will recognize future similar federal designations in spite of a name change.



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-04027

JK: [handwritten initials]

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FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

in 10-4-04

Do Not Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, a taxpayer may claim income and franchise tax credits based, generally, on the taxpayer's business activities in a location designated by the department of commerce as a development zone, opportunity zone, enterprise zone, or agricultural development zone. The taxpayer may claim the credits against the taxes imposed on the income derived from the taxpayer's business activities in the development zone, opportunity zone, enterprise zone, or agricultural development zone. Under this bill, the taxpayer may claim the credits against the taxes imposed on all of the taxpayer's Wisconsin income.

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:

2 SECTION 1. 71.07 (2dx) (b) (intro.) of the statutes is amended to read:

1 71.07 (**2dx**) (b) *Credit.* (intro.) Except as provided in pars. (be) and (bg) and
 2 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 3 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 4 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 5 ~~on the person's income from the person's business activities in a development zone~~
 6 under s. 71.02 the following amounts:

History: 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; 2003 a. 72, 99, 135, 183, 255, 267, 326.

7 **SECTION 2.** 71.28 (1dx) (b) (intro.) of the statutes is amended to read:

8 71.28 (**1dx**) (b) *Credit.* (intro.) Except as provided in pars. (be) and (bg) and
 9 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 10 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 11 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 12 ~~on the person's income from the person's business activities in a development zone~~
 13 under s. 71.23 the following amounts:

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; 2003 a. 72, 99, 135, 255, 267, 326.

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

15 71.47 (**1dx**) (b) *Credit.* (intro.) Except or provided in pars. (be) and (bg) and
 16 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 17 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 18 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 19 ~~on the person's income from the person's business activities in a development zone~~
 20 under s. 71.43 the following amounts:

History: 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; 2003 a. 72, 99, 135, 255, 267, 326.

21 **SECTION 9341. Initial applicability; revenue.**

Kreye, Joseph

From: Percy, Doug
Sent: Tuesday, November 09, 2004 11:09 AM
To: Kreye, Joseph
Subject: FW: LRB Draft: 05-0402/1 Claiming tax credits under the community, enterprise, and agricultural development zones

-----Original Message----- *6-6748*
From: Keal, Julie
Sent: Tuesday, November 09, 2004 9:45 AM
To: Percy, Doug
Subject: FW: LRB Draft: 05-0402/1 Claiming tax credits under the community, enterprise, and agricultural development zones

Doug -- here are our comments on the claiming draft.

-----Original Message-----
From: Keal, Julie
Sent: Tuesday, November 09, 2004 9:35 AM
To: Cumblad, Amy
Subject: RE: LRB Draft: 05-0402/1 Claiming tax credits under the community, enterprise, and agricultural development zones

The language in the (dx) credit looks good. We're wondering why the same language wasn't drafted for the credits under:

71.07 (2dm) (hm) capital investment credit for DOZ and AgZ
71.07 (2di) (b) 1. investment credit for DOZ
71.28 (1di) (b) 1.
71.28 (1dm) (hm)
71.47 (1di) (b) 1.
71.47 (1dm) (hm)

-----Original Message-----
From: Percy, Doug
Sent: Wednesday, November 03, 2004 9:49 AM
To: Keal, Julie
Subject: FW: LRB Draft: 05-0402/1 Claiming tax credits under the community, enterprise, and agricultural development zones

-----Original Message-----
From: Schlueter, Ron [mailto:Ron.Schlueter@legis.state.wi.us]
Sent: Monday, October 25, 2004 8:55 AM
To: Percy, Doug
Cc: Grinde, Kirsten; Hanaman, Cathlene; Haugen, Caroline; Schaeffer, Carole
Subject: LRB Draft: 05-0402/1 Claiming tax credits under the community, enterprise, and agricultural development zones

Following is the PDF version of draft 05-0402/1.



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0402/1
JK:kjf

2
RM not R

DOA:.....Percy, BB0091 - Claiming tax credits under the community, enterprise, and agricultural development zones

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

am 11-11-04

Do Not Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, a taxpayer may claim income and franchise tax credits based, generally, on the taxpayer's business activities in a location designated by the Department of Commerce as a development zone, opportunity zone, enterprise zone, or agricultural development zone. The taxpayer may claim the credits against the taxes imposed on the income derived from the taxpayer's business activities in the development zone, opportunity zone, enterprise zone, or agricultural development zone. Under this bill, the taxpayer may claim the credits against the taxes imposed on all of the taxpayer's Wisconsin income.

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:

SECTION ~~1~~ 71.07 (2dx) (b) (intro.) of the statutes is amended to read:

INSERT 1-1

1 71.07 (2dx) (b) *Credit*. (intro.) Except as provided in pars. (be) and (bg) and
 2 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 3 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 4 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 5 ~~on the person's income from the person's business activities in a development zone~~
 6 under s. 71.02 the following amounts:

INSERT
2-6

7 ~~SECTION 2,~~ 71.28 (1dx) (b) (intro.) of the statutes is amended to read:

8 71.28 (1dx) (b) *Credit*. (intro.) Except as provided in pars. (be) and (bg) and
 9 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 10 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 11 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 12 ~~on the person's income from the person's business activities in a development zone~~
 13 under s. 71.23 the following amounts:

INSERT
2-13

14 ~~SECTION 3,~~ 71.47 (1dx) (b) (intro.) of the statutes is amended to read:

15 71.47 (1dx) (b) *Credit*. (intro.) Except or provided in pars. (be) and (bg) and
 16 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 17 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 18 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 19 ~~on the person's income from the person's business activities in a development zone~~
 20 under s. 71.43 the following amounts:

(2di)(b) 1, (2dm) (hm), and

21 **SECTION 9341. Initial applicability; revenue.**

22 (1) CLAIMING DEVELOPMENT ZONE CREDITS. The treatment of sections 71.07 (2dx)
 23 (b) (intro.), 71.28 (1dx) (b) (intro.), and 71.47 (1dx) (b) (intro.) of the statutes first
 24 applies to taxable years beginning on January 1, 2005.

25 (1di)(b) 1, (1dm) (hm), and (END)

use ↑ twice

Insert 1-1

Section #. 71.07 (2di) (b) 1. of the statutes is amended to read:

71.07 (2di) (b) 1. Except as provided in subd. 2., the credit, including any credits carried over, may be offset ~~only~~ against the amount of the tax otherwise due under this chapter ~~attributable to income from the business operations of the claimant in the development zone; except that a claimant in a development zone under s. 560.795 (1) (e) may offset the credit, including any credits carried over, against the amount of the tax otherwise due under this chapter~~ attributable to all of the claimant's ^vincome; and against the tax attributable to income from directly related business operations of the claimant.

History: 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326. 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; 2003 a. 72, 99, 135, 183, 255, 267, 326.

insert 1-1

Section #. 71.07 (2dm) (hm) of the statutes is amended to read:

71.07 (2dm) (hm) Credits claimed under this subsection, including any credits carried over, may
→ be offset ^vonly against the amount of the tax otherwise due under this subchapter ~~attributable to
income from the business operations of the claimant in the development zone; except that a claimant
in a development zone under s. 560.795 (1) (e) may offset credits, including any credits carried over,
against the amount of the tax otherwise due under this subchapter~~ attributable to all of the claimant's
→ income^v; and against the tax attributable to income from directly related business operations of the
claimant.

History: 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326. 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; 2003 a. 72, 99, 135, 183, 255, 267, 326.

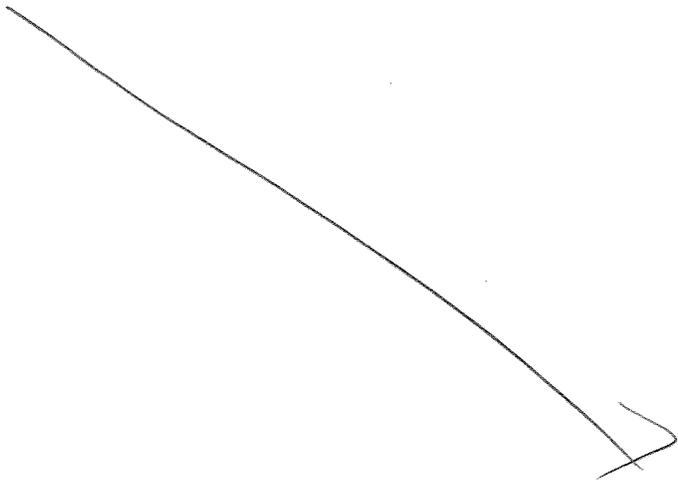
end of 1-1

Insert 2-6

Section #. 71.28 (1di) (b) 1. of the statutes is amended to read:

71.28 (1di) (b) 1. Except as provided in subd. 2., the credit, including any credits carried over, may be offset ^v ~~only~~ against the amount of the tax otherwise due under this chapter ~~attributable to income from the business operations of the claimant in the development zone; except that a claimant in a development zone under s. 560.795 (1) (c) may offset the credit, including any credits carried over, against the amount of the tax otherwise due under this chapter~~ attributable to all of the claimant's ^v ~~income;~~ and against the tax attributable to income from directly related business operations of the claimant.

History: 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; 2003 a. 72, 99, 135, 255, 267, 326. 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; 2003 a. 72, 99, 135, 255, 267, 326.



Insert 2-6

Section #. 71.28 (1dm) (hm) of the statutes is amended to read:

71.28 (1dm) (hm) Credits claimed under this subsection, including any credits carried over, may
→ be offset [✓] ~~only~~ against the amount of the tax otherwise due under this subchapter ~~attributable to~~
~~income from the business operations of the claimant in the development zone; except that a claimant~~
~~in a development zone under s. 560.795 (1) (e) may offset credits, including any credits carried over,~~
~~against the amount of the tax otherwise due under this subchapter~~ attributable to all of the claimant's
→ income; [✓] and against the tax attributable to income from directly related business operations of the
claimant.

History: 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;
2003 a. 72, 99, 135, 255, 267, 326. 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; 2003 a. 72, 99, 135, 255, 267, 326.

end of 2-6

Insert 2-13

Section #. 71.47 (1di) (b) 1. of the statutes is amended to read:

71.47 (1di) (b) 1. Except as provided in subd. 2., the credit, including any credits carried over, may be offset ^vonly against the amount of the tax otherwise due under this chapter attributable to income from the business operations of the claimant in the development zone; ~~except that a claimant in a development zone under s. 560.795 (1) (e) may offset the credit, including any credits carried over, against the amount of the tax otherwise due under this chapter~~ attributable to all of the claimant's income ^vand against the tax attributable to income from directly related business operations of the claimant.

History: . 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; 2003 a. 72, 99, 135, 255, 267, 326. 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; 2003 a. 72, 99, 135, 255, 267, 326.

Insert 2-13

Section #. 71.47 (1dm) (hm) of the statutes is amended to read:

71.47 (1dm) (hm) Credits claimed under this subsection, including any credits carried over, may
→ be offset ^v only against the amount of the tax otherwise due under this subchapter attributable to
income from the business operations of the claimant in the development zone; ~~except that a claimant
in a development zone under s. 560.795 (1) (e) may offset credits, including any credits carried over,
against the amount of the tax otherwise due under this subchapter attributable to all of the claimant's~~
→ income; ^v and against the tax attributable to income from directly related business operations of the
claimant.

History: . 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; 2003 a. 72, 99, 135, 255, 267, 326. 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; 2003 a. 72, 99, 135, 255, 267, 326.

end of 2-13

Doug Kery

LRB 402

12-13-04

①

ex)

71.07

(2di) & (2dr)

keep the exception

ex) page 2 - lines 4 to 6

②

page 4, line 19 - "except as provided"

③

don't want company to ^{file} amended tax
returns



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0402/2
JK:kjf:pg

Soon

3
RM not Run

DOA:.....Percy, BB0091 - Claiming tax credits under the community, enterprise, and agricultural development zones

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

in 12-13-04

D-N

Do Not Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

generally

Under current law, a taxpayer may claim income and franchise tax credits based, generally, on the taxpayer's business activities in a location designated by the Department of Commerce as a development zone, opportunity zone, enterprise zone, or agricultural development zone. The taxpayer may claim the credits against the taxes imposed on the income derived from the taxpayer's business activities in the development zone, opportunity zone, enterprise zone, or agricultural development zone. Under this bill, the taxpayer may claim the credits against the taxes imposed on all of the taxpayer's Wisconsin income.

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:

2 SECTION 1. 71.07 (2d) (b) 1. of the statutes is amended to read:

1 71.07 (2di) (b) 1. Except as provided in subd. 2., the credit, including any
 2 credits carried over, may be offset ~~only~~ against the amount of the tax otherwise due
 3 under this chapter ~~attributable to income from the business operations of the~~
 4 ~~claimant in the development zone; except that a claimant in a development zone~~
 5 ~~under s. 560.795 (1) (e) may offset the credit, including any credits carried over,~~
 6 ~~against the amount of the tax otherwise due under this chapter attributable to all~~
 7 of the claimant's income; and against the tax attributable to income from directly
 8 related business operations of the claimant. *except for credits claimed in a development*
zone under s. 560.795 (1) (e),

9 **SECTION 2.** 71.07 (2dm) (hm) of the statutes is amended to read:

10 71.07 (2dm) (hm) Credits claimed under this subsection, including any credits
 11 carried over, may be offset ~~only~~ against the amount of the tax otherwise due under
 12 this subchapter ~~attributable to income from the business operations of the claimant~~
 13 ~~in the development zone; except that a claimant in a development zone under s.~~
 14 ~~560.795 (1) (e) may offset credits, including any credits carried over, against the~~
 15 ~~amount of the tax otherwise due under this subchapter attributable to all of the~~
 16 claimant's income; and against the tax attributable to income from directly related
 17 business operations of the claimant.

18 **SECTION 3.** 71.07 (2dx) (b) (intro.) of the statutes is amended to read:

19 71.07 (2dx) (b) *Credit.* (intro.) Except as provided in pars. (be) and (bg) and
 20 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 21 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 22 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 23 ~~on the person's income from the person's business activities in a development zone~~
 24 under s. 71.02 the following amounts:

25 **SECTION 4.** 71.28 (1di) (b) 1. of the statutes is amended to read:

1 71.28 (1di) (b) 1. Except as provided in subd. 2., the credit, including any
2 credits carried over, may be offset only against the amount of the tax otherwise due
3 under this chapter attributable to income from the business operations of the
4 claimant in the development zone; except that a claimant in a development zone
5 under s. 560.795 (1) (e) may offset the credit, including any credits carried over,
6 against the amount of the tax otherwise due under this chapter attributable to all
7 of the claimant's income; and against the tax attributable to income from directly
8 related business operations of the claimant.

9 **SECTION 5.** 71.28 (1dm) (hm) of the statutes is amended to read:

10 71.28 (1dm) (hm) Credits claimed under this subsection, including any credits
11 carried over, may be offset only against the amount of the tax otherwise due under
12 this subchapter attributable to income from the business operations of the claimant
13 in the development zone; except that a claimant in a development zone under s.
14 560.795 (1) (e) may offset credits, including any credits carried over, against the
15 amount of the tax otherwise due under this subchapter attributable to all of the
16 claimant's income; and against the tax attributable to income from directly related
17 business operations of the claimant.

18 **SECTION 6.** 71.28 (1dx) (b) (intro.) of the statutes is amended to read:

19 71.28 (1dx) (b) *Credit.* (intro.) Except as provided in pars. (be) and (bg) and
20 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
21 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
22 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
23 on the person's income from the person's business activities in a development zone
24 under s. 71.23 the following amounts:

25 **SECTION 7.** 71.47 (1di) (b) 1. of the statutes is amended to read:

except for credits claimed in a development zone under s. 560.795(1)(e),

1 71.47 (1di) (b) 1. Except as provided in subd. 2., the credit, including any
 2 credits carried over, may be offset ~~only~~ against the amount of the tax otherwise due
 3 under this chapter ~~attributable to income from the business operations of the~~
 4 ~~claimant in the development zone; except that a claimant in a development zone~~
 5 ~~under s. 560.795 (1) (e) may offset the credit, including any credits carried over,~~
 6 ~~against the amount of the tax otherwise due under this chapter attributable to all~~
 7 of the claimant's income; and against the tax attributable to income from directly
 8 related business operations of the claimant.

9 **SECTION 8.** 71.47 (1dm) (hm) of the statutes is amended to read:

10 71.47 (1dm) (hm) Credits claimed under this subsection, including any credits
 11 carried over, may be offset ~~only~~ against the amount of the tax otherwise due under
 12 this subchapter ~~attributable to income from the business operations of the claimant~~
 13 ~~in the development zone; except that a claimant in a development zone under s.~~
 14 ~~560.795 (1) (e) may offset credits, including any credits carried over, against the~~
 15 ~~amount of the tax otherwise due under this subchapter attributable to all of the~~
 16 claimant's income; and against the tax attributable to income from directly related
 17 business operations of the claimant.

18 **SECTION 9.** 71.47 (1dx) (b) (intro.) of the statutes ^{as} is amended to read:

19 71.47 (1dx) (b) *Credit.* (intro.) Except ~~or~~ ^{as} provided in pars. (be) and (bg) and
 20 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
 21 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
 22 560.797 (4) or 560.798 (3), any person may claim as a credit against the taxes imposed
 23 ~~on the person's income from the person's business activities in a development zone~~
 24 under s. 71.43 the following amounts:

25 **SECTION 9341. Initial applicability; revenue.**

, except for credits claimed in a development zone under s. 560.795(1)(e),

0402/3dy
JK: kjf

Date

Doug:

Please review this draft carefully to ensure that it is consistent with your intent. Because the draft limit applies to taxable years beginning on January 1, 2005, I don't believe that a claimant will be able to file amended returns to take advantage of the ^{change} change. You may, however, ^{wish} wish to consult with DOR regarding your concern.

JK

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0402/3dn
JK:kjfrs

December 14, 2004

Doug:

Please review this draft carefully to ensure it is consistent with your intent. Because the draft first applies to taxable years beginning on January 1, 2005, I don't believe that a claimant will be able to file amended returns to take advantage of the change. You may, however, wish to consult with DOR regarding your concern.

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