ASSEMBLY BILL 208 (LRB -1297)

An Act to amend 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and to create 20.835 (2) (cm), 20.835 (2) (em), 20.835 (2) (eo), 71.07 (3c), 71.07 (3e), 71.07 (3w), 71.28 (3w), 71.47 (3w) and 560.799 of the statutes; relating to: creating rural enterprise development zones and providing tax incentives to qualified businesses in the zones, creating refundable individual income tax credits for income and capital gains derived from the zones, making appropriations, and providing a penalty. (FE)

2005

03-17. A. Introduced by Representatives **Suder**, **M. Williams**, **Pettis**, **Moulton**, **Wood**, **Lamb**, **Nerison**, **Ott**, **Gronemus**, **Kestell**, **Davis**, **Mursau**, **Owens**, **Freese**, **Van Roy**, **Musser**, **Kreibich**, **McCormick**, **Hines**, **Hahn**, **Vruwink**, **Vos**, **F. Lasee**, **Petrowski**, **Ballweg** and **Gunderson**; cosponsored by Senators **Zien**, **Harsdorf**, **Roessler**, **Brown** and **Darling**.

03-14. A. Read first time and referred to committee on Rural Development 127

03-16. A. Public hearing held.

03-17. A. Fiscal estimate received.

03-23. A. Executive action taken.

03-24. A. Fiscal estimate received.

03-30. A. Report passage recommended by committee on Rural Development, Ayes 5, Noes 0 155

03-30. A. Referred to joint committee on Finance 155

04-05. A. Executive action taken.

04-05. A. Assembly substitute amendment 1 offered by committee on Finance **(LRB s0060)** 160

04-05. A. Assembly amendment 1 to Assembly substitute amendment 1 offered by committee on Finance **(LRB a0398)** 160

04-05. A. Report Assembly Amendment 1 to Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 15, Noes 0 161

04-05. A. Report Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 9, Noes 6 161

04-05. A. Report passage as amended with emergency statement attached, pursuant to s. 16.47 (2), Wisconsin Statutes recommended by joint committee on Finance, Ayes 9, Noes 6 161

04-05. A. Referred to committee on Rules 161

04-05. A. Placed on calendar 4-7-2005 by committee on Rules.

04-07. A. Read a second time 171

04-07. A. Assembly amendment 1 to Assembly substitute amendment 1 **adopted** 171

04-07. A. Assembly substitute amendment 1 **adopted** 172

04-07. A. Ordered to a third reading 172

04-07. A. Refused to suspend rules to read a third time, Ayes 61, Noes 35 172

04-07. A. Made a special order of business at 11:01 A.M. on 4-12-2005 pursuant to Assembly Resolution 12 174

04-12. A. Read a third time and **passed**, Ayes 65, Noes 33 181

04-12. A. Ordered immediately messaged 181

04-13. S. Received from Assembly 170

04-13. S. Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs 170

05-19. S. Public hearing held.

05-25. S. Fiscal estimate received.

10-25. S. Withdrawn from committee on Job Creation, Economic Development and Consumer Affairs and rereferred to committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, pursuant to Senate Rule 46 (2)(c) 404

11-16. S. Public hearing held.

12-02. S. Senate amendment 1 offered by Senator Brown **(LRB a1643)** 472

12-05. S. Executive action taken.

12-05. S. Report adoption of Senate Amendment 1 recommended by committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, Ayes 3, Noes 2 475

12-05. S. Report concurrence as amended recommended by committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform, Ayes 3, Noes 2 475

12-05. S. Available for scheduling.

2006

03-01. S. Placed on calendar 3-2-2006 by committee on Senate Organization.

03-02. S. Senator Stepp added as a cosponsor.

03-02. S. Read a second time.

03-02. S. Senate amendment 1 **adopted**.

03-02. S. Senate amendment 2 offered by Senator S. Fitzgerald **(LRB a2613)**.

03-02. S. Senate amendment 2 **adopted**.

58

03-02.	S.	Ordered to a third reading.
03-02.	S.	Rules suspended.
03-02.	S.	Read a third time and **concurred in** as amended, Ayes 17, Noes 15.
03-02.	S.	Ordered immediately messaged.
03-09.	A.	Received from Senate amended and concurred in as amended (Senate amendments 1 and 2 adopted) 966
03-09.	A.	Senate amendment 1 **concurred in** 967
03-09.	A.	Senate amendment 2 **concurred in** 967
03-09.	A.	Action ordered immediately messaged 967

SB

2005
ENROLLED BILL

05en A B- 208

ADOPTED DOCUMENTS:

☐ Orig ☐ Engr A SubAmdt 1 ✓ 05 s0060/1

Amendments to above (if none, write "NONE"): SA1 – a 1643/1
SA2 a 2613/1
AA1 to ASA1 – a 0398/2

Corrections – show date (if none, write "NONE"): None ✓

Topic Rel

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ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 2005 ASSEMBLY BILL 208

April 5, 2005 – Offered by JOINT COMMITTEE ON FINANCE.

1 AN ACT ***to amend*** 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26
2 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and
3 ***to create*** 20.835 (2) (cm), 20.835 (2) (em), 20.835 (2) (eo), 71.07 (3c), 71.07 (3e),
4 71.07 (3w), 71.28 (3w), 71.47 (3w) and 560.799 of the statutes; **relating to:**
5 creating rural enterprise development zones and providing tax incentives to
6 qualified businesses in the zones, creating refundable individual income tax
7 credits for income and capital gains derived from the zones, making
8 appropriations, and providing a penalty.

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

9 **SECTION 1.** 20.835 (2) (cm) of the statutes is created to read:
10 20.835 **(2)** (cm) *Rural enterprise development zone jobs credit.* A sum sufficient
11 to make the payments under ss. 71.07 (3w) (c) 1., 71.28 (3w) (c) 1., 71.47 (3w) (c) 1.
12 **SECTION 2.** 20.835 (2) (em) of the statutes is created to read:

20.835 **(2)** (em) *Rural enterprise development income credit.* A sum sufficient to pay the claims approved under s. 71.07 (3c).

SECTION 3. 20.835 (2) (eo) of the statutes is created to read:

20.835 **(2)** (eo) *Rural enterprise development capital gains credit.* A sum sufficient to pay the claims approved under s. 71.07 (3e).

SECTION 4. 71.05 (6) (a) 15. of the statutes is amended to read:

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

SECTION 5. 71.07 (3c) of the statutes is created to read:

71.07 **(3c)** RURAL ENTERPRISE DEVELOPMENT INCOME CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who is certified to claim tax benefits under s. 560.799 (5) and who owns or operates a trade or business in a rural enterprise development zone.

2. "Rural enterprise development zone" has the meaning given in s. 71.07 (3w) (a) 4.

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02 or 71.08 an amount obtained by multiplying 20 percent of the net income that the individual derives from the operation of his or her trade or business in a rural enterprise development zone by 6.5 percent. If the allowable amount of the claim exceeds the income taxes otherwise due on the claimant's income, the amount of the claim not

used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (em).

(c) *Limitations.* 1. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).

2. For a claimant who is a nonresident or part–year resident of this state and who is a single person or a married person filing a separate return, multiply the credit for which the claimant is eligible under par. (b) by a fraction the numerator of which is the individual's Wisconsin adjusted gross income and the denominator of which is the individual's federal adjusted gross income. If a claimant is married and files a joint return, and if the claimant or the claimant's spouse, or both, are nonresidents or part–year residents of this state, multiply the credit for which the claimant is eligible under par. (b) by a fraction the numerator of which is the couple's joint Wisconsin adjusted gross income and the denominator of which is the couple's joint federal adjusted gross income.

(d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 6. 71.07 (3e) of the statutes is created to read:

71.07 **(3e)** RURAL ENTERPRISE DEVELOPMENT CAPITAL GAINS CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who is certified to claim tax benefits under s. 560.799 (5) and who files a claim under this subsection.

2. "Property gain" means the gain derived from the sale or exchange of property, other than real property, that is used in a rural enterprise development zone by a certified business under s. 560.799 (5).

1 3. "Real property gain" means the gain derived from the sale or exchange of real
2 property that is located in a rural enterprise development zone and used by a
3 certified business under s. 560.799 (5).
4 4. "Rural enterprise development zone" has the meaning given in s. 71.07 (3w)
5 (a) 4.
6 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
7 claimant may claim as a credit against the tax imposed under s. 71.02 or 71.08 all
8 of the following:
9 1. An amount obtained by multiplying the amount of property gain that is not
10 excluded under s. 71.05 (6) (b) 9. and 25. by 6.5 percent.
11 2. An amount obtained by multiplying the amount of real property gain that
12 is not excluded under s. 71.05 (6) (b) 9. and 25. by 6.5 percent.
13 (bm) *Payment.* If the allowable amount of the claim under par. (b) exceeds the
14 income taxes otherwise due on the claimant's income, the amount of the claim not
15 used as an offset against those taxes shall be certified by the department of revenue
16 to the department of administration for payment to the claimant by check, share
17 draft, or other draft from the appropriation under s. 20.835 (2) (eo).
18 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
19 is claimed within the time period under s. 71.75 (2).
20 2. If the claimant held the property to which the claim relates during a period
21 when the rural enterprise development zone was not designated, the gain subject to
22 the credit under par. (b) must be multiplied by a fraction, the numerator of which is
23 the number of days the claimant held the property during the period the zone
24 designation was in effect and the denominator of which is the total number of days
25 the claimant held the property.

3. For a claimant who is a nonresident or part–year resident of this state and who is a single person or a married person filing a separate return, multiply the credit for which the claimant is eligible under par. (b), or the credit for which the claimant is eligible under par. (b) as modified by subd. 2., if applicable, by a fraction the numerator of which is the individual's Wisconsin adjusted gross income and the denominator of which is the individual's federal adjusted gross income. If a claimant is married and files a joint return, and if the claimant or the claimant's spouse, or both, are nonresidents or part–year residents of this state, multiply the credit for which the claimant is eligible under par. (b), or the credit for which the claimant is eligible under par. (b) as modified by subd. 2., if applicable, by a fraction the numerator of which is the couple's joint Wisconsin adjusted gross income and the denominator of which is the couple's joint federal adjusted gross income.

(d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 7. 71.07 (3w) of the statutes is created to read:

71.07 **(3w)** RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) *Definitions.* In this subsection:

1. "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the rural enterprise development zone in which the claimant is located takes effect.

2. "Claimant" means a person who is certified to claim tax benefits under s. 560.799 (5) and who files a claim under this subsection.

3. "Full–time employee" means an individual who is employed in a regular, nonseasonal job and who, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

1 4. "Rural enterprise development zone" means a zone designated under s.
2 560.799.
3 5. "State payroll" means the amount of payroll apportioned to this state, as
4 determined under s. 71.04 (6).
5 6. "Zone payroll" means the amount of state payroll that is attributable to
6 compensation paid to individuals for services that are performed in a rural
7 enterprise development zone. "Zone payroll" does not include the amount of
8 compensation paid to any individual that exceeds $100,000.
9 (b) *Filing claims; payroll.* Subject to the limitations provided in this subsection
10 and s. 560.799, a claimant may claim as a credit against the tax imposed under s.
11 71.02 or 71.08 an amount calculated as follows:
12 1. Determine the amount that is the lesser of:
13 a. The claimant's zone payroll in the taxable year, minus the claimant's zone
14 payroll in the base year.
15 b. The claimant's state payroll in the taxable year, minus the claimant's state
16 payroll in the base year.
17 2. Subtract the number of full–time employees that the claimant employed in
18 the area that comprises the rural enterprise development zone in the base year from
19 the number of full–time employees that the claimant employed in the rural
20 enterprise development zone in the taxable year.
21 3. Multiply the amount determined under subd. 2., but not an amount less than
22 zero, by $30,000.
23 4. Subtract the amount determined under subd. 3. from the amount
24 determined under subd. 1.
25 5. Multiply the amount determined under subd. 4. by 7 percent.

1 (bm) *Filing supplemental claims.* In addition to the credit under par. (b) and
2 subject to the limitations provided in this subsection and s. 560.799, a claimant may
3 claim as a credit against the tax imposed under s. 71.02 or 71.08 an amount equal
4 to all of the following:

5 1. The amount of the property taxes that the claimant paid in the taxable year
6 for the claimant's personal property that is located in a rural enterprise development
7 zone and used in a business that is certified to claim tax benefits under s. 560.799
8 (5).

9 2. The amount of taxes imposed under subch. III of ch. 77 that the claimant paid
10 in the taxable year on the purchase of tangible personal property and taxable
11 services that are used or consumed primarily in a rural enterprise development zone
12 and used in a business that is certified to claim tax benefits under s. 560.799 (5).

13 3. If all of the claimant's payroll is zone payroll and all of the claimant's
14 business–related property is located in a rural enterprise development zone, the
15 amount obtained by multiplying 20 percent of the sum of the claimant's zone payroll
16 in the taxable year and the adjusted basis of the claimant's property at the time that
17 the property is first placed in service in the rural enterprise development zone by 6.5
18 percent.

19 4. The amount the claimant paid in the taxable year to upgrade or improve the
20 skills of any of the claimant's full–time employees, to train any of the claimant's
21 full–time employees on the use of new technologies, or to train any full–time
22 employee whose employment with the claimant represents the employee's first
23 full–time job. This subdivision does not apply to employees who do not work in a
24 rural enterprise development zone.

1 (c) *Limitations.* 1. If the allowable amount of the claim under this subsection
2 exceeds the taxes otherwise due on the claimant's income under s. 71.02, the amount
3 of the claim that is not used to offset those taxes shall be certified by the department
4 of revenue to the department of administration for payment by check, share draft,
5 or other draft drawn from the appropriation under s. 20.835 (2) (cm).

6 2. Partnerships, limited liability companies, and tax–option corporations may
7 not claim the credit under this subsection, but the eligibility for, and the amount of,
8 the credit are based on their payment of amounts described under pars. (b) and (bm).
9 A partnership, limited liability company, or tax–option corporation shall compute
10 the amount of credit that each of its partners, members, or shareholders may claim
11 and shall provide that information to each of them. Partners, members of limited
12 liability companies, and shareholders of tax–option corporations may claim the
13 credit in proportion to their ownership interests.

14 3. No credit may be allowed under this subsection unless the claimant includes
15 with the claimant's return a copy of the claimant's certification for tax benefits under
16 s. 560.799 (5).

17 4. No claimant may claim a credit under this subsection if the basis for which
18 the credit is claimed is also the basis for which another credit is claimed under this
19 subchapter.

20 (d) *Administration.* Section 71.28 (4) (g) and (h), as it applies to the credit under
21 s. 71.28 (4), applies to the credit under this subsection.

22 **SECTION 8.** 71.08 (1) (intro.) of the statutes is amended to read:

23 71.08 **(1)** IMPOSITION. (intro.) If the tax imposed on a natural person, married
24 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under
25 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), <u>(3c), (3e),</u> (3m),

(3n), (3s), (3t), (3w), (5b), (5d), (6), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), (3n), ~~and~~ (3t), and (3w), and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), (3n), ~~and~~ (3t), and (3w), and subchs. VIII and IX, and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust, or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

SECTION 9. 71.10 (4) (i) of the statutes is amended to read:

71.10 **(4)** (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), rural enterprise development income credit under s. 71.07 (3c), rural enterprise development capital gains credit under s. 71.07 (3e), rural enterprise development zone jobs credit under s. 71.07 (3w), earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

SECTION 10. 71.21 (4) of the statutes is amended to read:

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

SECTION 11. 71.26 (2) (a) of the statutes is amended to read:

71.26 **(2)** (a) *Corporations in general.* The "net income" of a corporation means the gross income as computed under the Internal Revenue Code as modified under sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)

7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income under this paragraph at the time that the taxpayer first claimed the credit plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3g), (3n), (3t), (3w), and (5b) and not passed through by a partnership, limited liability company, or tax–option corporation that has added that amount to the partnership's, limited liability company's, or tax–option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or other disposition of assets the gain from which would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus deductions, as computed under the Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to the difference between the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

SECTION 12. 71.28 (3w) of the statutes is created to read:

71.28 **(3w)** RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) *Definitions.* In this subsection:

1. "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the rural enterprise development zone in which the claimant is located takes effect.

2. "Claimant" means a person who is certified to claim tax benefits under s. 560.799 (5) and who files a claim under this subsection.

3. "Full–time employee" means an individual who is employed in a regular, nonseasonal job and who, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

1 4. "Rural enterprise development zone" means a zone designated under s.
2 560.799.
3 5. "State payroll" means the amount of payroll apportioned to this state, as
4 determined under s. 71.25 (8).
5 6. "Zone payroll" means the amount of state payroll that is attributable to
6 compensation paid to individuals for services that are performed in a rural
7 enterprise development zone. "Zone payroll" does not include the amount of
8 compensation paid to any individual that exceeds $100,000.
9 (b) *Filing claims; payroll.* Subject to the limitations provided in this subsection
10 and s. 560.799, a claimant may claim as a credit against the tax imposed under s.
11 71.23 an amount calculated as follows:
12 1. Determine the amount that is the lesser of:
13 a. The claimant's zone payroll in the taxable year, minus the claimant's zone
14 payroll in the base year.
15 b. The claimant's state payroll in the taxable year, minus the claimant's state
16 payroll in the base year.
17 2. Subtract the number of full–time employees that the claimant employed in
18 the area that comprises the rural enterprise development zone in the base year from
19 the number of full–time employees that the claimant employed in the rural
20 enterprise development zone in the taxable year.
21 3. Multiply the amount determined under subd. 2., but not an amount less than
22 zero, by $30,000.
23 4. Subtract the amount determined under subd. 3. from the amount
24 determined under subd. 1.
25 5. Multiply the amount determined under subd. 4. by 7 percent.

1 (bm) *Filing supplemental claims.* In addition to the credit under par. (b) and
2 subject to the limitations provided in this subsection and s. 560.799, a claimant may
3 claim as a credit against the tax imposed under s. 71.23 an amount equal to all of the
4 following:

5 1. The amount of the property taxes that the claimant paid in the taxable year
6 for the claimant's personal property that is located in a rural enterprise development
7 zone and used in a business that is certified to claim tax benefits under s. 560.799
8 (5).

9 2. The amount of taxes imposed under subch. III of ch. 77 that the claimant paid
10 in the taxable year on the purchase of tangible personal property and taxable
11 services that are used or consumed primarily in a rural enterprise development zone
12 and used in a business that is certified to claim tax benefits under s. 560.799 (5).

13 3. If all of the claimant's payroll is zone payroll and all of the claimant's
14 business–related property is located in a rural enterprise development zone, the
15 amount obtained by multiplying 20 percent of the sum of the claimant's zone payroll
16 in the taxable year and the adjusted basis of the claimant's property at the time that
17 the property is first placed in service in the rural enterprise development zone by 7.9
18 percent.

19 4. The amount the claimant paid in the taxable year to upgrade or improve the
20 skills of any of the claimant's full–time employees, to train any of the claimant's
21 full–time employees on the use of new technologies, or to train any full–time
22 employee whose employment with the claimant represents the employee's first
23 full–time job. This subdivision does not apply to employees who do not work in a
24 rural enterprise development zone.

1 (c) *Limitations.* 1. If the allowable amount of the claim under this subsection
2 exceeds the taxes otherwise due on the claimant's income under s. 71.23, the amount
3 of the claim that is not used to offset those taxes shall be certified by the department
4 of revenue to the department of administration for payment by check, share draft,
5 or other draft drawn from the appropriation under s. 20.835 (2) (cm).

6 2. Partnerships, limited liability companies, and tax–option corporations may
7 not claim the credit under this subsection, but the eligibility for, and the amount of,
8 the credit are based on their payment of amounts described under pars. (b) and (bm).
9 A partnership, limited liability company, or tax–option corporation shall compute
10 the amount of credit that each of its partners, members, or shareholders may claim
11 and shall provide that information to each of them. Partners, members of limited
12 liability companies, and shareholders of tax–option corporations may claim the
13 credit in proportion to their ownership interests.

14 3. No credit may be allowed under this subsection unless the claimant includes
15 with the claimant's return a copy of the claimant's certification for tax benefits under
16 s. 560.799 (5).

17 4. No claimant may claim a credit under this subsection if the basis for which
18 the credit is claimed is also the basis for which another credit is claimed under this
19 subchapter.

20 (d) *Administration.* Subsection (4) (g) and (h), as it applies to the credit under
21 sub. (4), applies to the credit under this subsection.

22 **SECTION 13.** 71.30 (3) (f) of the statutes is amended to read:

23 71.30 **(3)** (f) The total of farmers' drought property tax credit under s. 71.28
24 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under

1 s. 71.28 (2m), rural enterprise development zone jobs credit under s. 71.28 (3w), and
2 estimated tax payments under s. 71.29.

3 **SECTION 14.** 71.34 (1) (g) of the statutes is amended to read:

4 71.34 **(1)** (g) An addition shall be made for credits computed by a tax–option
5 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),
6 (3n), (3t), (3w), and (5b) and passed through to shareholders.

7 **SECTION 15.** 71.45 (2) (a) 10. of the statutes is amended to read:

8 71.45 **(2)** (a) 10. By adding to federal taxable income the amount of credit
9 computed under s. 71.47 (1dd) to (1dx), (3n), (3w), and (5b) and not passed through
10 by a partnership, limited liability company, or tax–option corporation that has added
11 that amount to the partnership's, limited liability company's, or tax–option
12 corporation's income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit
13 computed under s. 71.47 (1), (3), (3t), (4), and (5).

14 **SECTION 16.** 71.47 (3w) of the statutes is created to read:

15 71.47 **(3w)** RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) *Definitions.*
16 In this subsection:

17 1. "Base year" means the taxable year beginning during the calendar year prior
18 to the calendar year in which the rural enterprise development zone in which the
19 claimant is located takes effect.

20 2. "Claimant" means a person who is certified to claim tax benefits under s.
21 560.799 (5) and who files a claim under this subsection.

22 3. "Full–time employee" means an individual who is employed in a regular,
23 nonseasonal job and who, as a condition of employment, is required to work at least
24 2,080 hours per year, including paid leave and holidays.

1 4. "Rural enterprise development zone" means a zone designated under s.
2 560.799.
3 5. "State payroll" means the amount of payroll apportioned to this state, as
4 determined under s. 71.45 (3) (b).
5 6. "Zone payroll" means the amount of state payroll that is attributable to
6 compensation paid to individuals for services that are performed in a rural
7 enterprise development zone. "Zone payroll" does not include the amount of
8 compensation paid to any individual that exceeds $100,000.
9 (b) *Filing claims; payroll.* Subject to the limitations provided in this subsection
10 and s. 560.799, a claimant may claim as a credit against the tax imposed under s.
11 71.43 an amount calculated as follows:
12 1. Determine the amount that is the lesser of:
13 a. The claimant's zone payroll in the taxable year, minus the claimant's zone
14 payroll in the base year.
15 b. The claimant's state payroll in the taxable year, minus the claimant's state
16 payroll in the base year.
17 2. Subtract the number of full–time employees that the claimant employed in
18 the area that comprises the rural enterprise development zone in the base year from
19 the number of full–time employees that the claimant employed in the rural
20 enterprise development zone in the taxable year.
21 3. Multiply the amount determined under subd. 2., but not an amount less than
22 zero, by $30,000.
23 4. Subtract the amount determined under subd. 3. from the amount
24 determined under subd. 1.
25 5. Multiply the amount determined under subd. 4. by 7 percent.

(bm) *Filing supplemental claims.* In addition to the credit under par. (b) and subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.43 an amount equal to all of the following:

1. The amount of the property taxes that the claimant paid in the taxable year for the claimant's personal property that is located in a rural enterprise development zone and used in a business that is certified to claim tax benefits under s. 560.799 (5).

2. The amount of taxes imposed under subch. III of ch. 77 that the claimant paid in the taxable year on the purchase of tangible personal property and taxable services that are used or consumed primarily in a rural enterprise development zone and used in a business that is certified to claim tax benefits under s. 560.799 (5).

3. If all of the claimant's payroll is zone payroll and all of the claimant's business–related property is located in a rural enterprise development zone, the amount obtained by multiplying 20 percent of the sum of the claimant's zone payroll in the taxable year and the adjusted basis of the claimant's property at the time that the property is first placed in service in the rural enterprise development zone by 7.9 percent.

4. The amount the claimant paid in the taxable year to upgrade or improve the skills of any of the claimant's full–time employees, to train any of the claimant's full–time employees on the use of new technologies, or to train any full–time employee whose employment with the claimant represents the employee's first full–time job. This subdivision does not apply to employees who do not work in a rural enterprise development zone.

1 (c) *Limitations.* 1. If the allowable amount of the claim under this subsection
2 exceeds the taxes otherwise due on the claimant's income under s. 71.43, the amount
3 of the claim that is not used to offset those taxes shall be certified by the department
4 of revenue to the department of administration for payment by check, share draft,
5 or other draft drawn from the appropriation under s. 20.835 (2) (cm).

6 2. Partnerships, limited liability companies, and tax–option corporations may
7 not claim the credit under this subsection, but the eligibility for, and the amount of,
8 the credit are based on their payment of amounts described under pars. (b) and (bm).
9 A partnership, limited liability company, or tax–option corporation shall compute
10 the amount of credit that each of its partners, members, or shareholders may claim
11 and shall provide that information to each of them. Partners, members of limited
12 liability companies, and shareholders of tax–option corporations may claim the
13 credit in proportion to their ownership interests.

14 3. No credit may be allowed under this subsection unless the claimant includes
15 with the claimant's return a copy of the claimant's certification for tax benefits under
16 s. 560.799 (5).

17 4. No claimant may claim a credit under this subsection if the basis for which
18 the credit is claimed is also the basis for which another credit is claimed under this
19 subchapter.

20 (d) *Administration.* Section 71.28 (4) (g) and (h), as it applies to the credit under
21 s. 71.28 (4), applies to the credit under this subsection.

22 **SECTION 17.** 71.49 (1) (f) of the statutes is amended to read:

23 71.49 **(1)** (f) The total of farmers' drought property tax credit under s. 71.47
24 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under

1 s. 71.47 (2m), rural enterprise development zone jobs credit under s. 71.47 (3w), and
2 estimated tax payments under s. 71.48.

3 **SECTION 18.** 77.92 (4) of the statutes is amended to read:

4 77.92 **(4)** "Net business income," with respect to a partnership, means taxable
5 income as calculated under section 703 of the Internal Revenue Code; plus the items
6 of income and gain under section 702 of the Internal Revenue Code, including taxable
7 state and municipal bond interest and excluding nontaxable interest income or
8 dividend income from federal government obligations; minus the items of loss and
9 deduction under section 702 of the Internal Revenue Code, except items that are not
10 deductible under s. 71.21; plus guaranteed payments to partners under section 707
11 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
12 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), (3w), and (5b); and
13 plus or minus, as appropriate, transitional adjustments, depreciation differences,
14 and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding
15 income, gain, loss, and deductions from farming. "Net business income," with respect
16 to a natural person, estate, or trust, means profit from a trade or business for federal
17 income tax purposes and includes net income derived as an employee as defined in
18 section 3121 (d) (3) of the Internal Revenue Code.

19 **SECTION 19.** 560.799 of the statutes is created to read:

20 **560.799 Rural enterprise development zone. (1)** DEFINITIONS. In this
21 section:

22 (a) "Local governing body" has the meaning given in s. 560.70 (4).

23 (b) "Local governmental unit" means a city, village, town, or county.

INSERT 1-1

24 (c) "Tax benefits" means the income and franchise tax credits under ss. 71.07
25 (3c), (3e), and (3w), 71.28 (3w), and 71.47 (3w).

1 **(2)** APPLICATION; DEVELOPMENT PLAN. (a) The local governing body of a local
2 governmental unit may apply to the department for designation of an area as a rural
3 enterprise development zone, if the proposed zone includes land within the
4 boundaries of the local governmental unit applying for designation. An application
5 shall include a development plan under par. (b).

6 (b) A development plan shall include all of the following:

7 1. A map of the proposed zone that shows the physical boundaries of the
8 proposed zone, the size of the zone in acres, and the present uses and condition of land
9 and structures in the proposed zone.

10 2. Evidence of support in the proposed zone for the proposed designation,
11 including support from local government, the public, and business groups.

12 3. A description of the applicant's or applicants' goals for, and proposed methods
13 for achieving, increased economic opportunity and expansion, infrastructure
14 improvements, reduced regulatory burdens, and increased job training
15 opportunities in the proposed zone.

16 4. A description of current social, economic, and demographic characteristics
17 of the proposed zone and of the anticipated improvements in health, human services,
18 and employment that would result from designation as a rural enterprise
19 development zone.

20 5. A description of anticipated economic and other activity in the proposed zone,
21 including industrial uses, commercial or retail uses, and residential uses.

22 6. A proposal as to the time period in which the designation would remain in
23 effect.

24 **(3)** DESIGNATION OF RURAL ENTERPRISE DEVELOPMENT ZONES; CRITERIA. (a) The
25 department may, upon application, designate not more than 10 rural enterprise

development zones. The department may designate an area as a rural enterprise development zone if all of the following apply:

1. The area does not exceed 5,000 acres.

2. The area does not include any part of a city of the first class or a city with a population greater than 200,000.

(b) In determining whether to grant an application to designate an area under par. (a), the department shall consider all of the following:

1. Indicators of the area's economic need, which may include data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, and the rate of business development.

2. Indicators of the likelihood of success in achieving the goals under sub. (2) (b) 3., which may include the strength and viability of the development plan; the level of creativity and innovation reflected in the development plan; the strength of support for the proposal in the proposed zone; the existing resources available to the area; the effect of designation on other initiatives and programs to promote economic and community development in the area, including regional initiatives and programs; the extent to which an applicant proposes to ease regulatory burdens; the extent to which the development plan links job creation and job training; and the extent to which the development plan focuses on creating high–paying jobs.

(c) The department shall, to the extent possible, give preference to applications in which the areas proposed for designation have the lowest population densities and have, according to the indicators under par. (b) 1., the greatest economic need.

(4) TIME LIMITS; REPORTING. (a) A designation under sub. (3) may remain in effect for no more than 12 years.

(b) If the department designates an area as a rural enterprise development zone under sub. (3), the governing body of the local governmental unit that applied for designation shall, during the time that the designation is in effect, annually submit a report to the department, in a form and at a time prescribed by the department, describing the local governmental unit's progress in meeting the goals contained in the development plan under sub. (2) (b) 3., and any additional information required by the department.

(5) CERTIFICATION. The department may certify for tax benefits any of the following:

(a) A business that begins operations in a rural enterprise development zone.

(b) A business that relocates to a rural enterprise development zone from outside this state. INS. A1

(c) A business that expands operations in a rural enterprise development zone or that relocates to a rural enterprise development zone from another location in this state, but only if any of the following apply:

~~1. The business will increase the number of full-time employees employed in the rural enterprise development zone by at least 10 percent, and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of employment.~~

~~2. The business makes a capital investment in property located in the rural enterprise development zone and the value of the capital investment is equal to at least 10 percent of the business's gross revenues in the preceding tax year, and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the capital investment.~~

INSERT 1-2

1 **(6)** OTHER DUTIES. (a) The department of commerce shall notify the department
2 of revenue when the department of commerce certifies a business to receive tax
3 benefits.

4 (b) The department shall revoke a certification under sub. (5) if the business
5 does any of the following:

6 1. Supplies false or misleading information to obtain tax benefits.

7 2. Leaves the rural enterprise development zone to conduct substantially the
8 same business outside of the rural enterprise development zone.

9 3. Ceases operations in the rural enterprise development zone and does not
10 renew operation of the business or a similar business in the rural enterprise
11 development zone within 12 months.

12 (c) The department of commerce shall notify the department of revenue within
13 30 days of a revocation under par. (b).

14 (d) The department may require a business to repay any tax benefits the
15 business claims for a year in which the business failed to maintain employment or
16 capital investment levels required by an agreement under sub. (5) (c).

17 **SECTION 20. Initial applicability.**

18 (1) INDIVIDUAL INCOME TAX, CAPITAL GAINS TAX CREDITS. The treatment of section
19 71.07 (3c) and (3e) of the statutes first applies to taxable years beginning on January
20 1 of the year in which this subsection takes effect, except that if this subsection takes
21 effect after July 31 the treatment of section 71.07 (3c) and (3e) of the statutes first
22 applies to taxable years beginning on January 1 of the year following the year in
23 which this subsection takes effect. INS. 2-1

24 (2) CORPORATE INCOME AND FRANCHISE TAX CREDITS. The treatment of sections
25 71.07 (3w), 71.28 (3w), and 71.47 (3w) of the statutes first applies to taxable years

1 beginning on January 1 of the year in which this subsection takes effect, except that
2 if this subsection takes effect after July 31 the treatment of sections 71.07 (3w), 71.28
3 (3w), and 71.47 (3w) of the statutes first applies to taxable years beginning on
4 January 1 of the year following the year in which this subsection takes effect.
5 **(END)**

INS. 2-2

ASSEMBLY AMENDMENT 1,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 2005 ASSEMBLY BILL 208

April 5, 2005 – Offered by JOINT COMMITTEE ON FINANCE.

A1

At the locations indicated, amend the substitute amendment as follows:

1. Page 21, line 12: after "state" insert ", if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered to its employees working outside the zone, as determined by the department".

A2

2. Page 21, line 24: after that line insert:

"3. The business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered to its employees working outside the zone, as determined by the department.".

(END)

A2 deleted by SA1-3

SENATE AMENDMENT 1,

TO 2005 ASSEMBLY BILL 208

December 2, 2005 – Offered by Senator BROWN.

At the locations indicated, amend the bill, as shown by assembly substitute amendment 1, as follows:

1-1

1. Page 18, line 23: after that line insert:

"(bm) "Personnel" means all of the following:

1. A business' employees in a rural economic development zone.

2. Individuals who provide services to a business as independent contractors in this state.".

1-2

2. Page 21, line 16: delete lines 16 to 24 and substitute:

"1. The business will increase its personnel by at least 10 percent and all of the following apply:

a. The business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of personnel.

1-2

b. The business offers compensation and benefits for the same type of work to its employees working in the rural enterprise development zone that are at least as favorable as those offered to its employees working in this state but outside the zone, as determined by the department.

2. The business makes a capital investment in property located in the rural enterprise development zone and all of the following apply:

a. The value of the capital investment is equal to at least 10 percent of the business' gross revenues in the preceding tax year attributable to business activities in this state.

b. The business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the capital investment.

c. The business offers compensation and benefits for the same type of work to its employees working in the zone that are at least as favorable as those offered to its employees working in this state but outside the zone, as determined by the department.".

✓ **3.** Page 21, line 24: after that line, delete the material inserted by assembly amendment 1.

3

(END)

SENATE AMENDMENT 2,

TO 2005 ASSEMBLY BILL 208

March 2, 2006 – Offered by Senator S. FITZGERALD.

At the locations indicated, amend the bill, as shown by assembly substitute amendment 1, as follows:

1. Page 22, line 19: delete the material beginning with "January" and ending with "effect" on line 23 and substitute "July 1, 2007". 2-1

2. Page 23, line 1: delete the material beginning with "January" and ending with "effect" on line 4 and substitute "July 1, 2007". 2-2

(END)