

**2005 DRAFTING REQUEST**

**Bill**

Received: **09/30/2004**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Robert Cowles (608) 266-0484**

By/Representing: **todd**

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: **Sen.Cowles@legis.state.wi.us**

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

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Increase the amount of research and development credits

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**Instructions:**

See Attached

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**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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/P5	wjackson 01/25/2005	kfollett 01/25/2005	rschluet 12/21/2004	_____	sbasford 12/21/2004		State
/1			jfrantze 01/25/2005	_____	sbasford 01/25/2005	sbasford 01/25/2005	State

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*Please jacket Mark /  
for Sen Cowles  
Thanks, Joe*

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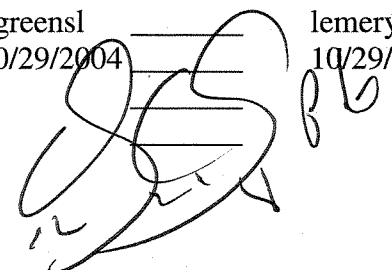
See Attached

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12/21/04



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14  
4

9-27-04

Sen Cook

Todd

6-0484

prepare a pre-lin draft that doubles the  
Research & development credit

see Indian's language that  
doubles their R&D credit

Todd will get back with what credits should be  
inserted

Will probably want a draft in a month or so.

see 71.28 (4)(a) and (5) & 71.47(4)(a) & (5)

# ENERGIZE INDIANA

Transforming the Hoosier Economy

## Technology parks and tax credits

### Technology parks will create incubators for communities that seek high-tech business

Communities that wish to establish themselves as havens for high-tech research and business may get state assistance to launch certified technology parks, which serve as incubators to grow and nurture new ideas and high-tech enterprises.

During its special session, the 2002 General Assembly created the concept of certified technology parks, allowing local development commissions to raise money through tax-allocation areas to create and build tech parks. The legislation set out criteria for the kinds of businesses that can be located in the parks and encouraged support from an institution of higher education or a private research institute.

Energize Indiana, the economic-development plan passed by the General Assembly this year as House Enrolled Act 1001 and signed into law May 8 by Governor Frank O'Bannon, appropriated \$4.5 million a year for two years to assist communities in establishing technology parks and created the Technology Development Grant Fund in the Department of Commerce.

If state grants are used for capital expenditures, a community must provide matching funds, dollar for dollar, that may be raised either through the tax-allocation funds or in some other way. A tech park may receive up to \$2 million, which may be used for leasing, construction or purchase of capital assets. Another \$2 million may be received for operating expenses over four years for expenses related to business plans, marketing studies, mentor identification, securitization of capital, legal services and other necessary services.

Applicants must apply and receive a designation as an Indiana Certified Technology Park from the Department of Commerce. They also must commit to commercializing research produced at the tech park. Awards will be made on a competitive basis, based on the number of jobs created, the targeted employment sector and other goals established in the law.

### Technology parks

#### What?

Communities may receive assistance to establish certified technology parks – incubators to nurture high-tech businesses.

#### How?

\$4.5 million a year in grants to redevelopment commissions to establish parks and help them operate.

#### Where?

Any community in the state that is willing to help itself is eligible for a grant. The research park in West Lafayette recently became the first in the state to receive certification; a park in Anderson is expected to seek certification soon; and there has been interest in opening parks in virtually every corner of the state.

### Hoosier business investment tax credit

#### What?

A 30 percent credit on a qualified capital investment made by a taxpayer.

#### How?

A qualified investment includes the purchase of manufacturing and telecommunications equipment and computers; modernization of existing equipment and machinery; and costs associated with construction of buildings for use in computer, software, biological sciences or telecommunications industries. The EDGE board, which oversees the Economic Development for a Growing Economy, will determine eligibility.

### Venture capital tax credit

#### What?

Investors in Indiana businesses may be eligible for a tax credit equal to 20 percent of the investment.

#### How?

A venture capital tax credit must be authorized by the Department of Commerce for qualified investments that are made to Indiana businesses that been certified by the department. The department may certify up to \$10 million a year in qualified investments.

### Contacts:

Department of Commerce  
800-463-8081

Tim Monger, executive director  
317-232-8806  
[tmonger@commerce.state.in.us](mailto:tmonger@commerce.state.in.us)

### Research and development tax credit

#### What?

Businesses may claim a 10 percent credit on taxes for investment in research and development.

#### How?

The 10 percent credit was due to revert to 5 percent after 2004. But action by the General Assembly this year extends the 10 percent rate through 2013.

For more information... [www.indianacommerce.com](http://www.indianacommerce.com)

(ss), SEC.87.

### IC 6-3.1-4-3

#### Unused credits carried forward

Sec. 3. (a) The amount of the credit provided by this chapter that a taxpayer uses during a particular taxable year may not exceed the sum of the taxes imposed by IC 6-3 for the taxable year after the application of all credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter. If the credit provided by this chapter exceeds that sum for the taxable year for which the credit is first claimed, then the excess may be carried over to succeeding taxable years and used as a credit against the tax otherwise due and payable by the taxpayer under IC 6-3 during those taxable years. Each time that the credit is carried over to a succeeding taxable year, it is to be reduced by the amount which was used as a credit during the immediately preceding taxable year. The credit provided by this chapter may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years following the unused credit year.

(b) A credit earned by a taxpayer in a particular taxable year shall be applied against the taxpayer's tax liability for that taxable year before any credit carryover is applied against that liability under subsection (a).

(c) A taxpayer is not entitled to any carryback or refund of any unused credit.

*As added by P.L.51-1984, SEC.1. Amended by P.L.57-1990, SEC.3; P.L.192-2002(ss), SEC.88.*

### IC 6-3.1-4-4

#### Application of Internal Revenue Code provisions

Sec. 4. The provisions of Section 41 of the Internal Revenue Code as in effect on January 1, 2001, and the regulations promulgated in respect to those provisions and in effect on January 1, 2001, are applicable to the interpretation and administration by the department of the credit provided by this chapter, including the allocation and pass through of the credit to various taxpayers and the transitional rules for determination of the base period.

*As added by P.L.51-1984, SEC.1. Amended by P.L.57-1990, SEC.4; P.L.192-2002(ss), SEC.89.*

### IC 6-3.1-4-5

#### Qualified research expenses; determination

Sec. 5. In prescribing standards for determining which qualified research expenses are considered Indiana qualified research expenses for purposes of computing the credit provided by this chapter, the department may consider:

- (1) the place where the services are performed;
- (2) the residence or business location of the person or persons performing the services;
- (3) the place where qualified research supplies are consumed; and
- (4) other factors that the department determines are relevant for the determination.

*As added by P.L.51-1984, SEC.1.*

### IC 6-3.1-4-6

#### Expiration

Sec. 6. Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for Indiana qualified research expense incurred after December 31, 2013. Notwithstanding Section 41 of the Internal Revenue Code, the termination date in Section 41(h) of the Internal Revenue Code does not apply to a taxpayer who is eligible for the credit under this chapter for the taxable year in which the

Indiana qualified research expense is incurred.

*As added by P.L.51-1984, SEC.1. Amended by P.L.53-1984, SEC.2; P.L.57-1990, SEC.5; P.L.43-1992, SEC.10; P.L.76-1993, SEC.1; P.L.19-1994, SEC.9; P.L.8-1996, SEC.8; P.L.4-2000, SEC.13; P.L.192-2002(ss), SEC.90; P.L.224-2003, SEC.191.*

#### **IC 6-3.1-4-7**

##### **Pass through entity; shareholder or partner**

Sec. 7. (a) If a pass through entity does not have state income tax liability against which the research expense tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a research expense tax credit equal to:

(1) the research expense tax credit determined for the pass through entity for the taxable year, multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

(b) The credit provided under subsection (a) is in addition to a research expense tax credit to which a shareholder or partner of a pass through entity is otherwise entitled under this chapter. However, a pass through entity and a shareholder or partner of the pass through entity may not claim a credit under this chapter for the same qualified research expenses.

*As added by P.L.57-1990, SEC.6.*

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IC 6 - 3.1 - 4

[Help](#)

**Information Maintained by the Office of Code Revision Indiana Legislative Services Agency**  
07/29/2004 03:23:07 PM EST

**IC 6-3.1-4**

## Chapter 4. Research Expense Credits

**IC 6-3.1-4-1****Definitions**

Sec. 1. As used in this chapter:

"Base amount" means base amount (as defined in Section 41(c) of the Internal Revenue Code as in effect on January 1, 2001).

"Base period Indiana qualified research expense" means base period research expense that is incurred for research conducted in Indiana.

"Base period research expense" means base period research expense (as defined in Section 41(c) of the Internal Revenue Code before January 1, 1990).

"Indiana qualified research expense" means qualified research expense that is incurred for research conducted in Indiana.

"Qualified research expense" means qualified research expense (as defined in Section 41(b) of the Internal Revenue Code as in effect on January 1, 2001).

"Pass through entity" means:

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);
- (2) a partnership;
- (3) a limited liability company; or
- (4) a limited liability partnership.

"Research expense tax credit" means a credit provided under this chapter against any tax otherwise due and payable under IC 6-3.

"Taxpayer" means an individual, a corporation, a limited liability company, a limited liability partnership, a trust, or a partnership that has any tax liability under IC 6-3 (adjusted gross income tax). *As added by P.L.51-1984, SEC.1. Amended by P.L.57-1990, SEC.1; P.L.8-1993, SEC.85; P.L.8-1996, SEC.7; P.L.192-2002(ss), SEC.86.*

**IC 6-3.1-4-2****Amount of credit; computation**

Sec. 2. A taxpayer who incurs Indiana qualified research expense in a particular taxable year is entitled to a research expense tax credit for the taxable year in the amount of the product of:

(1) ten percent (10%); multiplied by

(2) the remainder of the taxpayer's Indiana qualified research expenses for the taxable year, minus:

(A) the taxpayer's base period Indiana qualified research expenses, for taxable years beginning before January 1, 1990; or

(B) the taxpayer's base amount, for taxable years beginning after December 31, 1989.

*As added by P.L.51-1984, SEC.1. Amended by P.L.53-1984, SEC.1; P.L.57-1990, SEC.2; P.L.192-2002*





State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-0346/P1  
JK: k...  
kjf

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 10-14-09  
Monday  
due 10-18-09  
Gen

1 AN ACT ...; relating to: the income and franchise tax credit for research and  
2 research facilities.

*Analysis by the Legislative Reference Bureau*

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this bill, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research.

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:*

3 SECTION 1. 71.28 (4) (a) of the statutes is amended to read:

1           71.28 (4) (a) *Credit*. Any corporation may credit against taxes otherwise due  
2 under this chapter an amount equal to 5% 10 percent of the amount obtained by  
3 subtracting from the corporation's qualified research expenses, as defined in section  
4 41 of the ~~internal revenue code~~, Internal Revenue Code, except that "qualified research expenses" includes  
5 only expenses incurred by the claimant, incurred for research conducted in this state  
6 for the taxable year, except that a taxpayer may elect the alternative computation  
7 under section 41 (c) (4) of the Internal Revenue Code and that election applies until  
8 the department permits its revocation and except that "qualified research expenses"  
9 does not include compensation used in computing the credit under subs. (1dj) and  
10 (1dx), the corporation's base amount, as defined in section 41 (c) of the ~~internal~~  
11 ~~revenue code~~ Internal Revenue Code, except that gross receipts used in calculating  
12 the base amount means gross receipts from sales attributable to Wisconsin under s.  
13 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal  
14 Revenue Code does not apply to the credit under this paragraph.

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.

15           **SECTION 2.** 71.28 (5) (a) of the statutes is amended to read:

16           71.28 (5) (a) *Credit*. For taxable year 1986 and subsequent years, any  
17 corporation may credit against taxes otherwise due under this chapter an amount  
18 equal to 5% 10 percent of the amount paid or incurred by that corporation during the  
19 taxable year to construct and equip new facilities or expand existing facilities used  
20 in this state for qualified research, as defined in section 41 of the ~~internal revenue~~  
21 ~~code~~ Internal Revenue Code. Eligible amounts include only amounts paid or  
22 incurred for tangible, depreciable property but do not include amounts paid or  
23 incurred for replacement property.

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.

1           **SECTION 3.** 71.47 (4) (a) of the statutes is amended to read:

2           71.47 (4) (a) *Credit.* Any corporation may credit against taxes otherwise due  
3 under this chapter an amount equal to 5% <sup>✓</sup> 10 percent of the amount obtained by  
4 subtracting from the corporation's qualified research expenses, as defined in section  
5 41 of the ~~internal revenue code~~, <sup>Internal Revenue Code</sup> except that "qualified research expenses" includes  
6 only expenses incurred by the claimant, incurred for research conducted in this state  
7 for the taxable year, except that a taxpayer may elect the alternative computation  
8 under section 41 (c) (4) of the Internal Revenue Code and that election applies until  
9 the department permits its revocation and except that "qualified research expenses"  
10 does <sup>✓</sup> not include compensation used in computing the credit under subs. (1dj) and  
11 (1dx), the corporation's base amount, as defined in section 41 (c) of the ~~internal~~  
12 ~~revenue code~~ Internal Revenue Code, except that gross receipts used in calculating  
13 the base amount means gross receipts from sales attributable to Wisconsin under s.  
14 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal  
15 Revenue Code does not apply to the credit under this paragraph.

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.

16           **SECTION 4.** 71.47 (5) (a) of the statutes is amended to read:

17           71.47 (5) (a) *Credit.* For taxable year 1986 and subsequent years, any  
18 corporation may credit against taxes otherwise due under this chapter an amount  
19 equal to 5% <sup>✓</sup> 10 percent of the amount paid or incurred by that corporation during the  
20 taxable year to construct and equip new facilities or expand existing facilities used  
21 in this state for qualified research, as defined in section 41 of the ~~internal revenue~~  
22 ~~code~~ Internal Revenue Code. Eligible amounts include only amounts paid or

1 incurred for tangible, depreciable property but do not include amounts paid or  
2 incurred for replacement property.

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.

3 **SECTION 5. Initial applicability.**

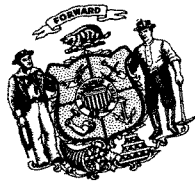
4 (1) This act first applies to taxable years beginning on January 1, 2005. ✓

5 (END)

PRELIMINARY

INTRODUCTION

*We -  
Mark Bentley called  
about this draft. He wants  
to restrict the credit to  
"engine manufacturers" and  
delay it a year. His  
phone # is 245-0777.  
RG*



STATE OF WISCONSIN  
LEGISLATIVE REFERENCE BUREAU  
Legal - Phone: 608/266-3561 Fax: 608/264-8522  
Research - Phone: 608/266-0341 Fax: 608/266-5648  
Website - www.legis.state.wi.us/lrb/

1 **AN ACT to amend** 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and 71.47 (5) (a) of the  
2 statutes; **relating to:** the income and franchise tax credit for research and  
3 research facilities.

***Analysis by the Legislative Reference Bureau***

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this bill, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research.

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

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

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

1           71.28 (4) (a) *Credit*. Any corporation may credit against taxes otherwise due  
2 under this chapter an amount equal to ~~5%~~ 10 percent of the amount obtained by  
3 subtracting from the corporation's qualified research expenses, as defined in section  
4 41 of the ~~internal revenue code~~ Internal Revenue Code, except that "qualified  
5 research expenses" includes only expenses incurred by the claimant, incurred for  
6 research conducted in this state for the taxable year, except that a taxpayer may elect  
7 the alternative computation under section 41 (c) (4) of the Internal Revenue Code  
8 and that election applies until the department permits its revocation and except that  
9 "qualified research expenses" does not include compensation used in computing the  
10 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
11 section 41 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross  
12 receipts used in calculating the base amount means gross receipts from sales  
13 attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the  
14 ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under this  
15 paragraph.

16           **SECTION 2.** 71.28 (5) (a) of the statutes is amended to read:

17           71.28 (5) (a) *Credit*. For taxable year 1986 and subsequent years, any  
18 corporation may credit against taxes otherwise due under this chapter an amount  
19 equal to ~~5%~~ 10 percent of the amount paid or incurred by that corporation during the  
20 taxable year to construct and equip new facilities or expand existing facilities used  
21 in this state for qualified research, as defined in section 41 of the ~~internal revenue~~  
22 ~~code~~ Internal Revenue Code. Eligible amounts include only amounts paid or  
23 incurred for tangible, depreciable property but do not include amounts paid or  
24 incurred for replacement property.

25           **SECTION 3.** 71.47 (4) (a) of the statutes is amended to read:

1           71.47 (4) (a) *Credit*. Any corporation may credit against taxes otherwise due  
2 under this chapter an amount equal to ~~5%~~ 10 percent of the amount obtained by  
3 subtracting from the corporation's qualified research expenses, as defined in section  
4 41 of the ~~internal revenue code~~ Internal Revenue Code, except that "qualified  
5 research expenses" includes only expenses incurred by the claimant, incurred for  
6 research conducted in this state for the taxable year, except that a taxpayer may elect  
7 the alternative computation under section 41 (c) (4) of the Internal Revenue Code  
8 and that election applies until the department permits its revocation and except that  
9 "qualified research expenses" does not include compensation used in computing the  
10 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
11 section 41 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross  
12 receipts used in calculating the base amount means gross receipts from sales  
13 attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the  
14 ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under this  
15 paragraph.

16           **SECTION 4.** 71.47 (5) (a) of the statutes is amended to read:

17           71.47 (5) (a) *Credit*. For taxable year 1986 and subsequent years, any  
18 corporation may credit against taxes otherwise due under this chapter an amount  
19 equal to ~~5%~~ 10 percent of the amount paid or incurred by that corporation during the  
20 taxable year to construct and equip new facilities or expand existing facilities used  
21 in this state for qualified research, as defined in section 41 of the ~~internal revenue~~  
22 ~~code~~ Internal Revenue Code. Eligible amounts include only amounts paid or  
23 incurred for tangible, depreciable property but do not include amounts paid or  
24 incurred for replacement property.

25           **SECTION 5. Initial applicability.**

1

(1) This act first applies to taxable years beginning on January 1, 200~~7~~<sup>1</sup>.

^

2

(END)





State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-0346/P1

JK:kjf:lv

RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 10-29-04

due 11-12-04

D-N

- re gen

1 AN ACT to amend 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and 71.47 (5) (a) of the  
2 statutes; relating to: the income and franchise tax credit for research and  
3 research facilities.

**Analysis by the Legislative Reference Bureau**

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this bill, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research.

related to engine manufacturing use twice

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. 71.28 (4) (a) of the statutes is amended to read:

renumbered 71.28(4)(a)1, and

Change Component 4

- 2 -

Except as provided in subd. 2,  
any

SECTION 1

1 71.28 (4) (a) *Credit.* ~~Any~~ corporation may credit against taxes otherwise due  
 2 under this chapter an amount equal to 5% ~~10~~ <sup>5</sup> percent of the amount obtained by  
 3 subtracting from the corporation's qualified research expenses, as defined in section  
 4 41 of the ~~internal revenue code~~ Internal Revenue Code, except that "qualified  
 5 research expenses" includes only expenses incurred by the claimant, incurred for  
 6 research conducted in this state for the taxable year, except that a taxpayer may elect  
 7 the alternative computation under section 41 (c) (4) of the Internal Revenue Code  
 8 and that election applies until the department permits its revocation and except that  
 9 "qualified research expenses" does not include compensation used in computing the  
 10 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
 11 section 41 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross  
 12 receipts used in calculating the base amount means gross receipts from sales  
 13 attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the  
 14 ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under this  
 15 paragraph.

INSERT 2-15  
change component

SECTION ~~4~~ 71.28 (5) (a) of the statutes is amended to read:

17 71.28 (5) (a) *Credit.* ~~For~~ <sup>1.</sup> taxable year 1986 and subsequent years, any  
 18 corporation may credit against taxes otherwise due under this chapter an amount  
 19 equal to 5% ~~10~~ <sup>5</sup> percent of the amount paid or incurred by that corporation during the  
 20 taxable year to construct and equip new facilities or expand existing facilities used  
 21 in this state for qualified research, as defined in section 41 of the ~~internal revenue~~  
 22 ~~code~~ Internal Revenue Code. Eligible amounts include only amounts paid or  
 23 incurred for tangible, depreciable property but do not include amounts paid or  
 24 incurred for replacement property.

renumbered 71.28(5)(a) 1. and

SECTION ~~3~~ 71.47 (4) (a) of the statutes is amended to read:

change component  
INSERT 2-24

renumbered 71.47(4)(a) 1. and

*except as provided in subd. 2. any*

1 71.47 (4) (a) *Credit.* ~~Any~~ corporation may credit against taxes otherwise due  
 2 under this chapter an amount equal to 5% ~~10~~<sup>5</sup> percent of the amount obtained by  
 3 subtracting from the corporation's qualified research expenses, as defined in section  
 4 41 of the ~~internal revenue code~~ Internal Revenue Code, except that "qualified  
 5 research expenses" includes only expenses incurred by the claimant, incurred for  
 6 research conducted in this state for the taxable year, except that a taxpayer may elect  
 7 the alternative computation under section 41 (c) (4) of the Internal Revenue Code  
 8 and that election applies until the department permits its revocation and except that  
 9 "qualified research expenses" does not include compensation used in computing the  
 10 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
 11 section 41 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross  
 12 receipts used in calculating the base amount means gross receipts from sales  
 13 attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the  
 14 ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under this  
 15 paragraph.

INSERT  
3-15

*renumbered 71.47(5)(a) 1. and*

change  
component

~~SECTION 4~~ 71.47 (5) (a) of the statutes is amended to read:

17 71.47 (5) (a) *Credit.* ~~For~~ taxable year 1986 and subsequent years, any  
 18 corporation may credit against taxes otherwise due under this chapter an amount  
 19 equal to 5% ~~10~~<sup>5</sup> percent of the amount paid or incurred by that corporation during the  
 20 taxable year to construct and equip new facilities or expand existing facilities used  
 21 in this state for qualified research, as defined in section 41 of the ~~internal revenue~~  
 22 ~~code~~ Internal Revenue Code. Eligible amounts include only amounts paid or  
 23 incurred for tangible, depreciable property but do not include amounts paid or  
 24 incurred for replacement property.

*except as provided in subd. 2. for*

~~SECTION 5. Initial applicability.~~

INSERT  
3-24

1

~~(1) This act first applies to taxable years beginning on January 1, 2005.~~

2

(END)

D-Note

Insert 2 - 15

1           SECTION ~~4~~ 71.28 (4) (a) 2. of the statutes is created to read:

2           71.28 (4) (a) 2. For taxable years beginning after December 31, 2006, any  
3 corporation may credit against taxes otherwise due under this chapter an amount  
4 equal to 10 percent of the amount obtained by subtracting from the corporation's  
5 qualified research expenses, as defined in section 41 of the Internal Revenue Code,  
6 except that "qualified research expenses" includes only expenses incurred by the  
7 claimant for research related to engine manufacturing, incurred for research  
8 conducted in this state for the taxable year, except that a taxpayer may elect the  
9 alternative computation under section 41 (c) (4) of the Internal Revenue Code and  
10 that election applies until the department permits its revocation and except that  
11 "qualified research expenses" does not include compensation used in computing the  
12 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
13 section 41 (c) of the Internal Revenue Code, except that gross receipts used in  
14 calculating the base amount means gross receipts from sales attributable to  
15 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the Internal  
16 Revenue Code does not apply to the credit under this paragraph.

Insert 2 - 24

17           SECTION ~~4~~ 71.28 (5) (a) 2. of the statutes is created to read:

18           71.28 (5) (a) 2. For taxable years beginning after December 31, 2006, any  
19 corporation may credit against taxes otherwise due under this chapter an amount  
20 equal to 10 percent of the amount paid or incurred by that corporation during the  
21 taxable year to construct and equip new facilities or expand existing facilities used  
22 in this state for qualified research, as defined in section 41 of the Internal Revenue

1 Code, except that "qualified research expenses" includes only expenses paid or  
2 incurred by the claimant for research related to engine manufacturing. Eligible  
3 amounts include only amounts paid or incurred for tangible, depreciable property  
4 but do not include amounts paid or incurred for replacement property.

**Insert 3 - 15**

5 ~~SECTION 3~~ 71.47 (4) (a) 2. of the statutes is created to read:

6 71.47 (4) (a) 2. For taxable years beginning after December 31, 2006, any  
7 corporation may credit against taxes otherwise due under this chapter an amount  
8 equal to 10 percent of the amount obtained by subtracting from the corporation's  
9 qualified research expenses, as defined in section 41 of the Internal Revenue Code,  
10 except that "qualified research expenses" includes only expenses incurred by the  
11 claimant for research related to engine manufacturing, incurred for research  
12 conducted in this state for the taxable year, except that a taxpayer may elect the  
13 alternative computation under section 41 (c) (4) of the Internal Revenue Code and  
14 that election applies until the department permits its revocation and except that  
15 "qualified research expenses" does not include compensation used in computing the  
16 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
17 section 41 (c) of the Internal Revenue Code, except that gross receipts used in  
18 calculating the base amount means gross receipts from sales attributable to  
19 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the Internal  
20 Revenue Code does not apply to the credit under this paragraph.

**Insert 3 - 24**

21 ~~SECTION 4~~ 71.47 (5) (a) 2. of the statutes is created to read:

1           71.47 (5) (a) 2. For taxable years beginning after December 31, 2006, any  
2 corporation may credit against taxes otherwise due under this chapter an amount  
3 equal to 10 percent of the amount paid or incurred by that corporation during the  
4 taxable year to construct and equip new facilities or expand existing facilities used  
5 in this state for qualified research, as defined in section 41 of the Internal Revenue  
6 Code, except that "qualified research expenses" includes only expenses paid or  
7 incurred by the claimant for research related to engine manufacturing. Eligible  
8 amounts include only amounts paid or incurred for tangible, depreciable property  
9 but do not include amounts paid or incurred for replacement property.

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

LRB-0346/P2dn

JK:kjf/ks

*Date*

Senator Cowles:

Please review this draft carefully to ensure that it is consistent with your intent.

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



RM mtr

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

m 11-18-04

D-N

Regen

due 11-29-04

1 **AN ACT to renumber and amend** 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and  
 2 71.47 (5) (a); and **to create** 71.28 (4) (a) 2., 71.28 (5) (a) 2., 71.47 (4) (a) 2. and  
 3 71.47 (5) (a) 2. of the statutes; **relating to:** the income and franchise tax credit  
 4 for research and research facilities.

**Analysis by the Legislative Reference Bureau**

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this bill, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses related to engine manufacturing for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research related to engine manufacturing.

and vehicle design

design

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.** 71.28 (4) (a) of the statutes is renumbered 71.28 (4) (a) 1. and  
2 amended to read:

3           71.28 (4) (a) *Credit.* 1. ~~Any~~ Except as provided in subd. 2., any corporation may  
4 credit against taxes otherwise due under this chapter an amount equal to ~~5%~~ 5  
5 percent of the amount obtained by subtracting from the corporation's qualified  
6 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal  
7 Revenue Code, except that "qualified research expenses" includes only expenses  
8 incurred by the claimant, incurred for research conducted in this state for the taxable  
9 year, except that a taxpayer may elect the alternative computation under section 41  
10 (c) (4) of the Internal Revenue Code and that election applies until the department  
11 permits its revocation and except that "qualified research expenses" does not include  
12 compensation used in computing the credit under subs. (1dj) and (1dx), the  
13 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~  
14 Internal Revenue Code, except that gross receipts used in calculating the base  
15 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)  
16 (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal Revenue  
17 Code does not apply to the credit under this paragraph.

18           **SECTION 2.** 71.28 (4) (a) 2. of the statutes is created to read:

19           71.28 (4) (a) 2. For taxable years beginning after December 31, 2006, any  
20 corporation may credit against taxes otherwise due under this chapter an amount  
21 equal to 10 percent of the amount obtained by subtracting from the corporation's

*and vehicle design*

1 qualified research expenses, as defined in section 41 of the Internal Revenue Code,  
2 except that "qualified research expenses" includes only expenses incurred by the  
3 claimant for research related to engine manufacturing, incurred for research  
4 conducted in this state for the taxable year, except that a taxpayer may elect the  
5 alternative computation under section 41 (c) (4) of the Internal Revenue Code and  
6 that election applies until the department permits its revocation and except that  
7 "qualified research expenses" does not include compensation used in computing the  
8 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
9 section 41 (c) of the Internal Revenue Code, except that gross receipts used in  
10 calculating the base amount means gross receipts from sales attributable to  
11 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the Internal  
12 Revenue Code does not apply to the credit under this paragraph.

13 **SECTION 3.** 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (a) 1. and  
14 amended to read:

15 71.28 (5) (a) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986  
16 and subsequent years, any corporation may credit against taxes otherwise due under  
17 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that  
18 corporation during the taxable year to construct and equip new facilities or expand  
19 existing facilities used in this state for qualified research, as defined in section 41 of  
20 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only  
21 amounts paid or incurred for tangible, depreciable property but do not include  
22 amounts paid or incurred for replacement property.

23 **SECTION 4.** 71.28 (5) (a) 2. of the statutes is created to read:

24 71.28 (5) (a) 2. For taxable years beginning after December 31, 2006, any  
25 corporation may credit against taxes otherwise due under this chapter an amount

1 equal to 10 percent of the amount paid or incurred by that corporation during the  
2 taxable year to construct and equip new facilities or expand existing facilities used  
3 in this state for qualified research, as defined in section 41 of the Internal Revenue  
4 Code, except that "qualified research expenses" includes only expenses paid or  
5 incurred by the claimant for research related to engine manufacturing. Eligible  
6 amounts include only amounts paid or incurred for tangible, depreciable property  
7 but do not include amounts paid or incurred for replacement property. and vehicle  
design

8 **SECTION 5.** 71.47 (4) (a) of the statutes is renumbered 71.47 (4) (a) 1. and  
9 amended to read:

10 71.47 (4) (a) *Credit.* 1. ~~Any~~ Except as provided in subd. 2., any corporation may  
11 credit against taxes otherwise due under this chapter an amount equal to 5% 10  
12 percent of the amount obtained by subtracting from the corporation's qualified  
13 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal  
14 Revenue Code, except that "qualified research expenses" includes only expenses  
15 incurred by the claimant, incurred for research conducted in this state for the taxable  
16 year, except that a taxpayer may elect the alternative computation under section 41  
17 (c) (4) of the Internal Revenue Code and that election applies until the department  
18 permits its revocation and except that "qualified research expenses" does not include  
19 compensation used in computing the credit under subs. (1dj) and (1dx), the  
20 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~  
21 Internal Revenue Code, except that gross receipts used in calculating the base  
22 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)  
23 (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal Revenue  
24 Code does not apply to the credit under this paragraph.

25 **SECTION 6.** 71.47 (4) (a) 2. of the statutes is created to read:

*and vehicle design*

1           71.47 (4) (a) 2. For taxable years beginning after December 31, 2006, any  
2 corporation may credit against taxes otherwise due under this chapter an amount  
3 equal to 10 percent of the amount obtained by subtracting from the corporation's  
4 qualified research expenses, as defined in section 41 of the Internal Revenue Code,  
5 except that "qualified research expenses" includes only expenses incurred by the  
6 claimant for research related to engine manufacturing<sup>10</sup> incurred for research  
7 conducted in this state for the taxable year, except that a taxpayer may elect the  
8 alternative computation under section 41 (c) (4) of the Internal Revenue Code and  
9 that election applies until the department permits its revocation and except that  
10 "qualified research expenses" does not include compensation used in computing the  
11 credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in  
12 section 41 (c) of the Internal Revenue Code, except that gross receipts used in  
13 calculating the base amount means gross receipts from sales attributable to  
14 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the Internal  
15 Revenue Code does not apply to the credit under this paragraph.

16           **SECTION 7.** 71.47 (5) (a) of the statutes is renumbered 71.47 (5) (a) 1. and  
17 amended to read:

18           71.47 (5) (a) *Credit.* 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986  
19 and subsequent years, any corporation may credit against taxes otherwise due under  
20 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that  
21 corporation during the taxable year to construct and equip new facilities or expand  
22 existing facilities used in this state for qualified research, as defined in section 41 of  
23 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only  
24 amounts paid or incurred for tangible, depreciable property but do not include  
25 amounts paid or incurred for replacement property.

1 SECTION 8. 71.47 (5) (a) 2. of the statutes is created to read:

2 71.47 (5) (a) 2. For taxable years beginning after December 31, 2006, any  
3 corporation may credit against taxes otherwise due under this chapter an amount  
4 equal to 10 percent of the amount paid or incurred by that corporation during the  
5 taxable year to construct and equip new facilities or expand existing facilities used  
6 in this state for qualified research, as defined in section 41 of the Internal Revenue  
7 Code, except that "qualified research expenses" includes only expenses paid or  
8 incurred by the claimant for research related to engine manufacturing. Eligible  
9 amounts include only amounts paid or incurred for tangible, depreciable property  
10 but do not include amounts paid or incurred for replacement property.

11 (END)

*and vehicle design*

*D-Note*

0346/P3dy  
JL:klj

Date

Cowles

Senator Cowles:

Please review this draft to ensure that it is  
consistent with your intent. This draft is based on  
conversation Marc Bentley  
my conversation with Marc Bentley on November 18, 2004.

JL

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

LRB-0346/P3dn  
JK:kjf:jf

November 19, 2004

Senator Cowles:

Please review this draft to ensure that it is consistent with your intent. The draft is based on my conversation with Marc Bentley on November 18, 2004.

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



**Kreye, Joseph**

---

**From:** Bentley Gov't Affairs [bentleygov@charter.net]  
**Sent:** Monday, December 13, 2004 2:15 PM  
**To:** Kreye, Joseph  
**Subject:** Re: Definitions of engines Word

Joe:

Sounds good. Change the credit language and go with your thoughts on the vehicle. Thanks for the update. Email me re draft when you are finished.

Thanks

Marc

----- Original Message -----

**From:** Kreye, Joseph  
**To:** Bentley Gov't Affairs  
**Cc:** Stuart, Todd  
**Sent:** Monday, December 13, 2004 2:09 PM  
**Subject:** RE: Definitions of engines Word Document.doc

Marc,

Here's a suggestion for modifying LRB-0346.

I could change the credit language so that "qualified research expenses" includes only expenses related to **manufacturing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines.**

If the Webster's Dictionary definition of "internal combustion engine" is consistent with your intent, then the bill does not need to define the term: the dictionary definition is the default definition.

"Vehicle" could be defined as any vehicle to be used on or off roads or highways, including any truck, motorcycle, or snowmobile, but not including any automobile, bus, or aircraft.

I can expand or contract the definition of "vehicle" as you see fit, consistent with the intent. For example, I can include or exclude more vehicle types.

I would probably avoid using Standard Industrial Classification codes (or the North American Industry Classification System) because it seems that what you are looking for does not fit neatly into any of those categories.

Let me know what you think.

Joe

**Joseph T. Kreye**  
Legislative Attorney  
Legislative Reference Bureau  
(608) 266-2263

-----Original Message-----

**From:** Bentley Gov't Affairs [mailto:bentleygov@charter.net]

12/13/2004

**Sent:** Wednesday, December 08, 2004 2:10 PM  
**To:** Kreye, Joseph  
**Subject:** Definitions of engines Word Document.doc

## Meaning of INTERNAL-COMBUSTION ENGINE

### WordNet Dictionary

**Definition:** [n] a heat engine in which combustion occurs inside the engine rather than in a separate furnace; heat expands a gas that either moves a piston or turns a gas turbine

**Websites:**

- **Find the Best Sites For Internal-combustion Engine With Starware**  
 Starware search is an excellent resource for quality sites on Internal-combustion E and much more! Starware also provides related listings for Internal-combustion Er [search.starware.com](http://search.starware.com).

**Synonyms:** ICE

**See Also:** automotive vehicle, block, cylinder block, diesel, diesel engine, diesel motor, engine block feed, force-feed lubricating system, four-stroke engine, four-stroke internal-combustion engine, gas engine, gasoline engine, heat engine, lubricating system, motor vehicle, motorboat, outboard, outboard motor, poppet, poppet valve, powerboat, pressure feed, pressure-feed lubricating system, radial engine, reciprocating engine, rotary engine, self-starter, super valve-in-head engine

### Webster's 1913 Dictionary

**Definition:** \Internal-combustion engine\) in which the heat or pressure energy necessary to produce motion is developed in the engine cylinder, as by the explosion of a gas, and not in a separate chamber, as in a steam-engine boiler. The gas used may be a fixed gas, or one derived from alcohol, ether, gasoline (petrol), naphtha, oil (petroleum), etc. There are three main classes: (1) {gas engines} proper, using fixed gases, as coal, blast-furnace, or producer gas; (2) engines using the vapor of a volatile fluid, as the typical {gasoline (petrol) engine}; (3) {oil engines}, using either an atomized spray or the vapor (produced by heat) of a comparatively heavy oil, as petroleum or kerosene. In all of these the gas is mixed with a definite amount of air, the charge is composed in the cylinder and is then exploded either by a flame of gas ( {flame ignition} -- now little used), by a hot tube ( {tube ignition}) or the like, by an electric spark ( {electric ignition}), the usual method is gasoline engines, or by the heat of compression, as in the Diesel engine. Gas and oil engines are chiefly of the stationary type. Gasoline engines are largely used for automobile vehicles, boats, etc. Most internal-combustion engines use the Otto (four-stroke) cycle, though many use the two-stroke cycle. They are almost universally trunk engines and

single-acting

- . Because of the intense heat produced by the frequent explosions, the cylinders must be cooled by a water jacket (

{water-cooled}) or by air currents (

{air cooled}) to give the maximum thermodynamic efficiency and to avoid excessive friction or seizing. Interne

12-8-04 Marc Bentley 245-0777

LRB 05-0346

(Liam Walshgreen) 266-7817  
DOR would like definitions for

"engine", "vehicle", & "vehicle design" and "vehicle component"

look at NAICS - diesel, gasoline, natural gas  
- no aircraft

\* Engines internal combustion

no automotive

\* He'll e-mail definition of "internal combustion engine"

= vehicle? <sup>yes</sup>

~~subcompact~~

no cars or buses

truck

motorcycle

recreational vehicle

off-road

on-road

see s. 287.15(1)(e)

I called Todd on 12-9-04 to inform him of possible changes.  
(Cowan office)



State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-0346/E3

JK:kjfr

RM not done

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 12-13-04

D-N

re gen

500N

1 AN ACT to renumber and amend 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and  
2 71.47 (5) (a); and to create 71.28 (4) (a) 2., 71.28 (5) (a) 2., 71.47 (4) (a) 2. and  
3 71.47 (5) (a) 2. of the statutes; relating to: the income and franchise tax credit  
4 for research and research facilities.

**Analysis by the Legislative Reference Bureau**

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this bill, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses related to engine manufacturing and vehicle design for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research related to engine manufacturing and vehicle design.

internal combustion engines \$  
, including expenses related to vehicles  
designing vehicles that are powered by such engines \$

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. 71.28 (4) (a) of the statutes is renumbered 71.28 (4) <sup>(ad)</sup> ~~(a)~~ 1. and  
2 amended to read: <sup>(ad)</sup>

3 71.28 (4) ~~(a)~~ <sup>(ad)</sup> Credit. 1. ~~Any~~ Except as provided in subd. 2., any corporation may  
4 credit against taxes otherwise due under this chapter an amount equal to ~~5%~~ 5  
5 percent of the amount obtained by subtracting from the corporation's qualified  
6 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal  
7 Revenue Code, except that "qualified research expenses" includes only expenses  
8 incurred by the claimant, incurred for research conducted in this state for the taxable  
9 year, except that a taxpayer may elect the alternative computation under section 41  
10 (c) (4) of the Internal Revenue Code and that election applies until the department  
11 permits its revocation and except that "qualified research expenses" does not include  
12 compensation used in computing the credit under subs. (1dj) and (1dx), the  
13 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~  
14 Internal Revenue Code, except that gross receipts used in calculating the base  
15 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)  
16 (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal Revenue  
17 Code does not apply to the credit under this paragraph.

18 SECTION 2. 71.28 (4) ~~(a)~~ <sup>(ad)</sup> 2. of the statutes is created to read:

19 71.28 (4) ~~(a)~~ <sup>(ad)</sup> 2. For taxable years beginning after December 31, 2006, any  
20 corporation may credit against taxes otherwise due under this chapter an amount  
21 equal to 10 percent of the amount obtained by subtracting from the corporation's

INSERT 2-17

*internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines*

1 qualified research expenses, as defined in section 41 of the Internal Revenue Code,  
2 except that "qualified research expenses" includes only expenses incurred by the  
3 claimant for research related to ~~engine~~ manufacturing ~~and vehicle design~~, incurred  
4 for research conducted in this state for the taxable year, except that a taxpayer may  
5 elect the alternative computation under section 41 (c) (4) of the Internal Revenue  
6 Code and that election applies until the department permits its revocation and  
7 except that "qualified research expenses" does not include compensation used in  
8 computing the credit under subs. (1dj) and (1dx), the corporation's base amount, as  
9 defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used  
10 in calculating the base amount means gross receipts from sales attributable to  
11 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the Internal  
12 Revenue Code does not apply to the credit under this paragraph.

INSERT  
3-12

(ad)

13 SECTION 3. 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (a) 1. and  
14 amended to read:

15 71.28 (5) (a) <sup>(ad)</sup> Credit. 1. For ~~Except as provided in subd. 2., for~~ taxable year 1986  
16 and subsequent years, any corporation may credit against taxes otherwise due under  
17 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that  
18 corporation during the taxable year to construct and equip new facilities or expand  
19 existing facilities used in this state for qualified research, as defined in section 41 of  
20 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only  
21 amounts paid or incurred for tangible, depreciable property but do not include  
22 amounts paid or incurred for replacement property.

23 SECTION 4. 71.28 (5) (a) <sup>(ad)</sup> 2. of the statutes is created to read:

24 71.28 (5) (a) <sup>(ad)</sup> 2. For taxable years beginning after December 31, 2006, any  
25 corporation may credit against taxes otherwise due under this chapter an amount

*internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines*

1 equal to 10 percent of the amount paid or incurred by that corporation during the  
2 taxable year to construct and equip new facilities or expand existing facilities used  
3 in this state for qualified research, as defined in section 41 of the Internal Revenue  
4 Code, except that "qualified research expenses" includes only expenses paid or  
5 incurred by the claimant for research related to ~~engine~~ manufacturing ~~and vehicle~~

6 ~~design.~~ Eligible amounts include only amounts paid or incurred for tangible,  
7 depreciable property but do not include amounts paid or incurred for replacement  
8 property.

9 SECTION 5. 71.47 (4) (a) of the statutes is renumbered 71.47 (4) (a) 1. and  
10 amended to read: (ad)

11 71.47 (4) (a) *Credit.* 1. Any Except as provided in subd. 2., any corporation may  
12 credit against taxes otherwise due under this chapter an amount equal to 5% 10  
13 percent of the amount obtained by subtracting from the corporation's qualified  
14 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal  
15 Revenue Code, except that "qualified research expenses" includes only expenses  
16 incurred by the claimant, incurred for research conducted in this state for the taxable  
17 year, except that a taxpayer may elect the alternative computation under section 41  
18 (c) (4) of the Internal Revenue Code and that election applies until the department  
19 permits its revocation and except that "qualified research expenses" does not include  
20 compensation used in computing the credit under subs. (1dj) and (1dx), the  
21 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~  
22 Internal Revenue Code, except that gross receipts used in calculating the base  
23 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)  
24 (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal Revenue  
25 Code does not apply to the credit under this paragraph.

*NDDET 4-8*

*INSERT 4-25*



1  
2

SECTION 6. 71.47 (4) <sup>(ad)</sup> (a) 2. of the statutes is created to read:

71.47 (4) <sup>(ad)</sup> (a) 2. For taxable years beginning after December 31, 2006, any corporation may credit against taxes otherwise due under this chapter an amount equal to 10 percent of the amount obtained by subtracting from the corporation's qualified research expenses, as defined in section 41 of the Internal Revenue Code, except that "qualified research expenses" includes only expenses incurred by the claimant for research related to ~~engine~~ manufacturing ~~and vehicle design~~, incurred for research conducted in this state for the taxable year, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation and except that "qualified research expenses" does not include compensation used in computing the credit under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

INSERT  
5-16

17

SECTION 7. 71.47 (5) (a) of the statutes is renumbered 71.47 (5) <sup>(ad)</sup> (a) 1. and

amended to read:

19

71.47 (5) <sup>(ad)</sup> (a) Credit. 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986 and subsequent years, any corporation may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that corporation during the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined in section 41 of the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only

*internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such ~~engines~~ engines*

INSERT  
6-2

1 amounts paid or incurred for tangible, depreciable property but do not include  
2 amounts paid or incurred for replacement property.

3 SECTION 8. 71.47 (5) (a) 2. of the statutes is created to read:

4 71.47 (5) (a) 2. For taxable years beginning after December 31, 2006, any  
5 corporation may credit against taxes otherwise due under this chapter an amount  
6 equal to 10 percent of the amount paid or incurred by that corporation during the  
7 taxable year to construct and equip new facilities or expand existing facilities used  
8 in this state for qualified research, as defined in section 41 of the Internal Revenue  
9 Code, except that "qualified research expenses" includes only expenses paid or  
10 incurred by the claimant for research related to ~~engine~~ manufacturing ~~and vehicle~~

11 ~~design~~ Eligible amounts include only amounts paid or incurred for tangible,  
12 depreciable property but do not include amounts paid or incurred for replacement  
13 property.

14 (END)

internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such ~~vehicles~~ engines

D-Note

Insert 6-2

Sec #. 71.47(5)(ab)

71.47(5)<sup>(b)</sup>(ab) Definitions<sup>(b)</sup> In this subsection,

"vehicle" means any vehicle that is used on or off roads or highways, including any truck, motorcycle, or snowmobile, but not including any automobile, bus, or aircraft.

end of insert

Insert 2-17

Sec #. cr; 71.28(4)(ab)

71.28(4)<sup>(B)</sup>(ab) Definitions<sup>(I)</sup>. In this subsection, "vehicle" means any vehicle that is used on or off roads or highways, including any truck, motorcycle, or snowmobile, but not including any automobile, <sup>bus</sup> bus, or aircraft.

Insert 4-8

Sec #. cr; 71.28(5)(ab)

71.28(5)<sup>(B)</sup>(ab) Definitions<sup>(I)</sup>. In this subsection, "vehicle" means any vehicle that is used on or off roads or highways, including any truck, motorcycle, or snowmobile, but not including any automobile, bus, or aircraft.

Insert 4-25

Sec #. cr; 71.47(4)(ab)

71.47(4)<sup>(B)</sup>(ab) Definitions<sup>(I)</sup>. In this subsection, "vehicle" means any vehicle that is used on or off roads or highways, including any truck, motorcycle, or snowmobile, but not including any automobile, bus, or aircraft.

Section #. 71.47 (4) (am) of the statutes is amended to read:

71.47 (4) (am) *Development zone additional research credit.* In addition to the credit under par.

→ (a), any corporation may credit against taxes otherwise due under this chapter an amount equal to <sup>(ad)</sup> 5 percent of the amount obtained by subtracting from the corporation's qualified research expenses, as defined in section 41 of the ~~internal revenue code~~ <sup>Internal Revenue Code</sup>, except that "qualified research expenses" include only expenses incurred by the claimant in a development zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation and except that "qualified research expenses" do not include compensation used in computing the credit under sub. (1dj) nor research expenses incurred before the claimant is certified for tax benefits under s. 560.765 (3), the ~~internal revenue code~~ <sup>Internal Revenue Code</sup> corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~ <sup>Internal Revenue Code</sup> in a development zone, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in calculating the base amount include research expenses incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant submits with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.765 (3) and a statement from the department of commerce verifying the claimant's qualified research expenses for research conducted exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit under this paragraph. The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection ~~internal revenue code~~ <sup>Internal Revenue Code</sup> apply to claims under this paragraph. Section 41 (h) of the ~~internal revenue code~~ <sup>Internal Revenue Code</sup> does not apply to the credit under this paragraph. No credit may be claimed under this paragraph for taxable years that begin on January 1, 1998, or thereafter. Credits under this paragraph for taxable years that begin before January 1, 1998, may be carried forward to taxable years that begin on January 1, 1998, or thereafter.

**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 5-16*

Insert 3-12

Section #. 71.28 (4) (am) 1. of the statutes is amended to read:

71.28 (4) (am) 1. In addition to the credit under par. (a), any corporation may credit against taxes <sup>(ad)</sup> otherwise due under this chapter an amount equal to ~~5%~~ <sup>5 percent</sup> of the amount obtained by subtracting from the corporation's qualified research expenses, as defined in section 41 of the ~~internal revenue code~~ <sup>Internal Revenue Code</sup> except that "qualified research expenses" include only expenses incurred by the claimant in a development zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation and except that "qualified research expenses" do not include compensation used in computing the credit under sub. (1dj) nor research expenses incurred before the claimant is certified for tax benefits under s. 560.765 (3), the corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~ <sup>Internal Revenue Code</sup> in a development zone, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in calculating the base amount include research expenses incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant submits with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.765 (3) and a statement from the department of commerce verifying the claimant's qualified research expenses for research conducted exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit under this subdivision. The rules under sub. (1di) (f) and (g) as they apply to the credit under that subsection apply to claims under this subdivision. Section 41 (h) of the ~~internal revenue code~~ <sup>Internal Revenue Code</sup> does not apply to the credit under this subdivision.

**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 3-12

0346/pyleu  
JK:kjf

Date

Senator Cowles:

Please review this draft carefully to ensure that it is consistent with your intent. This draft is based on my conversations with Pam Walgren at DOR and Marc Bentley with Marc Bentley.

JK



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

LRB-0346/P4dn  
JK:kjf:pg

December 15, 2004

Senator Cowles:

Please review this draft carefully to ensure that it is consistent with your intent. This draft is based on my conversation with Pam Walgren at DOR and with Marc Bentley.

Joseph T. Kreye  
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Phone: (608) 266-2263  
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