

Kreye, Joseph

From: Kreye, Joseph
Sent: Thursday, December 16, 2004 8:04 AM
To: 'Bentley Gov't Affairs'
Subject: RE: Definitions of engines Word

Marc,

I think the language I suggested is broad enough to encompass the concepts that you mention below. The term "internal combustion engine" by itself is broad enough to include all applications of the engine and all fuels that may be used to power the engine. I also think that the language "designing vehicles" is broad enough to encompass the design of any component without having to tackle the tricky problem of defining a component.

We may, however, wish to incorporate the idea of the "frame" into the definition of vehicle. For example: "Vehicle" means any vehicle or frame in which or on which an engine is mounted for use in mobile or stationary applications. "Vehicle" includes any truck, tractor, motorcycle, or snowmobile, but does not include any automobile, bus, or aircraft.

Perhaps it would be good to include an example of a stationary application in the list of included vehicles.

Joe

Joseph T. Kreye

Legislative Attorney
 Legislative Reference Bureau
 (608) 266-2263

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

From: Bentley Gov't Affairs [mailto:bentleygov@charter.net]
Sent: Wednesday, December 15, 2004 5:54 PM
To: Kreye, Joseph
Subject: Re: Definitions of engines Word Document.doc

I would use this instead.

Internal Combustion Engines for both stationary and mobile applications, including expenses related to vehicle or frame design and components that are powered by such engines.

Vehicle and frame could be defined as any vehicle or frame to be used in the following applications: stationary, on or off roads, including any truck, tractor, motorcycle, or snowmobile, but not including any automobile, bus, or aircraft.

What do you think? Also, do we need to put gasoline, natural gas, and diesel fuel use or not?

----- 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.

12/17/2004

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]

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 and much more! Starware also provides related listings for Internal-combustion search.starware.com.

Synonyms: ICE

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

Kreye, Joseph

Q346

From: Bentley Gov't Affairs
Sent: Thursday, December 16, 2004 3:44 PM
To: Kreye, Joseph
Subject: Fw: R&D

Joe:

Here is some information regarding...from one of the members. Let's get this finalized. Thanks for your help.

Marc Bentley
 ----- Original Message -----
From: Daniel DeBuhr
To: 'Bentley Gov't Affairs'
Sent: Thursday, December 16, 2004 2:15 PM
Subject: RE: R&D

Marc,

As you request. I think the best way to simplify the understanding is use the PHRASE, "within the FRAMEWORK". So, in the case of:

1. a Harley Davidson motorcycle, it includes everything but the tires.
2. in the case of a truck or car, it would include the control system, the entire fuel and drive train, except tires, it would not include comfort features in the cab, but could include control features in the cab (for example the engine control module may located under the dash).
3. in the case of the generator set it would include everything in "skid" of "frame", inclusive of but not limited to:
 - a. the control modules
 - b. the fuel train
 - c. the fuel scrubbing process
 - d. the fuel mixers
 - e. engine
 - f. generator
 - g. heat exchangers
 - h. exhaust train
 - i. etc....

Marc, if I can be of further assistance please advise.

From: Bentley Gov't Affairs [mailto:bentleygov@charter.net]
Sent: Thursday, December 16, 2004 8:13 AM
To: Daniel DeBuhr/Wolter
Subject: R&D

Daniel:

'Please provide an definition of Frame under the R&D credit draft. I want to make sure we get this in. I need this ASAP today!

Marc

12/17/2004



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0346/P4
JK:kjf:pg

P5

RM not R

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 12-18-04

D-N

Regen

Due held 12-22

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); to amend 71.28 (4) (am) 1. and 71.47 (4) (am); and to create 71.28
3 (4) (ab), 71.28 (4) (ad) 2., 71.28 (5) (ab), 71.28 (5) (ad) 2., 71.47 (4) (ab), 71.47 (4)
4 (ad) 2., 71.47 (5) (ab) and 71.47 (5) (ad) 2. of the statutes; relating to: the
5 income and franchise tax credit 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 manufacturing internal combustion engines, including expenses related to 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) (ad) 1. and
2 amended to read:

3 71.28 (4) (ad) *Credit*. 1. ~~Any~~ Except as provided in subd. 2., any corporation
4 may 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) (ab) of the statutes is created to read:

19 71.28 (4) (ab) *Definition*.^s In this subsection, ~~vehicle~~ means any vehicle that
20 is used on or off roads or highways, including any truck, motorcycle, or snowmobile,
21 but not including any automobile, bus, or aircraft. (i)

→ INSERT A

1 **SECTION 3.** 71.28 (4) (ad) 2. of the statutes is created to read:

2 71.28 (4) (ad) 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 manufacturing internal combustion engines for
8 vehicles, including expenses related to designing vehicles that are powered by such
9 engines, incurred for research conducted in this state for the taxable year, except that
10 a taxpayer may elect the alternative computation under section 41 (c) (4) of the
11 Internal Revenue Code and that election applies until the department permits its
12 revocation and except that "qualified research expenses" does not include
13 compensation used in computing the credit under subs. (1dj) and (1dx), the
14 corporation's base amount, as defined in section 41 (c) of the Internal Revenue Code,
15 except that gross receipts used in calculating the base amount means gross receipts
16 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
17 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

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

19 71.28 (4) (am) 1. In addition to the credit under par. (a) (~~ad~~), any corporation
20 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
21 5 percent of the amount obtained by subtracting from the corporation's qualified
22 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
23 Revenue Code, except that "qualified research expenses" include only expenses
24 incurred by the claimant in a development zone under subch. VI of ch. 560, except
25 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the

1 Internal Revenue Code and that election applies until the department permits its
2 revocation and except that “qualified research expenses” do not include
3 compensation used in computing the credit under sub. (1dj) nor research expenses
4 incurred before the claimant is certified for tax benefits under s. 560.765 (3), the
5 corporation’s base amount, as defined in section 41 (c) of the ~~internal revenue code~~
6 Internal Revenue Code, in a development zone, except that gross receipts used in
7 calculating the base amount means gross receipts from sales attributable to
8 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in
9 calculating the base amount include research expenses incurred before the claimant
10 is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant
11 submits with the claimant’s return a copy of the claimant’s certification for tax
12 benefits under s. 560.765 (3) and a statement from the department of commerce
13 verifying the claimant’s qualified research expenses for research conducted
14 exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit
15 under this subdivision. The rules under sub. (1di) (f) and (g) as they apply to the
16 credit under that subsection apply to claims under this subdivision. Section 41 (h)
17 of the ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under
18 this subdivision.

19 **SECTION 5.** 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (ad) 1. and
20 amended to read:

21 71.28 (5) (ad) *Credit.* 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986
22 and subsequent years, any corporation may credit against taxes otherwise due under
23 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that
24 corporation during the taxable year to construct and equip new facilities or expand
25 existing facilities used in this state for qualified research, as defined in section 41 of

1 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only
2 amounts paid or incurred for tangible, depreciable property but do not include
3 amounts paid or incurred for replacement property.

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

5 71.28 (5) (ab) *Definition*⁵. In this subsection, ~~“vehicle” means any vehicle that~~
6 ~~is used on or off roads or highways, including any truck, motorcycle, or snowmobile,~~
7 ~~but not including any automobile, bus, or aircraft.~~ ;

INSERT
A

8 **SECTION 7.** 71.28 (5) (ad) 2. of the statutes is created to read:

9 71.28 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
10 corporation may credit against taxes otherwise due under this chapter an amount
11 equal to 10 percent of the amount paid or incurred by that corporation during the
12 taxable year to construct and equip new facilities or expand existing facilities used
13 in this state for qualified research, as defined in section 41 of the Internal Revenue
14 Code, except that “qualified research expenses” includes only expenses paid or
15 incurred by the claimant for research related to manufacturing internal combustion
16 engines for vehicles, including expenses related to designing vehicles that are
17 powered by such engines. Eligible amounts include only amounts paid or incurred
18 for tangible, depreciable property but do not include amounts paid or incurred for
19 replacement property.

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

22 71.47 (4) (ad) *Credit*. 1. Any Except as provided in subd. 2., any corporation
23 may credit against taxes otherwise due under this chapter an amount equal to 5%
24 10 percent of the amount obtained by subtracting from the corporation’s qualified
25 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal

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

12 **SECTION 9.** 71.47 (4) (ab) of the statutes is created to read:

13 71.47 (4) (ab) *Definition*⁵ In this subsection, “~~vehicle~~” means ~~any vehicle that~~
 14 ~~is used on or off roads or highways, including any truck, motorcycle, or snowmobile,~~
 15 ~~but not including any automobile, bus, or aircraft.~~ ;

16 **SECTION 10.** 71.47 (4) (ad) 2. of the statutes is created to read:

17 71.47 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
 18 corporation may credit against taxes otherwise due under this chapter an amount
 19 equal to 10 percent of the amount obtained by subtracting from the corporation’s
 20 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
 21 except that “qualified research expenses” includes only expenses incurred by the
 22 claimant for research related to manufacturing internal combustion engines for
 23 vehicles, including expenses related to designing vehicles that are powered by such
 24 engines, incurred for research conducted in this state for the taxable year, except that
 25 a taxpayer may elect the alternative computation under section 41 (c) (4) of the

1 Internal Revenue Code and that election applies until the department permits its
2 revocation and except that “qualified research expenses” does not include
3 compensation used in computing the credit under subs. (1dj) and (1dx), the
4 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
5 except that gross receipts used in calculating the base amount means gross receipts
6 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
7 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

8 **SECTION 11.** 71.47 (4) (am) of the statutes is amended to read:

9 71.47 (4) (am) *Development zone additional research credit.* In addition to the
10 credit under par. (a) (~~ad~~), any corporation may credit against taxes otherwise due
11 under this chapter an amount equal to ~~5%~~ 5 percent of the amount obtained by
12 subtracting from the corporation’s qualified research expenses, as defined in section
13 41 of the ~~internal revenue code~~ Internal Revenue Code, except that “qualified
14 research expenses” include only expenses incurred by the claimant in a development
15 zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative
16 computation under section 41 (c) (4) of the Internal Revenue Code and that election
17 applies until the department permits its revocation and except that “qualified
18 research expenses” do not include compensation used in computing the credit under
19 sub. (1dj) nor research expenses incurred before the claimant is certified for tax
20 benefits under s. 560.765 (3), the corporation’s base amount, as defined in section 41
21 (c) of the ~~internal revenue code~~ Internal Revenue Code, in a development zone,
22 except that gross receipts used in calculating the base amount means gross receipts
23 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and
24 research expenses used in calculating the base amount include research expenses
25 incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a

1 development zone, if the claimant submits with the claimant's return a copy of the
2 claimant's certification for tax benefits under s. 560.765 (3) and a statement from the
3 department of commerce verifying the claimant's qualified research expenses for
4 research conducted exclusively in a development zone. The rules under s. 73.03 (35)
5 apply to the credit under this paragraph. The rules under sub. (1d) (f) and (g) as they
6 apply to the credit under that subsection apply to claims under this paragraph.
7 Section 41 (h) of the ~~internal revenue code~~ Internal Revenue Code does not apply to
8 the credit under this paragraph. No credit may be claimed under this paragraph for
9 taxable years that begin on January 1, 1998, or thereafter. Credits under this
10 paragraph for taxable years that begin before January 1, 1998, may be carried
11 forward to taxable years that begin on January 1, 1998, or thereafter.

12 **SECTION 12.** 71.47 (5) (a) of the statutes is renumbered 71.47 (5) (ad) 1. and
13 amended to read:

14 71.47 (5) (ad) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986
15 and subsequent years, any corporation may credit against taxes otherwise due under
16 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that
17 corporation during the taxable year to construct and equip new facilities or expand
18 existing facilities used in this state for qualified research, as defined in section 41 of
19 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only
20 amounts paid or incurred for tangible, depreciable property but do not include
21 amounts paid or incurred for replacement property.

22 **SECTION 13.** 71.47 (5) (ab) of the statutes is created to read:

23 71.47 (5) (ab) *Definition*^s. In this subsection, ~~"vehicle" means any vehicle that~~
24 ~~is used on or off roads or highways, including any truck, motorcycle, or snowmobile,~~
25 ~~but not including any automobile, bus, or aircraft.~~ :

7 INSERT A

1 **SECTION 14.** 71.47 (5) (ad) 2. of the statutes is created to read:

2 71.47 (5) (ad) 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 manufacturing internal combustion
9 engines for vehicles, including expenses related to designing vehicles that are
10 powered by such engines. Eligible amounts include only amounts paid or incurred
11 for tangible, depreciable property but do not include amounts paid or incurred for
12 replacement property.

13

(END)

D-Note

Insert A

- 1 1. "Frame" includes:
- 2 a. Every part of a motorcycle, except the tires (c)
- 3 b. In the case of a truck, the control system and the fuel and drive train,
- 4 excluding any comfort features located in the cab or the tires.
- 5 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
- 6 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
- 7 components.
- 8 2. "Vehicle" means any vehicle or frame in which or on which an engine is
- 9 mounted for use in mobile or stationary applications. "Vehicle" includes any truck,
- 10 tractor, motorcycle, snowmobile, or generator, but does not include any automobile,
- 11 bus, or aircraft.

0346/P5dy
Mc:ijf

Date

Senator Cowles:

Please review this draft carefully to ensure
that it is consistent with your intent. ^{with} this
^{on} draft is based on my correspondence with
Marc Bentley
Marc Bentley.

Uk

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

LRB-0346/P5dn
JK:kjfrs

December 21, 2004

Senator Cowles:

Please review this draft carefully to ensure that it is consistent with your intent. This draft is based on my correspondence with Marc Bentley.

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

Kreye, Joseph

From: Stuart, Todd

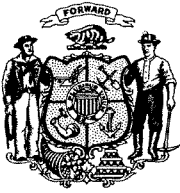
Sent: Tuesday, January 25, 2005 8:50

To: Kreye, Joseph

Subject: LRB 05-0346/P5 -- R&D for engines

Please jacket/prepare this bill for introduction. Please re-draft to a /1 to jacket. Thanks.

01/25/2005



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0346/P5

JK:kjfrs

RMR

Stays

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 1-25-05
Today

Regen

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); *to amend* 71.28 (4) (am) 1. and 71.47 (4) (am); and *to create* 71.28
3 (4) (ab), 71.28 (4) (ad) 2., 71.28 (5) (ab), 71.28 (5) (ad) 2., 71.47 (4) (ab), 71.47 (4)
4 (ad) 2., 71.47 (5) (ab) and 71.47 (5) (ad) 2. of the statutes; **relating to:** the
5 income and franchise tax credit 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 manufacturing internal combustion engines, including expenses related to 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) (ad) 1. and
2 amended to read:

3 71.28 (4) (ad) *Credit.* 1. ~~Any~~ Except as provided in subd. 2., any corporation
4 may 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) (ab) of the statutes is created to read:

19 71.28 (4) (ab) *Definitions.* In this subsection:

20 1. "Frame" includes:

21 a. Every part of a motorcycle, except the tires.

1 b. In the case of a truck, the control system and the fuel and drive train,
2 excluding any comfort features located in the cab or the tires.

3 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
4 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
5 components.

6 2. “Vehicle” means any vehicle or frame in which or on which an engine is
7 mounted for use in mobile or stationary applications. “Vehicle” includes any truck,
8 tractor, motorcycle, snowmobile, or generator, but does not include any automobile,
9 bus, or aircraft.

10 **SECTION 3.** 71.28 (4) (ad) 2. of the statutes is created to read:

11 71.28 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
12 corporation may credit against taxes otherwise due under this chapter an amount
13 equal to 10 percent of the amount obtained by subtracting from the corporation’s
14 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
15 except that “qualified research expenses” includes only expenses incurred by the
16 claimant for research related to manufacturing internal combustion engines for
17 vehicles, including expenses related to designing vehicles that are powered by such
18 engines, incurred for research conducted in this state for the taxable year, except that
19 a taxpayer may elect the alternative computation under section 41 (c) (4) of the
20 Internal Revenue Code and that election applies until the department permits its
21 revocation and except that “qualified research expenses” does not include
22 compensation used in computing the credit under subs. (1dj) and (1dx), the
23 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
24 except that gross receipts used in calculating the base amount means gross receipts

1 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
2 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

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

4 71.28 (4) (am) 1. In addition to the credit under par. (a) (ad), any corporation
5 may credit against taxes otherwise due under this chapter an amount equal to 5%
6 5 percent of the amount obtained by subtracting from the corporation's qualified
7 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
8 Revenue Code, except that "qualified research expenses" include only expenses
9 incurred by the claimant in a development zone under subch. VI of ch. 560, except
10 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
11 Internal Revenue Code and that election applies until the department permits its
12 revocation and except that "qualified research expenses" do not include
13 compensation used in computing the credit under sub. (1dj) nor research expenses
14 incurred before the claimant is certified for tax benefits under s. 560.765 (3), the
15 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~
16 Internal Revenue Code, in a development zone, except that gross receipts used in
17 calculating the base amount means gross receipts from sales attributable to
18 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in
19 calculating the base amount include research expenses incurred before the claimant
20 is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant
21 submits with the claimant's return a copy of the claimant's certification for tax
22 benefits under s. 560.765 (3) and a statement from the department of commerce
23 verifying the claimant's qualified research expenses for research conducted
24 exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit
25 under this subdivision. The rules under sub. (1di) (f) and (g) as they apply to the

1 credit under that subsection apply to claims under this subdivision. Section 41 (h)
2 of the ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under
3 this subdivision.

4 **SECTION 5.** 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (ad) 1. and
5 amended to read:

6 71.28 (5) (ad) *Credit.* 1. ~~For~~ Except as provided in subd. 2., for taxable year
7 1986 and subsequent years, any corporation may credit against taxes otherwise due
8 under this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred
9 by that corporation during the taxable year to construct and equip new facilities or
10 expand existing facilities used in this state for qualified research, as defined in
11 section 41 of the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts
12 include only amounts paid or incurred for tangible, depreciable property but do not
13 include amounts paid or incurred for replacement property.

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

15 71.28 (5) (ab) *Definitions.* In this subsection:

16 1. “Frame” includes:

17 a. Every part of a motorcycle, except the tires.

18 b. In the case of a truck, the control system and the fuel and drive train,
19 excluding any comfort features located in the cab or the tires.

20 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
21 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
22 components.

23 2. “Vehicle” means any vehicle or frame in which or on which an engine is
24 mounted for use in mobile or stationary applications. “Vehicle” includes any truck,

1 tractor, motorcycle, snowmobile, or generator, but does not include any automobile,
2 bus, or aircraft.

3 **SECTION 7.** 71.28 (5) (ad) 2. of the statutes is created to read:

4 71.28 (5) (ad) 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 manufacturing internal combustion
11 engines for vehicles, including expenses related to designing vehicles that are
12 powered by such engines. Eligible amounts include only amounts paid or incurred
13 for tangible, depreciable property but do not include amounts paid or incurred for
14 replacement property.

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

17 71.47 (4) (ad) *Credit.* 1. Any Except as provided in subd. 2., any corporation
18 may credit against taxes otherwise due under this chapter an amount equal to 5%
19 10 percent of the amount obtained by subtracting from the corporation’s qualified
20 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
21 Revenue Code, except that “qualified research expenses” includes only expenses
22 incurred by the claimant, incurred for research conducted in this state for the taxable
23 year, except that a taxpayer may elect the alternative computation under section 41
24 (c) (4) of the Internal Revenue Code and that election applies until the department
25 permits its revocation and except that “qualified research expenses” does not include

1 compensation used in computing the credit under subs. (1dj) and (1dx), the
2 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~
3 Internal Revenue Code, except that gross receipts used in calculating the base
4 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
5 (b) 1. and 2. and (d). Section 41 (h) of the ~~internal revenue code~~ Internal Revenue
6 Code does not apply to the credit under this paragraph.

7 **SECTION 9.** 71.47 (4) (ab) of the statutes is created to read:

8 71.47 (4) (ab) *Definitions.* In this subsection:

9 1. "Frame" includes:

10 a. Every part of a motorcycle, except the tires.

11 b. In the case of a truck, the control system and the fuel and drive train,
12 excluding any comfort features located in the cab or the tires.

13 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
14 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
15 components.

16 2. "Vehicle" means any vehicle or frame in which or on which an engine is
17 mounted for use in mobile or stationary applications. "Vehicle" includes any truck,
18 tractor, motorcycle, snowmobile, or generator, but does not include any automobile,
19 bus, or aircraft.

20 **SECTION 10.** 71.47 (4) (ad) 2. of the statutes is created to read:

21 71.47 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
22 corporation may credit against taxes otherwise due under this chapter an amount
23 equal to 10 percent of the amount obtained by subtracting from the corporation's
24 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
25 except that "qualified research expenses" includes only expenses incurred by the

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

12 **SECTION 11.** 71.47 (4) (am) of the statutes is amended to read:

13 71.47 (4) (am) *Development zone additional research credit.* In addition to the
14 credit under par. (a) (~~ad~~), any corporation may credit against taxes otherwise due
15 under this chapter an amount equal to ~~5%~~ 5 percent of the amount obtained by
16 subtracting from the corporation’s qualified research expenses, as defined in section
17 41 of the ~~internal revenue code~~ Internal Revenue Code, except that “qualified
18 research expenses” include only expenses incurred by the claimant in a development
19 zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative
20 computation under section 41 (c) (4) of the Internal Revenue Code and that election
21 applies until the department permits its revocation and except that “qualified
22 research expenses” do not include compensation used in computing the credit under
23 sub. (1dj) nor research expenses incurred before the claimant is certified for tax
24 benefits under s. 560.765 (3), the corporation’s base amount, as defined in section 41
25 (c) of the ~~internal revenue code~~ Internal Revenue Code, in a development zone,

1 except that gross receipts used in calculating the base amount means gross receipts
2 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and
3 research expenses used in calculating the base amount include research expenses
4 incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a
5 development zone, if the claimant submits with the claimant's return a copy of the
6 claimant's certification for tax benefits under s. 560.765 (3) and a statement from the
7 department of commerce verifying the claimant's qualified research expenses for
8 research conducted exclusively in a development zone. The rules under s. 73.03 (35)
9 apply to the credit under this paragraph. The rules under sub. (1d) (f) and (g) as they
10 apply to the credit under that subsection apply to claims under this paragraph.
11 Section 41 (h) of the ~~internal revenue code~~ Internal Revenue Code does not apply to
12 the credit under this paragraph. No credit may be claimed under this paragraph for
13 taxable years that begin on January 1, 1998, or thereafter. Credits under this
14 paragraph for taxable years that begin before January 1, 1998, may be carried
15 forward to taxable years that begin on January 1, 1998, or thereafter.

16 **SECTION 12.** 71.47 (5) (a) of the statutes is renumbered 71.47 (5) (ad) 1. and
17 amended to read:

18 71.47 (5) (ad) *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 13.** 71.47 (5) (ab) of the statutes is created to read:

2 71.47 (5) (ab) *Definitions.* In this subsection:

3 1. “Frame” includes:

4 a. Every part of a motorcycle, except the tires.

5 b. In the case of a truck, the control system and the fuel and drive train,
6 excluding any comfort features located in the cab or the tires.

7 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
8 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
9 components.

10 2. “Vehicle” means any vehicle or frame in which or on which an engine is
11 mounted for use in mobile or stationary applications. “Vehicle” includes any truck,
12 tractor, motorcycle, snowmobile, or generator, but does not include any automobile,
13 bus, or aircraft.

14 **SECTION 14.** 71.47 (5) (ad) 2. of the statutes is created to read:

15 71.47 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
16 corporation may credit against taxes otherwise due under this chapter an amount
17 equal to 10 percent of the amount paid or incurred by that corporation during the
18 taxable year to construct and equip new facilities or expand existing facilities used
19 in this state for qualified research, as defined in section 41 of the Internal Revenue
20 Code, except that “qualified research expenses” includes only expenses paid or
21 incurred by the claimant for research related to manufacturing internal combustion
22 engines for vehicles, including expenses related to designing vehicles that are
23 powered by such engines. Eligible amounts include only amounts paid or incurred

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

3 (END)