



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 264-6948

STEPHEN R. MILLER
CHIEF

March 29, 2005

MEMORANDUM

To: Senator Kanavas

From: Joseph T. Kreye, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2005 SB-103** (LRB 05-0346/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

March 24, 2005

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on SB 103: Increase the Amount of Research and Development Credits

The Department recommends that the definition of "vehicle" be more specific, based on the author's intent. It is not clear if the credit is to apply to vans, sport utility vehicles, motor homes, all terrain vehicles and boats. It should be stated in the definition if the items are to be excluded.

In addition, it appears that there may be a conflict between the use of the phrase "manufacturing internal combustion engines" and the definition of "qualified research expenses" as defined in the Internal Revenue Code. Under the IRC, qualified research does not include manufacturing activities. However, it may include research related to improving a production process. The word "manufacturing" could be replaced with "designing and improving production processes."

If you have any questions regarding this technical memorandum, please contact Pam Walgren at 266-7817.

cc: Sen. Kanavas