

2005 DRAFTING REQUEST

Senate Substitute Amendment (SSA-SB103)

Received: 04/12/2005

Received By: jkreye

Wanted: Today

Identical to LRB:

For: Ted Kanavas (608) 266-9174

By/Representing:

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.Kanavas@legis.state.wi.us

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

Pre Topic:

No specific pre topic given

Topic:

Technical changes to engine research credit

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 04/12/2005	kfollett 04/13/2005		_____			State
/1			pgreensl 04/13/2005	_____	lemery 04/13/2005	lemery 04/13/2005	

FE Sent For:

<END>

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/?	jkreye	11kf 4/13	4/13 ps	4/13 4/13/06			

FE Sent For:

<END>

Kreye, Joseph

From: Sen.Kanavas
Sent: Tuesday, April 12, 2005 3:27 PM
To: Kreye, Joseph
Subject: FW: Draft review: LRB 05a0438/P1 Topic: Research and development credit for internal combustion engines; technical changes

Joe,

The amendment looks good, but I would like them drafted as a substitute so it is easier for members to follow.

Thanks!

TED

From: Barman, Mike
Sent: Monday, April 11, 2005 2:15 PM
To: Sen.Kanavas
Subject: Draft review: LRB 05a0438/P1 Topic: Research and development credit for internal combustion engines; technical changes

Following is the PDF version of draft LRB 05a0438/P1 and drafter's note.

50084/1

SSA

To 2005 SENATE BILL 103

in 4-12-05

due filed 4-13

March 8, 2005 - Introduced by Senators KANAVAS, DARLING, STEPP, LEIBHAM, A. LASEE and ROESSLER, cosponsored by Representatives MCCORMICK, PETTIS, SHERIDAN, MUSSER, VOS, F. LASEE, KRAWCZYK, VAN ROY, GUNDERSON, ALBERS, HUNDERTMARK, HONADEL, TOWNSEND and VRAKAS. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

Reger

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.

designing
designing

substitute
amendment
enrollment

SENATE BILL 103

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.

SENATE BILL 103

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~~ ^{designing} 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

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SENATE BILL 103

SECTION 3

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4-2

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

SENATE BILL 103

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,

SENATE BILL 103

INSERT 6-1

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.

designing

INSERT 6-12

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

INSERT 6-25

SENATE BILL 103

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

INSERT
7-18

SENATE BILL 103

SECTION 10

designing

manufacturing

INSERT 8-3

INSERT 8-6

INSERT 8-11

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 ~~II.~~ 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,

SENATE BILL 103

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.

SENATE BILL 103

SECTION 13

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.

INSERT
10-12

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~~ *designing* 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

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10-23

SENATE BILL 103

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

3 (END)

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION
SENATE AMENDMENT ,
TO 2005 SENATE BILL 103

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 2, line 11: after "revocation" insert "except as provided in par. (af)."

3 **2.** Page 3, line 8: delete that line and substitute "tractor, motorcycle,
4 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, automobile,
5 van, sports utility vehicle, motor home,"

6 **3.** Page 3, line 16: delete "manufacturing" and substitute "designing".

7 **4.** Page 3, line 18: after "engines" insert "and improving production processes
8 for such engines and vehicles".

9 **5.** Page 3, line 21: after "revocation" insert "except as provided in par. (af)."

10 **6.** Page 4, line 2: after that line insert:

11 "SECTION 71.28 (4) (af) of the statutes is created to read:

[Redacted area with a large arrow pointing downwards]

INSERT 2-11

INSERT 3-8

INSERT 3-17

INSERT 3-21

INSERT 4-2

INSERT 4-2

1 71.28 (4) (af) *Computation*. If in any taxable year a corporation claims a credit
2 under both par. (ad) 1. and 2., the corporation may use a different computation
3 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
4 the computation method once for each credit without the department's approval.

INSERT 6-1

5 ~~7. Page 6, line 1: delete that line and substitute "tractor, motorcycle,~~
6 ~~snowmobile, all-terrain vehicle, boat, personal watercraft, generator, automobile,~~
7 ~~van, sports utility vehicle, motor home.~~

INSERT 6-12

8 ~~8. Page 6, line 10: delete "manufacturing" and substitute "designing".~~

9 ~~9. Page 6, line 12: after "engines" insert "and improving production processes~~
10 ~~for such engines and vehicles."~~

INSERT 6-25

11 ~~10. Page 6, line 25: after "revocation" insert ", except as provided in par. (af)."~~

INSERT 7-18

12 ~~11. Page 7, line 18: delete that line and substitute "tractor, motorcycle,~~
13 ~~snowmobile, all-terrain vehicle, boat, personal watercraft, generator, automobile,~~
14 ~~van, sports utility vehicle, motor home."~~

INSERT 8-13

15 ~~12. Page 8, line 1: delete "manufacturing" and substitute "designing".~~

16 ~~13. Page 8, line 3: after "engines" insert "and improving production processes~~
17 ~~for such engines and vehicles."~~

INSERT 8-6

18 ~~14. Page 8, line 6: after "revocation" insert ", except as provided in par. (af)."~~

19 ~~15. Page 8, line 11: after that line insert:~~

20 ~~SECTION 10. 71.47 (4) (af) of the statutes is created to read:~~

21 71.47 (4) (af) *Computation*. If in any taxable year a corporation claims a credit
22 under both par. (ad) 1. and 2., the corporation may use a different computation

INSERT 8-11

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8-11

1 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
2 the computation method once for each credit without the department's approval." *De*

INSERTS
10-12

3 ~~16.~~ Page 10, line 12: delete that line and substitute "tractor, motorcycle,
4 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, automobile,
5 van, sports utility vehicle, motor home." *De*

6 ~~17.~~ Page 10, line 21: delete "manufacturing" and substitute "designing".

7 ~~18.~~ Page 10, line 23: after "engines" insert "and improving production
8 processes for such engines and vehicles".

9 (END)

Insert 10-23