

## 2007 DRAFTING REQUEST

### Bill

Received: **01/18/2007**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB: **05 AB 951**

For: **Karl Van Roy (608) 266-0616**

By/Representing: **tanya**

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: **Rep.VanRoy@legis.wisconsin.gov**

Carbon copy (CC:) to: **joseph.kreye@legis.wisconsin.gov**

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### Pre Topic:

No specific pre topic given

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### Topic:

Tax credit for restaurant kitchen equipment

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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>
/?	jkreye 01/23/2007	jdyer 02/09/2007		_____			State
/1			jfrantze 02/09/2007	_____	cduerst 02/09/2007	mbarman 02/26/2007	

FE Sent For: **/1 @intro.**

~~3~~ **3-2-2007**

<END>

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/?	jkreye 01/23/2007	jdyer 02/09/2007		_____			State
/1			jfrantze 02/09/2007	_____	cduerst 02/09/2007		

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<END>

Assembly  
per Tanya

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/?	jkreye	1 2/9 jld	J 2/9	J 2/9			

FE Sent For:

<END>

1568/1  
stays

THURS  
2-15-07

**2005 ASSEMBLY BILL 951**

in 1-23-07  
DN

January 30, 2006 - Introduced by Representatives VAN ROY, AINSWORTH, DAVIS, FREESE, GARD, GRONEMUS, GUNDERSON, HINES, JENSEN, JESKEWITZ, KRAWCZYK, KREIBICH, F. LASEE, MURSAU, MUSSER, NASS, NISCHKE, OTT, OWENS, PETTIS, PETROWSKI, SEIDEL, SHILLING, STRACHOTA, SUDER, TOWNS, VOS, M. WILLIAMS and WOOD, cosponsored by Senators LEIBHAM, KEDZIE, A. LASEE, REYNOLDS and ROESSLER. Referred to Committee on Small Business.

re gen

1 AN ACT *to amend* 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2)  
2 (a) 10. and 77.92 (4); and *to create* 71.07 (5h), 71.10 (4) (gxx), 71.28 (5h), 71.30  
3 (3) (epa), 71.47 (5h) and 71.49 (1) (gxx) of the statutes; **relating to:** an income  
4 and franchise credit for property taxes paid on restaurant kitchen machinery  
5 and equipment. ✓

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

This bill creates an income and franchise tax credit in an amount that is equal to the amount of property taxes that a taxpayer paid in the taxable year on machinery and equipment, including refrigerators and other storage equipment, used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages. Under the bill, a restaurant includes pizza delivery establishments, snack bars, beverage bars, takeout food shops, and mobile food services, including mobile snack stands, mobile canteens, and ice cream vendors. ✓

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:***

6

~~SECTION 1. 71.05 (6) (a) 15. of the statutes is amended to read:~~

ASSEMBLY BILL 951

SECTION 1

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

INSERT  
2-5

6 SECTION 2. 71.07 (5h) of the statutes is created to read:

7 71.07 (5h) RESTAURANT KITCHEN EQUIPMENT CREDIT. (a) *Definitions.* In this  
 8 subsection:

- 9 1. "Claimant" means a person who files a claim under this subsection.
- 10 2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.
- 11 3. "Restaurant" includes pizza delivery establishments, snack bars, beverage  
 12 bars, takeout food shops, and mobile food services, including mobile snack stands,  
 13 mobile canteens, and ice cream vendors.

14 (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
 15 claimant may claim as a credit against the taxes imposed under s. 71.02, up to the  
 16 amount of those taxes, an amount that is equal to the taxes imposed under ch. 70 that  
 17 the claimant paid in the taxable year on machinery and equipment, including  
 18 refrigerators and other storage equipment, used primarily in the operation of a  
 19 restaurant's kitchen to prepare or serve food or beverages.

20 (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
 21 corporations may not claim the credit under this subsection, but the eligibility for,  
 22 and the amount of, the credit are based on their payment of amounts under par. (b).  
 23 A partnership, limited liability company, or tax-option corporation shall compute  
 24 the amount of credit that each of its partners, members, or shareholders may claim  
 25 and shall provide that information to each of them. Partners, members of limited

## ASSEMBLY BILL 951

1 liability companies, and shareholders of tax-option corporations may claim the  
2 credit in proportion to their ownership interests.

3 (d) *Administration*. Section 71.28 (4) (e) to (h), as it applies to the credit under  
4 s. 71.28 (4), applies to the credit under this subsection.

5 **SECTION 3.** 71.10 (4) (gxx) of the statutes is created to read:

6 71.10 (4) (gxx) Restaurant kitchen equipment credit under s. 71.07 (5h).

7 ~~**SECTION 4.** 71.21 (4) of the statutes, as affected by 2005 Wisconsin Act 74, is  
8 amended to read:~~

9 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
10 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), (5b), and (5g), and (5h) and passed  
11 through to partners shall be added to the partnership's income.

12 ~~**SECTION 5.** 71.26 (2) (a) of the statutes, as affected by 2005 Wisconsin Act 74,  
13 is amended to read:~~

14 71.26 (2) (a) *Corporations in general*. The "net income" of a corporation means  
15 the gross income as computed under the Internal Revenue Code as modified under  
16 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
17 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
18 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
19 under this paragraph at the time that the taxpayer first claimed the credit plus the  
20 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
21 (1ds), (1dx), (3g), (3n), (3t), (5b), and (5g), and (5h) and not passed through by a  
22 partnership, limited liability company, or tax-option corporation that has added that  
23 amount to the partnership's, limited liability company's, or tax-option corporation's  
24 income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or  
25 other disposition of assets the gain from which would be wholly exempt income, as

ASSEMBLY BILL 951

SECTION 5

1 defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and  
 2 minus deductions, as computed under the Internal Revenue Code as modified under  
 3 sub. (3), plus or minus, as appropriate, an amount equal to the difference between  
 4 the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or  
 5 otherwise disposed of in a taxable transaction during the taxable year, except as  
 6 provided in par. (b) and s. 71.45 (2) and (5).

7 SECTION 6. 71.28 (5a) of the statutes is created to read:

8 71.28 (5b) RESTAURANT KITCHEN EQUIPMENT CREDIT. (a) *Definitions.* In this  
 9 subsection:

- 10 1. "Claimant" means a person who files a claim under this subsection.
- 11 2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.
- 12 3. "Restaurant" includes pizza delivery establishments, snack bars, beverage  
 13 bars, takeout food shops, and mobile food services, including mobile snack stands,  
 14 mobile canteens, and ice cream vendors.

15 (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
 16 claimant may claim as a credit against the taxes imposed under s. 71.23, up to the  
 17 amount of those taxes, an amount that is equal to the taxes imposed under ch. 70 that  
 18 the claimant paid in the taxable year on machinery and equipment, including  
 19 refrigerators and other storage equipment, used primarily in the operation of a  
 20 restaurant's kitchen to prepare or serve food or beverages.

21 (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
 22 corporations may not claim the credit under this subsection, but the eligibility for,  
 23 and the amount of, the credit are based on their payment of amounts under par. (b).  
 24 A partnership, limited liability company, or tax-option corporation shall compute  
 25 the amount of credit that each of its partners, members, or shareholders may claim

INSERT 4-6

**ASSEMBLY BILL 951**

1 and shall provide that information to each of them. Partners, members of limited  
2 liability companies, and shareholders of tax-option corporations may claim the  
3 credit in proportion to their ownership interests.

4 (d) *Administration*. Subsection (4) (e) to (h), as it applies to the credit under  
5 sub. (4), applies to the credit under this subsection.

6 **SECTION 7.** 71.30 (3) (epa) of the statutes is created to read:

7 71.30 (3) (epa) Restaurant kitchen equipment credit under s. 71.28 (5n).

8 ~~**SECTION 8.** 71.34 (1) (g) of the statutes, as affected by 2005 Wisconsin Act 74,  
9 is amended to read:~~

10 71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
11 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),  
12 (3n), (3t), (5b), and (5g), and (5h) and passed through to shareholders.

13 ~~**SECTION 9.** 71.45 (2) (a) 10. of the statutes, as affected by 2005 Wisconsin Act  
14 74, is amended to read:~~

15 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
16 computed under s. 71.47 (1dd) to (1dx), (3n), (5b), and (5g), and (5h) and not passed  
17 through by a partnership, limited liability company, or tax-option corporation that  
18 has added that amount to the partnership's, limited liability company's, or  
19 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) and the amount of  
20 credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

21 **SECTION 10.** 71.47 (5h) of the statutes is created to read:

22 71.47 (5h) RESTAURANT KITCHEN EQUIPMENT CREDIT. (a) *Definitions*. In this  
23 subsection:

24 1. "Claimant" means a person who files a claim under this subsection.

25 2. "Machinery" has the meaning given in s. 70.11 (27) (a) 2.

INSERT  
5-20



ASSEMBLY BILL 951

1           3. "Restaurant" includes pizza delivery establishments, snack bars, beverage  
2 bars, takeout food shops, and mobile food services, including mobile snack stands,  
3 mobile canteens, and ice cream vendors.

4           (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
5 claimant may claim as a credit against the taxes imposed under s. 71.43, up to the  
6 amount of those taxes, an amount that is equal to the taxes imposed under ch. 70 that  
7 the claimant paid in the taxable year on machinery and equipment, including  
8 refrigerators and other storage equipment, used primarily in the operation of a  
9 restaurant's kitchen to prepare or serve food or beverages.

10           (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
11 corporations may not claim the credit under this subsection, but the eligibility for,  
12 and the amount of, the credit are based on their payment of amounts under par. (b).  
13 A partnership, limited liability company, or tax-option corporation shall compute  
14 the amount of credit that each of its partners, members, or shareholders may claim  
15 and shall provide that information to each of them. Partners, members of limited  
16 liability companies, and shareholders of tax-option corporations may claim the  
17 credit in proportion to their ownership interests.

18           (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under  
19 s. 71.28 (4), applies to the credit under this subsection.

20           SECTION 11. 71.49 (1) (gxx) of the statutes is created to read:

21           71.49 (1) (gxx) Restaurant kitchen equipment credit under s. 71.47 (5a). <sup>Si</sup>

22           SECTION 12. 77.92 (4) of the statutes, as affected by 2005 Wisconsin Act 74, is  
23 amended to read:

24           77.92 (4) "Net business income," with respect to a partnership, means taxable  
25 income as calculated under section 703 of the Internal Revenue Code; plus the items

ASSEMBLY BILL 951

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

14 SECTION 13. Initial applicability.

15 (1) This act first applies to taxable years beginning on January 1, 2006.

✓ 2006 2008

16 (END)

d-note  
↓

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7-13

2007-2008 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-1568/?ins  
JK:.....

Insert 2 - 5

1           SECTION 1. 71.05 (6) (a) 15. of the statutes is amended to read:

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

NOTE: NOTE: Subd. 15. is shown as affected by acts of the 2005 Wisconsin legislature and as merged by the revisor under s. 13.93 (2) (c). The bracketed "and" was inserted by 2005 Wis. Act 479, but rendered surplusage by 2005 Wis. Act 483. Corrective legislation is pending. NOTE:

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; s. 13.93 (2) (c).

Insert 4 - 6

7           SECTION 2. 71.21 (4) of the statutes is amended to read:

8           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
9           (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), (5e), (5f), (5g), ~~and~~ (5h),  
10          and (5i) and passed through to partners shall be added to the partnership's income.

NOTE: NOTE: Sub. (4) is shown as affected by acts of the 2005 Wisconsin legislature and as merged by the revisor under s. 13.93 (2) (c). NOTE:

History: 1987 a. 312, 411; 1989 a. 31; 1993 a. 112; 1995 a. 27, 403; 1997 a. 27; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; s. 13.93 (2) (c).

11          SECTION 3. 71.26 (2) (a) of the statutes is amended to read:

12          71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means  
13          the gross income as computed under the Internal Revenue Code as modified under  
14          sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
15          computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
16          7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
17          under this paragraph at the time that the taxpayer first claimed the credit plus the  
18          amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
19          (1ds), (1dx), (3g), (3n), (3t), (3w), (5b), (5e), (5f), (5g), ~~and~~ (5h), and (5i) and not passed  
20          through by a partnership, limited liability company, or tax-option corporation that

1 has added that amount to the partnership's, limited liability company's, or  
 2 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus the amount  
 3 of losses from the sale or other disposition of assets the gain from which would be  
 4 wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise  
 5 disposed of at a gain and minus deductions, as computed under the Internal Revenue  
 6 Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to  
 7 the difference between the federal basis and Wisconsin basis of any asset sold,  
 8 exchanged, abandoned, or otherwise disposed of in a taxable transaction during the  
 9 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

~~NOTE: NOTE: Par. (a) is shown as affected by 4 acts of the 2005 Wisconsin legislature and as merged by the revisor under s. 13.93 (2) (c). NOTE:  
 History: 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 336; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428;  
 1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 106, 109; 2003 a. 33, 85, 99, 135, 255, 326; 2005 a. 25, 74, 335, 361, 362, 479,  
 483; s. 13.93 (2) (c).~~

**Insert 5 - 20**

10 **SECTION 4.** 71.34 (1) (g) <sup>✓</sup> of the statutes is amended to read:

11 71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
 12 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),  
 13 (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and (5i) <sup>✓</sup> and passed through to  
 14 shareholders.

~~NOTE: NOTE: Par. (g) is shown as affected by 4 acts of the 2005 Wisconsin legislature and as merged by the revisor under s. 13.93 (2) (c). NOTE:  
 History: 1987 a. 312; 1987 a. 411 ss. 18, 23, 146; 1989 a. 31, 336; 1991 a. 39, 269; 1993 a. 16, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237; 1999 a. 9, 194; 2001 a. 16,  
 109; 2003 a. 33, 99, 135, 255, 326; 2005 a. 25, 49, 74, 361, 479, 483; s. 13.93 (2) (c).~~

15 **SECTION 5.** 71.45 (2) (a) 10. of the statutes is amended to read:

16 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
 17 computed under s. 71.47 (1dd) to (1dx), (3n), (3w), (5b), (5e), (5f), (5g), <sup>✓</sup> and (5h), and  
 18 (5i) and not passed through by a partnership, limited liability company, or tax-option  
 19 corporation that has added that amount to the partnership's, limited liability  
 20 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) and  
 21 the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

(end ins)

1 ~~NOTE: NOTE: NOTE: Subd. 1b. is shown as affected by 4 acts of the 2005 Wisconsin legislature and as merged by the revisor under s. 13.93 (2) (c).NOTE:  
History: 1987 a. 312; 1989 a. 31, 336, 359; 1991 a. 37, 39, 269; 1993 a. 16, 112, 263, 437; 1995 a. 27, 56, 371, 380; 1997 a. 27, 37, 237; 1999 a. 9, 65; 1999 a. 150 s. 672;  
1999 a. 167, 194; 2001 a. 16, 38, 109; 2003 a. 37, 85, 99, 135, 255, 326; 2005 a. 74, 297, 335, 361, 479, 483; s. 13.93 (2) (c).~~

**Insert 7 - 13**

2 **SECTION 6.** 77.92 (4) <sup>x</sup> of the statutes is amended to read:

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

~~NOTE: NOTE: Sub. (4) is shown as affected by 4 acts of the 2005 Wisconsin legislature and as merged by the revisor under s. 13.93 (2) (c).NOTE:  
History: 1989 a. 335; 1991 a. 39, 269; 1993 a. 16, 112, 490; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; s. 13.93  
(2) (c).~~

STATE OF WISCONSIN - LEGISLATIVE REFERENCE BUREAU

LRB

Research (608-266-0341)

Library (608-266-7040)

Legal (608-266-3561)

LRB

D-N

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vk: jld

Representative Van Roy:

this draft is based on 2005 Assembly Bill 951.

vk

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

LRB-1568/1dn  
JK:jld:jf

February 9, 2007

Representative Van Roy:

This draft is based on 2005 Assembly Bill 951.

Joseph T. Kreye  
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