



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

August 24, 2007

MEMORANDUM

To: Representative Fields

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

Subject: Technical Memorandum to **2007 un-introduced** (LRB-2173/3) by **DOR**

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

August 22, 2007

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on LRB 2173/3 – Summer Youth Employment Credit

The Department has the following technical concerns with the above referenced bill:

It is unclear what is meant by the requirement that the employee must be “no more than 18 years of age.” Can the taxpayer count the wages of an employee who is one month over the age of 18? Or are the wages of an employee who turns 19 during the period disqualified for the entire period? This could be clarified by providing that “the employee is at least 15 years of age but less than 19 years of age on July 1 of the taxable year.

An employee who graduates from high school during the taxable year must provide proof that he or she is enrolled in a university or college and intends to begin instruction at the university or college in that taxable year. Would such proof of enrollment be available? A person may be accepted at a university or college but may not actually enroll until classes begin in late August or September.

The bill allows taxpayers who employ youths year-round to claim the credit for wages paid for work performed during the summer, even though the youths' employment extends beyond the eligible months. For example, a youth may be employed year-round at a fast food restaurant while also attending high school. The restaurant would be able to claim a credit for the wages paid for that youth during the summer, even though they didn't hire any additional youths for the summer. Is this the intent of the author?

Wisconsin already provides development zone and enterprise zone tax credits based on wages paid to economically disadvantaged youth and summer youth employees. Is it the intent that a business could qualify for both credits, thus receiving more in tax credits than the business paid the employee? If not, the language should specify that the credit cannot be claimed for wages that are used for any other credit under chapter 71. (See sec. 71.28(3g)(e)1 for an example.)

Many parents employ their children on their farm or in their business during the summer months. Is it the intent that wages paid to related persons qualify for the credit? If not, clarification is needed.

The bill bases the credit on wages paid during taxable year, and requires that the work for which the wages are paid be performed between July 1 and the first Monday of September in the taxable year. For a business whose taxable year ends in July or August, the first Monday in September of the taxable year will actually be before July 1st of that same taxable year. A better alternative would be to base the credit on wages paid for *“work performed during the taxable year in the months of July, August, and during September through the first Monday of September.”* A business whose taxable year ends in July or August would then be able to split the credit into the appropriate amount for each taxable year on the respective returns.

In the language for the credit limitations for both full time and part time employees, it is unclear whether the limitation is to apply to each month on its own, or whether the months must be aggregated in determining the limitation. If the intent is for each month to stand on its own, the following language is suggested for full time employees:

“The maximum amount that a claimant may claim under this subsection in any taxable year for any single employee who works full time, for each month that the employee is employed during the period described under par. (b), is an amount that is equal to the lesser of \$600 ~~for each month that the employee is employed during the period described under par. (b)~~ or 70 percent of the employee’s ~~monthly wages~~ earned during that ~~period~~ month.”

Similar language is suggested for the limitations regarding part time employees.

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. The Department estimates the on-going administrative costs for LTEs (data capture, return adjustments, and appeals), printing, and postage to be \$14,900. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	Chapter 20	Amount	FTE
Annual	s. 20.566 (1) (a)	\$14,900	

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173, or via email at Michael.oakleaf@revenue.wi.gov.

Barman, Mike

From: Barman, Mike
Sent: Friday, August 24, 2007 9:03 AM
To: Rep.Fields
Subject: LRB 07-2173/3 (un-introduced) (Tech. Memo by DOR - attached - for your review)

Attachments: Tech_Memo_Fields.PDF



Tech_Memo_Fields.
PDF (186 KB)

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