

2007 DRAFTING REQUEST

Bill

Received: **01/18/2008**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Julie Lassa (608) 266-3123**

By/Representing: **danielle**

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.Lassa@legis.wisconsin.gov**

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

Pre Topic:

No specific pre topic given

Topic:

Tax credit to supplement the federal historic rehabilitation tax 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 01/18/2008	kfollett 01/18/2008		_____			S&L
/1	jkreye 01/24/2008	kfollett 01/25/2008	rschluet 01/18/2008	_____	sbasford 01/18/2008	sbasford 01/18/2008	S&L
/2	jkreye 02/01/2008	kfollett 02/01/2008	jfrantze 01/28/2008	_____	cduerst 01/28/2008	cduerst 01/28/2008	S&L
/3			nmatzke	_____	sbasford	sbasford	

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			02/01/2008 _____		02/01/2008	02/01/2008	

FE Sent For:

*at
intro*

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/2		<i>13/16/08</i> <i>2/1/08</i>	jfrantze 01/28/2008 <i>nwn</i> <i>2/1</i>	_____	cduerst 01/28/2008	cduerst 01/28/2008	

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/1		125f 1/28	rschluet 01/18/2008	_____	sbasford 01/18/2008	sbasford 01/18/2008	

FE Sent For:

Handwritten signatures and dates: *jkreye* 1/28, *rschluet* 1/28, *sbasford* 1/28, *TRB* 1/28

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slate!
joe*

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/?	jkreye	1/15/08 1/18	<i>[Handwritten signature]</i>				
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FE Sent For:

<END>

1/18

Kreye, Joseph

From: Wilson, Danielle
Sent: Friday, January 18, 2008 9:51 AM
To: Kreye, Joseph; Bacher, Luke
Cc: 'aoconnor@murphydesmond.com'
Subject: RE: Historic rehab tax credit

Thank you, Joe. Please draft a Senate companion bill for Senator Lassa. If Luke feels that the current draft is ready to be jacketed in the Assembly, you can also jacket the Senate companion.

Please call me if you have any questions.

Thanks,

Danielle Wilson

Clerk, Senate Committee on Economic Development
Office of Senator Julie Lassa
P.O. Box 7882
Madison, WI 53707-7882
(608) 266-3123
danielle.wilson@legis.wisconsin.gov

From: Kreye, Joseph
Sent: Wednesday, January 16, 2008 3:18 PM
To: Bacher, Luke; Wilson, Danielle
Cc: 'aoconnor@murphydesmond.com'
Subject: Historic rehab tax credit

<< File: 07-2982/1 >>

I have recently spoken with Alice O'Connor regarding LRB-2982/1. Apparently the bill, as currently drafted, reflects the intent of the interested parties. Please let me know how you want to proceed (jacketing, companion bill, etc.).

Joe

Joseph T. Kreye
Senior Legislative Attorney
Legislative Reference Bureau
(608) 266-2263

3807/11

2007 BILL

No Changes

in 1-2008

due Tues 1-22

Regen

1 **AN ACT to amend** 71.07 (9m) (c), 71.07 (9m) (f), 71.28 (6) (c), 71.28 (6) (f), 71.47
 2 (6) (c) and 71.47 (6) (f); and **to create** 71.07 (9m) (cm), 71.28 (6) (cm) and 71.47
 3 (6) (cm) of the statutes; **relating to:** the income and franchise tax credit that
 4 supplements the federal historic rehabilitation tax credit.

Analysis by the Legislative Reference Bureau

Under current law, a person who owns an income-producing historic building may claim a federal income tax credit that is equal to 20 percent of certain costs to rehabilitate the historic building. To claim the credit, the building must be listed, or be eligible for listing, on the national register of historic places or located in certain national, state, or local historic districts and the rehabilitation work must comply with standards established by the secretary of the interior.

Under current law, a person who may claim the federal income tax credit for rehabilitating an income-producing historic building may also claim a state income tax or franchise tax credit that is equal to 5 percent of certain costs to rehabilitate the historic building. To claim the credit, the person must include with the person's tax return evidence that the secretary of the interior approved the rehabilitation work before the rehabilitation work began.

Under this bill, a person may claim the state income and franchise tax credit for rehabilitating an income-producing historic building, if the person includes with the person's tax return evidence that the state historic preservation officer recommended the rehabilitation work for approval by the secretary of the interior before the rehabilitation work began.

BILL

Under current law, each partner in a partnership or member of a limited liability company is allocated a portion of any tax credit that the partnership or limited liability company may claim, including the credit for rehabilitating a historic building, based on each partner's ownership interest. Under this bill, a partner or member may also be allocated a portion of the tax credit for rehabilitating a historic building in a manner specified in an agreement with the other partners or members.

For further information see the *state and local* 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.** 71.07 (9m) (c) of the statutes is amended to read:

2 71.07 (9m) (c) No person may claim the credit under this subsection unless the
3 claimant includes with the claimant's return evidence that the rehabilitation was
4 approved recommended by the state historic preservation officer for approval by the
5 secretary of the interior under 36 CFR 67.6 before the physical work of construction,
6 or destruction in preparation for construction, began.

7 **SECTION 2.** 71.07 (9m) (cm) of the statutes is created to read:

8 71.07 (9m) (cm) Any credit claimed under this subsection for Wisconsin
9 purposes shall be claimed at the same time as for federal purposes.

10 **SECTION 3.** 71.07 (9m) (f) of the statutes is amended to read:

11 71.07 (9m) (f) A partnership, limited liability company, or tax-option
12 corporation may not claim the credit under this subsection. The ~~individual~~ partners
13 of a partnership, members in of a limited liability company, or shareholders in a
14 tax-option corporation may claim the credit under this subsection based on eligible
15 costs incurred by the partnership, company, or tax-option corporation. For
16 shareholders of a tax-option corporation, the credit may be allocated in proportion
17 to the ownership interest of each partner, member or shareholder. The partnership,
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BILL

1 credit which may be claimed by each partner, member, or shareholder and shall
2 provide that information to the partner, member, or shareholder. Credits computed
3 by a partnership or limited liability company shall be allocated to partners or
4 members as provided in a written agreement among the partners or members that
5 is entered into no later than the last day of the taxable year of the partnership or
6 limited liability company. Any partner or member who claims the credit as provided
7 under this subsection shall attach a copy of the agreement to the tax return on which
8 the credit is claimed. A person claiming the credit as provided under this paragraph
9 is solely responsible for any tax liability arising from a dispute with the department
10 of revenue related to claiming the credit.

11 **SECTION 4.** 71.28 (6) (c) of the statutes is amended to read:

12 71.28 (6) (c) No person may claim the credit under this subsection unless the
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15 secretary of the interior under 36 CFR 67.6 before the physical work of construction,
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17 **SECTION 5.** 71.28 (6) (cm) of the statutes is created to read:

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12 provided under this paragraph is solely responsible for any tax liability arising from
13 a dispute with the department of revenue related to claiming the credit.

14 **SECTION 7.** 71.47 (6) (c) of the statutes is amended to read:

15 71.47 (6) (c) No person may claim the credit under this subsection unless the
16 claimant includes with the claimant's return evidence that the rehabilitation was
17 approved recommended by the state historic preservation officer for approval by the
18 secretary of the interior under 36 CFR 67.6 before the physical work of construction,
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16 of revenue related to claiming the credit.

SECTION 10. Initial applicability.

17
18 (1) SUPPLEMENT TO FEDERAL HISTORIC REHABILITATION CREDIT. This act first
19 applies to taxable years beginning on January 1, 2008, and to property placed in
20 service on January 1, 2008.

21 (END)

Barman, Mike

From: Wilson, Danielle
Sent: Friday, January 18, 2008 12:54 PM
To: LRB.Legal
Subject: Draft Review: LRB 07-3887/1 Topic: Tax credit to supplement the federal historic rehabilitation tax credit

Please Jacket LRB 07-3887/1 for the SENATE.

Kreye, Joseph

From: Wilson, Danielle
Sent: Thursday, January 24, 2008 11:18 AM
To: Kreye, Joseph
Subject: FW: 2982/1

Hi Joe,

Will you also make these changes to the senate companion, LRB-3887/1? Thank you!

Danielle Wilson

Clerk, Senate Committee on Economic Development
Office of Senator Julie Lassa
P.O. Box 7882
Madison, WI 53707-7882
(608) 266-3123
danielle.wilson@legis.wisconsin.gov

From: Bacher, Luke
Sent: Thursday, January 24, 2008 10:18 AM
To: Wilson, Danielle
Subject: FW: 2982/1

Luke Bacher
Legislative Assistant
State Representative Brett Davis
608-266-1192
luke.bacher@legis.wi.gov

From: Kreye, Joseph
Sent: Thu 1/24/2008 9:57 AM
To: Bacher, Luke
Subject: FW: 2982/1

Hi Luke,

I'll take care of this for you.

Joe

Joseph T. Kreye
Senior Legislative Attorney
Legislative Reference Bureau
(608) 266-2263

01/24/2008

From: Bacher, Luke
Sent: Thursday, January 24, 2008 9:50 AM
To: Sundberg, Christopher
Subject: 2982/1

Chris -

Can you make the following changes to 2982/1?

Sections 1, 4, and 7: Decoupling from federal approval.

We believe that the bill as drafted inadvertently allows the credit to be claimed if approved by the state historic preservation officer but denied by the U.S. Secretary of the Interior. Linking the state credit to the federal credit is important to us because we can don't have to establish a separate state and federal processes.

Add "and was approved by the secretary of the interior" at the end of Sections 1, 4, and 7.

This is preferable for developers since it allows applicants to begin work after the project is approved by SHPO but before the secretary of the interior approves the project, yet it still conditions the credit on the Interior Department's eventual approval.

Workload

Our other concern is the impact on workload and our ability to review tax credit projects promptly in the event of an increase in applications. It is reasonable to assume that improvements in the credit will increase the number of applications. The Society has authority to establish fees by rule to recover costs for the residential tax credit program, but does not have that authority for the income-producing program.

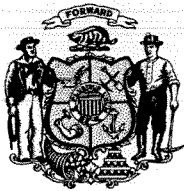
Wis. Stats. 44.01(5) gives the Society authority to establish cost recovery fees for work done under 44.02(24). Wis. Stats. 44.02(24), in turn, gives the Society rulemaking authority only over the residential credit in 71.07(9r) but does not give the Society rulemaking authority for the income producing credit in 71.07(9m).

We would like to have that authority extended to the income producing credit under 71.07(9m). We believe (and this should be confirmed with the drafter at the LRB) that this could be accomplished if 44.02(24) was amended so the phrase "for the purposes of s. 71.07(9r)" would read "for the purposes of s. 71.07 (9m) and (9r)"

Thank you,

Luke Bacher
Legislative Assistant
State Representative Brett Davis
608-266-1192
luke.bacher@legis.wi.gov

01/24/2008



AM not R

2007 BILL

in 1-24-08

due thru 1-31-08

Regen

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19 applies to taxable years beginning on January 1, 2008, and to property placed in
20 service on January 1, 2008.

21 (END)

Insert 2-1

Section #. 44.02 (24) of the statutes is amended to read:

44.02 (24) Promulgate by rule procedures, standards and forms necessary to certify, and shall certify, expenditures for preservation or rehabilitation of historic property for the purposes of s. 71.07 (9r). These standards shall be substantially similar to the standards used by the secretary of the interior to certify rehabilitations under 26 USC 47 (c) (2).

History: 1971 c. 125; 1977 c. 26, 29; 1979 c. 34; 1981 c. 20; 1983 a. 27; 1985 a. 29; 1987 a. 27, 395, 399; 1989 a. 31; 1989 a. 56 s. 259; 1989 a. 359; 1991 a. 39, 226, 269; 1993 a. 437, 471; 1995 a. 3, 27; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2007 a. 20.

71.28(6), and 71.47(6)

ss,
71.07
(9m)
and

Kreye, Joseph

From: Wilson, Danielle
Sent: Friday, February 01, 2008 9:26 AM
To: Kreye, Joseph
Subject: Redraft of LRB 3887

Will you please redraft Sen. Lassa's LRB 3887 to be consistent with Rep. Davis' 2982/3? Thank you!

Danielle Wilson

Clerk, Senate Committee on Economic Development

Office of Senator Julie Lassa

P.O. Box 7882

Madison, WI 53707-7882

(608) 266-3123

danielle.wilson@legis.wisconsin.gov



2007 BILL

in 2-1-08

due today

Regen

1 AN ACT *to amend* 44.02 (24), 71.07 (9m) (c), 71.07 (9m) (f), 71.28 (6) (c), 71.28 (6)
2 (f), 71.47 (6) (c) and 71.47 (6) (f); and *to create* 71.07 (9m) (cm), 71.28 (6) (cm)
3 and 71.47 (6) (cm) of the statutes; **relating to:** the income and franchise tax
4 credit that supplements the federal historic rehabilitation tax credit.

Analysis by the Legislative Reference Bureau

Under current law, a person who owns an income-producing historic building may claim a federal income tax credit that is equal to 20 percent of certain costs to rehabilitate the historic building. To claim the credit, the building must be listed, or be eligible for listing, on the national register of historic places or located in certain national, state, or local historic districts and the rehabilitation work must comply with standards established by the secretary of the interior.

Under current law, a person who may claim the federal income tax credit for rehabilitating an income-producing historic building may also claim a state income tax or franchise tax credit that is equal to 5 percent of certain costs to rehabilitate the historic building. To claim the credit, the person must include with the person's tax return evidence that the secretary of the interior approved the rehabilitation work before the rehabilitation work began.

Under this bill, a person may claim the state income and franchise tax credit for rehabilitating an income-producing historic building, if the person includes with the person's tax return evidence that the state historic preservation officer recommended the rehabilitation work for approval by the secretary of the interior

BILL

before the rehabilitation work began and that the secretary of the interior approved the rehabilitation work.

Under current law, each partner in a partnership or member of a limited liability company is allocated a portion of any tax credit that the partnership or limited liability company may claim, including the credit for rehabilitating a historic building, based on each partner's ownership interest. Under this bill, a partner or member may also be allocated a portion of the tax credit for rehabilitating a historic building in a manner specified in an agreement with the other partners or members.

For further information see the *state and local* 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.** 44.02 (24) of the statutes is amended to read:

2 44.02 (24) Promulgate by rule procedures, standards and forms necessary to
3 certify, and shall certify, expenditures for preservation or rehabilitation of historic
4 property for the purposes of ~~ss.~~ ss. 71.07 (9m) and (9r), 71.28 (6), and 71.47 (6). These
5 standards shall be substantially similar to the standards used by the secretary of the
6 interior to certify rehabilitations under 26 USC 47 (c) (2).

7 **SECTION 2.** 71.07 (9m) (c) of the statutes is amended to read:

8 71.07 (9m) (c) No person may claim the credit under this subsection unless the
9 claimant includes with the claimant's return evidence that the rehabilitation was
10 approved recommended by the state historic preservation officer for approval ~~and~~
11 ~~was approved~~, by the secretary of the interior under 36 CFR 67.6 before the physical
12 work of construction, or destruction in preparation for construction, began.

13 **SECTION 3.** 71.07 (9m) (cm) of the statutes is created to read:

14 71.07 (9m) (cm) Any credit claimed under this subsection for Wisconsin
15 purposes shall be claimed at the same time as for federal purposes.

16 **SECTION 4.** 71.07 (9m) (f) of the statutes is amended to read:

and that the rehabilitation ^{was} approved by the
secretary of the interior under 36 CFR 67.6

BILL

1 71.07 (9m) (f) A partnership, limited liability company, or tax-option
 2 corporation may not claim the credit under this subsection. The individual partners
 3 of a partnership, members in of a limited liability company, or shareholders in a
 4 tax-option corporation may claim the credit under this subsection based on eligible
 5 costs incurred by the partnership, company, or tax-option corporation. For
 6 shareholders of a tax-option corporation, the credit may be allocated in proportion
 7 to the ownership interest of each partner, member or shareholder. The partnership,
 8 limited liability company, or tax-option corporation shall calculate the amount of the
 9 credit which may be claimed by each partner, member, or shareholder and shall
 10 provide that information to the partner, member, or shareholder. Credits computed
 11 by a partnership or limited liability company shall be allocated to partners or
 12 members as provided in a written agreement among the partners or members that
 13 is entered into no later than the last day of the taxable year of the partnership or
 14 limited liability company. Any partner or member who claims the credit as provided
 15 under this subsection shall attach a copy of the agreement to the tax return on which
 16 the credit is claimed. A person claiming the credit as provided under this paragraph
 17 is solely responsible for any tax liability arising from a dispute with the department
 18 of revenue related to claiming the credit.

19 **SECTION 5.** 71.28 (6) (c) of the statutes is amended to read:

20 71.28 (6) (c) No person may claim the credit under this subsection unless the
 21 claimant includes with the claimant's return evidence that the rehabilitation was
 22 approved recommended by the state historic preservation officer for approval and
 23 was approved, by the secretary of the interior under 36 CFR 67.6 before the physical
 24 work of construction, or destruction in preparation for construction, began.

25 **SECTION 6.** 71.28 (6) (cm) of the statutes is created to read:

and that the rehabilitation ^{was} approved by
the secretary of the interior under 36 CFR 67.6

BILL

1 71.28 (6) (cm) Any credit claimed under this subsection for Wisconsin purposes
2 shall be claimed at the same time as for federal purposes.

3 **SECTION 7.** 71.28 (6) (f) of the statutes is amended to read:

4 71.28 (6) (f) A partnership, limited liability company, or tax-option corporation
5 may not claim the credit under this ~~section~~ subsection. ~~The individual partners of~~
6 a partnership, members of a limited liability company, or shareholders in a
7 tax-option corporation may claim the credit under this subsection based on eligible
8 costs incurred by the partnership, limited liability company, or tax-option
9 corporation. For shareholders of a tax-option corporation, the credit may be
10 allocated in proportion to the ownership interest of each ~~partner, member or~~
11 ~~shareholder~~. The partnership, limited liability company, or tax-option corporation
12 shall calculate the amount of the credit which may be claimed by each partner,
13 member, or shareholder and shall provide that information to the partner, member,
14 or shareholder. Credits computed by a partnership or limited liability company shall
15 be allocated to partners or members as provided in a written agreement among the
16 partners or members that is entered into no later than the last day of the taxable year
17 of the partnership or limited liability company. Any partner or member who claims
18 the credit as provided under this subsection shall attach a copy of the agreement to
19 the tax return on which the credit is claimed. A person claiming the credit as
20 provided under this paragraph is solely responsible for any tax liability arising from
21 a dispute with the department of revenue related to claiming the credit.

22 **SECTION 8.** 71.47 (6) (c) of the statutes is amended to read:

23 71.47 (6) (c) No person may claim the credit under this subsection unless the
24 claimant includes with the claimant's return evidence that the rehabilitation was
25 approved recommended by the state historic preservation officer for approval and

BILL *and that the rehabilitation was approved by the secretary of the interior under 36 CFR 67.6*

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~~was approved~~ by the secretary of the interior under 36 CFR 67.6 before the physical work of construction, or destruction in preparation for construction, began.

SECTION 9. 71.47 (6) (cm) of the statutes is created to read:

71.47 (6) (cm) Any credit claimed under this subsection for Wisconsin purposes shall be claimed at the same time as for federal purposes.

SECTION 10. 71.47 (6) (f) of the statutes is amended to read:

71.47 (6) (f) A partnership, limited liability company, or tax-option corporation may not claim the credit under this subsection. The individual partners of a partnership, members of a limited liability company, or shareholders in a tax-option corporation may claim the credit under this subsection based on eligible costs incurred by the partnership, limited liability company, or tax-option corporation. For shareholders of a tax-option corporation, the credit may be allocated in proportion to the ownership interest of each partner, member or shareholder. The partnership, limited liability company, or tax-option corporation shall calculate the amount of the credit which may be claimed by each partner, member, or shareholder and shall provide that information to the partner, member, or shareholder. Credits computed by a partnership or limited liability company shall be allocated to partners or members as provided in a written agreement among the partners or members that is entered into no later than the last day of the taxable year of the partnership or limited liability company. Any partner or member who claims the credit as provided under this subsection shall attach a copy of the agreement to the tax return on which the credit is claimed. A person claiming the credit as provided under this paragraph is solely responsible for any tax liability arising from a dispute with the department of revenue related to claiming the credit.

SECTION 11. Initial applicability.

