2007 ASSEMBLY BILL 111


AN ACT to amend 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2) (a) 10. and 77.92 (4); and to create 71.07 (5k), 71.10 (4) (gxx), 71.28 (5k), 71.30 (3) (epa), 71.47 (5k), 71.49 (1) (epa) and 560.204 of the statutes; relating to: income and franchise tax credits for information technology equipment used to maintain medical records in electronic form and for interest on bonds or notes issued by the Wisconsin Health and Educational Facilities Authority for purposes related to the purchase of information technology equipment by health facilities, and granting rule-making authority.

Analysis by the Legislative Reference Bureau

This bill creates income and franchise tax credits for the purchase of certain information technology equipment by health care providers and health facilities. Under the bill, a health care provider may claim a credit equal to 50 percent of the amount the provider paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form. Also, under the bill, a person may claim a credit equal to a percentage, based on the person’s applicable state income and franchise tax rate, of the interest received on bonds and notes issued by the Wisconsin Health and Educational Facilities Authority, on or after the effective date of the bill, if the proceeds of the bond or note are used by a health facility to purchase information technology hardware or software.
ASSEMBLY BILL 111

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:

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

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

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

71.07 (5k) HEALTH CARE INFORMATION TECHNOLOGY CREDIT. (a) Definition. In this subsection, “claimant” means a person who files a claim under this subsection.

(b) Filing claims. Subject to the limitations provided in this subsection, a claimant may claim as a credit against the taxes imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

1. An amount equal to 50 percent of the amount the claimant paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form, if the claimant is a health care provider, as defined in s. 146.81 (1), and, in the case of software used as the basis for a credit under this subsection, if the software is certified by the Certification Commission for Healthcare Information Technology.

2. An amount equal to 6.5 percent of the interest received by the claimant on bonds issued under s. 231.03 (6), on or after the effective date of this subdivision .... [revisor inserts date], if the proceeds or notes that are issued are used by a health
facility, as defined in s. 231.01 (5), to fund the acquisition of information technology
hardware or software.

(c) **Limitations.** 1. The maximum amount of the credits that may be claimed
under par. (b) 1. and ss. 71.28 (5k) (b) 1. and 71.47 (5k) (b) 1. in a taxable year is
$10,000,000, as allocated under s. 560.204.

2. Partnerships, limited liability companies, and tax–option corporations may
not claim the credit under this subsection, but the eligibility for, and the amount of,
the credit are based on their payment of amounts under par. (b). A partnership,
limited liability company, or tax–option corporation shall compute the amount of
credit that each of its partners, members, or shareholders may claim and shall
provide that information to each of them. Partners, members of limited liability
companies, and shareholders of tax–option corporations may claim the credit in
proportion to their ownership interests.

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

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

71.10 (4) (gxx) Health care information technology credit under s. 71.07 (5k).

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

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

**SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

71.26 (2) (a) **Corporations in general.** The “net income” of a corporation means
the gross income as computed under the Internal Revenue Code as modified under
sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c) 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income under this paragraph at the time that the taxpayer first claimed the credit plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3g), (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership’s, limited liability company’s, or tax-option corporation’s income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or other disposition of assets the gain from which would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus deductions, as computed under the Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to the difference between the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

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

71.28 (5k) HEALTH CARE INFORMATION TECHNOLOGY CREDIT. (a) Definition. In this subsection, “claimant” means a person who files a claim under this subsection.

(b) Filing claims. Subject to the limitations provided in this subsection, a claimant may claim as a credit against the taxes imposed under s. 71.23, up to the amount of those taxes, the following:

1. An amount equal to 50 percent of the amount the claimant paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form, if the claimant is a health care provider, as defined in s. 146.81 (1), and, in the case of software used as the basis for a credit under this
subsection, if the software is certified by the Certification Commission for Healthcare Information Technology.

2. An amount equal to 7.9 percent of the interest received by the claimant on obligations issued under s. 231.03 (6), on or after the effective date of this subdivision .... [revisor inserts date], if the obligations that are issued are used by a health facility, as defined in s. 231.01 (5), to fund the acquisition of information technology hardware or software.

(c) Limitations. 1. The maximum amount of the credits that may be claimed under par. (b) 1. and ss. 71.07 (5k) (b) 1. and 71.47 (5k) (b) 1. in a taxable year is $10,000,000, as allocated under s. 560.204.

2. Partnerships, limited liability companies, and tax−option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, limited liability company, or tax−option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax−option corporations may claim the credit in proportion to their ownership interests.

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

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

71.30 (3) (epa) Health care information technology credit under s. 71.28 (5k).

SECTION 8. 71.34 (1) (g) of the statutes is amended to read:

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

**SECTION 9.** 71.45 (2) (a) 10. of the statutes is amended to read:

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

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

71.47 (5k) **HEALTH CARE INFORMATION TECHNOLOGY CREDIT.** (a) **Definition.** In this subsection, "claimant" means a person who files a claim under this subsection.

(b) **Filing claims.** Subject to the limitations provided in this subsection, a claimant may claim as a credit against the taxes imposed under s. 71.43, up to the amount of those taxes, the following:

1. An amount equal to 50 percent of the amount the claimant paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form, if the claimant is a health care provider, as defined in s. 146.81 (1), and, in the case of software used as the basis for a credit under this subsection, if the software is certified by the Certification Commission for Healthcare Information Technology.

2. An amount equal to 7.9 percent of the interest received by the claimant on obligations issued under s. 231.03 (6), on or after the effective date of this subdivision and not passed through to shareholders. **[revisor inserts date],** if the obligations that are issued are used by a health
facility, as defined in s. 231.01 (5), to fund the acquisition of information technology hardware or software.

(c) Limitations. 1. The maximum amount of the credits that may be claimed under par. (b) 1. and ss. 71.07 (5k) (b) 1. and 71.28 (5k) (b) 1. in a taxable year is $10,000,000, as allocated under s. 560.204.

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

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

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

71.49 (1) (epa) Health care information technology credit under s. 71.47 (5k).

SECTION 12. 77.92 (4) of the statutes is amended to read:

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

**SECTION 13.** 560.204 of the statutes is created to read:

560.204 *Hardware and software used to maintain medical records.* (1)
The department shall implement a program to certify health care providers as eligible for the electronic medical records credit under ss. 71.07 (5k) (b) 1., 71.28 (5k) (b) 1., and 71.47 (5k) (b) 1.

(2) If the department certifies a health care provider under sub. (1), the department shall determine the amount of credits to allocate to the health care provider. The total amount of electronic medical records credits allocated to health care providers in any year may not exceed $10,000,000.

(3) The department shall inform the department of revenue of every health care provider certified under sub. (1) and the amount of credits allocated to the health care provider.

(4) The department, in consultation with the department of revenue, shall promulgate rules to administer this section.

**SECTION 14. Initial applicability.**

(1) This act first applies to taxable years beginning on January 1, 2008.