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 (5i), 71.10 (4) (gv), 71.28 (5i), 71.30 (3) (dq), 71.47 (5i) and 71.49 (1) (dq) of the statutes; relating to: an income and franchise tax credit for the sales and use taxes paid on the purchase of fuel efficient hybrid motor vehicles.

Analysis by the Legislative Reference Bureau
This bill creates an income and franchise tax credit for the amount of sales and use taxes paid in the taxable year on the purchase of fuel efficient hybrid motor vehicles. The amount of the credit may not exceed an amount equal to $1,000 for each hybrid motor vehicle purchased in the taxable year.

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:

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
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 (5i) of the statutes is created to read:

71.07 (5i) Fuel efficient hybrid motor vehicles 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, for taxable years beginning after December 31, 2006, and before January 1, 2012, a claimant may claim as a credit against the taxes imposed under s. 71.02, up to the amount of those taxes, an amount that is equal to the amount of the taxes imposed under ss. 77.52 and 77.53 that the claimant paid in the taxable year on the purchase of hybrid motor vehicles that have a federal environmental protection agency rating of no less than 40 miles per gallon or have a federal environmental protection agency rating that is at least 15 percent greater than the same models of motor vehicles that are not hybrid motor vehicles.

(c) **Limitations.** 1. The amount of the credit claimed under par. (b) may not exceed an amount equal to $1,000 for each hybrid motor vehicle purchased in the taxable year.

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) (gv) of the statutes is created to read:

71.10 (4) (gv) Fuel efficient hybrid motor vehicles credit under s. 71.07 (5i).

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), (2ds), (2dx), (3g), (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and (5i) 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 (5i) 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 (5i) of the statutes is created to read:

71.28 (5i) Fuel efficient hybrid motor vehicles 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, for taxable years beginning after December 31, 2006, and before January 1, 2012, a claimant may claim as a credit against the taxes imposed under s. 71.23, up to the amount of those taxes, an amount that is equal to the amount of the taxes imposed under ss. 77.52 and 77.53 that the claimant paid in the taxable year on the purchase of hybrid motor vehicles that have a federal environmental protection agency rating of no less than 40 miles per gallon or have a federal environmental protection agency rating that is at least 15 percent greater than the same models of motor vehicles that are not hybrid motor vehicles.

(c) Limitations. 1. The amount of the credit claimed under par. (b) may not exceed an amount equal to $1,000 for each hybrid motor vehicle purchased in the taxable year.

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) (dq) of the statutes is created to read:

71.30 (3) (dq) Fuel efficient hybrid motor vehicles credit under s. 71.28 (5i).

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), (1dx), (3), (3g), (3n), (3t), (3w), (5b), (5e), (5f), (5g), and (5h), and (5i) 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 (5i) 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 (5i) of the statutes is created to read:

71.47 (5i) FUEL EFFICIENT HYBRID MOTOR VEHICLES 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, for taxable years beginning after December 31, 2006, and before January 1, 2012, a claimant may claim as a credit against the taxes imposed under s. 71.43, up to the amount of those taxes, an amount that is equal to the amount of the taxes imposed
under ss. 77.52 and 77.53 that the claimant paid in the taxable year on the purchase
of hybrid motor vehicles that have a federal environmental protection agency rating
of no less than 40 miles per gallon or have a federal environmental protection agency
rating that is at least 15 percent greater than the same models of motor vehicles that
are not hybrid motor vehicles.

(c) **Limitations.** 1. The amount of the credit claimed under par. (b) may not
exceed an amount equal to $1,000 for each hybrid motor vehicle purchased in the
taxable year.

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) (dq) of the statutes is created to read:

71.49 (1) (dq) Fuel efficient hybrid motor vehicles credit under s. 71.47 (5i).

**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 (5i); 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.