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 (5m), 71.10 (4) (er), 71.28 (5m), 71.30
(3) (er), 71.47 (5i), 71.49 (1) (er) and 560.207 of the statutes; relating to:
creating an income and franchise tax credit for expenses related to
nanotechnology and providing an exemption from emergency rule-making
procedures.

Analysis by the Legislative Reference Bureau
This bill creates an income and franchise tax credit for certain expenses related
to nanotechnology. Under the bill, generally, a person may claim a credit that is equal
to the amount of state sales and use taxes the person paid in the taxable year on the
purchase of machines, equipment, and certain other tangible personal property that
are used by a nanotechnology business in this state for research, development, and
manufacturing. In addition, a person may claim as a credit the amount of any
payments to a public or private institution of higher education, or to a consortium
of such institutions, for research, equipment, or the use of research facilities, or other
qualified expenses as determined by the Department of Commerce (Commerce), that
are directly related to nanotechnology. The bill defines “nanotechnology” as the
science and technology that enables a person to understand, measure, manipulate,
and manufacture materials at the atomic, molecular, and supermolecular levels. A
“nanotechnology business” is a business that is primarily engaged in applying
nanotechnologies to create new applications or processes, or modify existing applications or processes, in order to make useful processes and products related to health care, energy, food production, manufacturing, biotechnology, information technology, or the environment. A person who wishes to claim the credit must first apply to Commerce.

Under the bill, if a person claims a credit in an amount that exceeds the person’s income and franchise tax liability, the person does not receive a tax refund for the excess amount, but, instead, may carry forward the amount of any unused credit to the ten subsequent taxable years. The maximum amount of the credits that taxpayers may claim in any state fiscal year is $2,500,000, as allocated by Commerce.

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, as affected by 2007 Wisconsin Act 20, 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), (3h), (3n), (3p), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), and (5k), and (5m) 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 (5m) of the statutes is created to read:

71.07 (5m) NANOTECHNOLOGY CREDIT. (a) Definitions. In this subsection:

1. “Claimant” means a person who files a claim under this subsection.

2. “Consortium” means 2 or more public institutions of higher education that are conducting substantially similar qualified research or working on components of the same qualified research.

3. “Manufacturing” has the meaning given in s. 77.54 (6m).
4. “Nanotechnology” means the science and technology that enables a person to understand, measure, manipulate, and manufacture materials at the atomic, molecular, and supermolecular levels.

5. “Nanotechnology business” means a business, as certified by the department of commerce in the manner prescribed by the department of commerce, that is primarily engaged in applying nanotechnologies to create new applications or processes, or modify existing applications or processes, in order to make useful processes and products related to health care, energy, food production, manufacturing, biotechnology, information technology, or the environment.

6. “Qualified research” means qualified research as defined under section 41 (d) (1) of the Internal Revenue Code, except that research conducted by a public or private institution of higher education or a consortium, or a combination thereof, is “qualified research” if the research is intended to be useful in developing a new or improved product or service and the research satisfies section 41 (d) (1) (B) (i) and (C) of the Internal Revenue Code.

7. “Used exclusively” means used to the exclusion of all other uses except for use not exceeding 5 percent of total use.

(b) Filing claims. Subject to the limitations provided in this subsection and s. 560.207, for taxable years beginning on or after July 1, 2008, a claimant may claim as a credit against the taxes imposed under s. 71.02, up to the amount of the taxes, any of the following amounts that the claimant paid in the taxable year:

1. The taxes imposed under subch. III of ch. 77 on the purchase of machines and processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly by the claimant in the
claimant’s nanotechnology business for qualified research and manufacturing, if the research and manufacturing occurs in this state.

2. Payments to a public or private institution of higher education, or to a consortium, for research, equipment, or the use of research facilities, or other qualified expenses as determined by the department of commerce, that are directly related to nanotechnology.

3. The taxes imposed under subch. III of ch. 77 on the purchase of any of the following that are used by the claimant’s nanotechnology business for research and development that occurs in this state:

a. Advanced computing devices, including computer hardware and software.
b. Data communications.
c. Information technology.
d. Laboratory materials used exclusively for nanotechnology research and development.

(c) Limitations. 1. The maximum amount of the credits that may be allocated to all claimants under this subsection and ss. 71.28 (5m) and 71.47 (5m) in each fiscal year is $2,500,000, as determined by the department of commerce under s. 560.207.

2. No credit may be allowed under this subsection unless the claimant submits with the claimant’s return a copy of the claimant’s certification for and allocation of credits under s. 560.207.

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

2. If a credit computed under this subsection is not entirely offset against
Wisconsin income or franchise taxes otherwise due, the unused balance may be
carried forward and credited against Wisconsin income or franchise taxes otherwise
due for the following 10 taxable years to the extent not offset by these taxes otherwise
due in all intervening years between the year in which the expense was incurred and
the year in which the carry-forward credit is claimed.

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

71.10 (4) (er) Nanotechnology credit under s. 71.07 (5m).

**SECTION 4.** 71.21 (4) of the statutes, as affected by 2007 Wisconsin Act 20, 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), (3h), (3n), (3p), (3s), (3t), (3w), (5e), (5f), (5g),
(5h), (5i), (5j), and (5k), and (5m) and passed through to partners shall be added to
the partnership’s income.

**SECTION 5.** 71.26 (2) (a) of the statutes, as affected by 2007 Wisconsin Act 20,
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), (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), 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) 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 (5m) of the statutes is created to read:

71.28 (5m) NANOTECHNOLOGY CREDIT. (a) Definitions. In this subsection:

1. “Claimant” means a person who files a claim under this subsection.

2. “Consortium” means 2 or more public institutions of higher education that are conducting substantially similar qualified research or working on components of the same qualified research.

3. “Manufacturing” has the meaning given in s. 77.54 (6m).

4. “Nanotechnology” means the science and technology that enables a person to understand, measure, manipulate, and manufacture materials at the atomic, molecular, and supermolecular levels.
5. “Nanotechnology business” means a business, as certified by the department of commerce in the manner prescribed by the department of commerce, that is primarily engaged in applying nanotechnologies to create new applications or processes, or modify existing applications or processes, in order to make useful processes and products related to health care, energy, food production, manufacturing, biotechnology, information technology, or the environment.

6. “Qualified research” means qualified research as defined under section 41 (d) (1) of the Internal Revenue Code, except that research conducted by a public or private institution of higher education or a consortium, or a combination thereof, is “qualified research” if the research is intended to be useful in developing a new or improved product or service and the research satisfies section 41 (d) (1) (B) (i) and (C) of the Internal Revenue Code.

7. “Used exclusively” means used to the exclusion of all other uses except for use not exceeding 5 percent of total use.

(b) Filing claims. Subject to the limitations provided in this subsection and s. 560.207, for taxable years beginning on or after July 1, 2008, a claimant may claim as a credit against the taxes imposed under s. 71.23, up to the amount of the taxes, any of the following amounts that the claimant paid in the taxable year:

1. The taxes imposed under subch. III of ch. 77 on the purchase of machines and processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly by the claimant in the claimant’s nanotechnology business for qualified research and manufacturing, if the research and manufacturing occurs in this state.

2. Payments to a public or private institution of higher education, or to a consortium, for research, equipment, or the use of research facilities, or other
qualified expenses as determined by the department of commerce, that are directly related to nanotechnology.

3. The taxes imposed under subch. III of ch. 77 on the purchase of any of the following that are used by the claimant’s nanotechnology business for research and development that occurs in this state:
   a. Advanced computing devices, including computer hardware and software.
   b. Data communications.
   c. Information technology.
   d. Laboratory materials used exclusively for nanotechnology research and development.

(c) Limitations. 1. The maximum amount of the credits that may be allocated to all claimants under this subsection and ss. 71.07 (5m) and 71.47 (5m) in each fiscal year is $2,500,000, as determined by the department of commerce under s. 560.207.

2. No credit may be allowed under this subsection unless the claimant submits with the claimant’s return a copy of the claimant’s certification for and allocation of credits under s. 560.207.

3. 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. 1. Subsection (4) (e), (g), and (h), as it applies to the credit under sub. (4), applies to the credit under this subsection.

2. If a credit computed under this subsection is not entirely offset against Wisconsin income or franchise taxes otherwise due, the unused balance may be carried forward and credited against Wisconsin income or franchise taxes otherwise due for the following 10 taxable years to the extent not offset by these taxes otherwise due in all intervening years between the year in which the expense was incurred and the year in which the carry-forward credit is claimed.

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

71.30 (3) (er) Nanotechnology credit under s. 71.28 (5m).

SECTION 8. 71.34 (1) (g) of the statutes, as affected by 2007 Wisconsin Act 20, 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), (1ds), (1dx), (3), (3g), (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (5m) and passed through to shareholders.

SECTION 9. 71.45 (2) (a) 10. of the statutes, as affected by 2007 Wisconsin Act 20, 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), (3h), (3n), (3p), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and (5m) 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) NANOTECHNOLOGY CREDIT. (a) Definitions. In this subsection:

1. “Claimant” means a person who files a claim under this subsection.

2. “Consortium” means 2 or more public institutions of higher education that are conducting substantially similar qualified research or working on components of the same qualified research.

3. “Manufacturing” has the meaning given in s. 77.54 (6m).

4. “Nanotechnology” means the science and technology that enables a person to understand, measure, manipulate, and manufacture materials at the atomic, molecular, and supermolecular levels.

5. “Nanotechnology business” means a business, as certified by the department of commerce in the manner prescribed by the department of commerce, that is primarily engaged in applying nanotechnologies to create new applications or processes, or modify existing applications or processes, in order to make useful processes and products related to health care, energy, food production, manufacturing, biotechnology, information technology, or the environment.

6. “Qualified research” means qualified research as defined under section 41 (d) (1) of the Internal Revenue Code, except that research conducted by a public or private institution of higher education or a consortium, or a combination thereof, is “qualified research” if the research is intended to be useful in developing a new or improved product or service and the research satisfies section 41 (d) (1) (B) (i) and (C) of the Internal Revenue Code.

7. “Used exclusively” means used to the exclusion of all other uses except for use not exceeding 5 percent of total use.
(b) **Filing claims.** Subject to the limitations provided in this subsection and s. 560.207, for taxable years beginning on or after July 1, 2008, a claimant may claim as a credit against the taxes imposed under s. 71.43, up to the amount of the taxes, any of the following amounts that the claimant paid in the taxable year:

1. The taxes imposed under subch. III of ch. 77 on the purchase of machines and processing equipment, including accessories, attachments, and parts for the machines or equipment, that are used exclusively and directly by the claimant in the claimant’s nanotechnology business for qualified research and manufacturing, if the research and manufacturing occurs in this state.

2. Payments to a public or private institution of higher education, or to a consortium, for research, equipment, or the use of research facilities, or other qualified expenses as determined by the department of commerce, that are directly related to nanotechnology.

3. The taxes imposed under subch. III of ch. 77 on the purchase of any of the following that are used by the claimant’s nanotechnology business for research and development that occurs in this state:

   a. Advanced computing devices, including computer hardware and software.
   
   b. Data communications.
   
   c. Information technology.
   
   d. Laboratory materials used exclusively for nanotechnology research and development.

(c) **Limitations.** 1. The maximum amount of the credits that may be allocated to all claimants under this subsection and ss. 71.07 (5m) and 71.28 (5m) in each fiscal year is $2,500,000, as determined by the department of commerce under s. 560.207.
2. No credit may be allowed under this subsection unless the claimant submits with the claimant’s return a copy of the claimant’s certification for and allocation of credits under s. 560.207.

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

2. If a credit computed under this subsection is not entirely offset against Wisconsin income or franchise taxes otherwise due, the unused balance may be carried forward and credited against Wisconsin income or franchise taxes otherwise due for the following 10 taxable years to the extent not offset by these taxes otherwise due in all intervening years between the year in which the expense was incurred and the year in which the carry-forward credit is claimed.

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

71.49 (1) (er) Nanotechnology credit under s. 71.47 (5i).

**SECTION 12.** 77.92 (4) of the statutes, as affected by 2007 Wisconsin Act 20, 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), (3h), (3s), (3n), (3p), (3t), (3w), (5e),
(5f), (5g), (5h), (5i), (5j), and (5k), and (5m); 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. 560.207 of the statutes is created to read:

560.207 Nanotechnology tax credits. (1) The department shall implement
a program for certifying businesses as eligible for tax credits under ss. 71.07 (5m),
71.28 (5m), and 71.47 (5m).

(2) If the department certifies a business as eligible under sub. (1), the
department shall determine the amount of expenditures by the business that meet
the requirements of s. 71.07 (5m) (b) 1. to 3., 71.28 (5m) (b) 1. to 3., or 71.47 (5m) (b)
1. to 3. and shall determine the amount of tax credits to be allocated to the business.
The total amount of tax credits allocated to all eligible businesses may not exceed
$2,500,000 per fiscal year.
(3) The department of commerce shall notify the department of revenue of every business certified under sub. (1) and the amount of tax credits allocated to the business under sub. (2).


(1) Notwithstanding section 227.24 of the statutes, the department of commerce may promulgate emergency rules necessary to administer section 560.207 of the statutes, as created by this act. Notwithstanding section 227.24 (1) (c) and (2) of the statutes, emergency rules promulgated under this subsection remain in effect until the effective date of permanent rules promulgated to administer section 560.207 of the statutes, as created by this act, or the first day of the 13th month after the effective date of this subsection, whichever is sooner. Notwithstanding section 227.24 (1) (a) and (3) of the statutes, the department of commerce is not required to provide evidence that promulgating a rule under this subsection as an emergency rule is necessary for the preservation of the public peace, health, safety, or welfare and is not required to provide a finding of emergency for a rule promulgated under this subsection.