2007 ASSEMBLY BILL 837

February 21, 2008 – Introduced by Representatives FIELDS, TURNER, MOLEPSKE and GRIGSBY. Referred to Committee on Ways and Means.

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 (5c), 71.10 (4) (cn), 71.28 (5c), 71.30 (3) (cn), 71.47 (5c) and 71.49 (1) (cn) of the statutes; relating to: an income and franchise tax credit for hiring high school students for summer employment.

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax credit for businesses that hire high school students for summer employment. The credit is equal to the wages paid to an employee who is a high school student, or who has just graduated from high school and intends to go to college, during the period beginning on July 1 and ending on the first Monday in September. For each student who works full time, the employer may claim a credit not to exceed the lesser of $600 per month or 70 percent of the student’s monthly wage. For each student who works part time, the employer may claim a credit not to exceed the lesser of $300 per month or 70 percent of the student’s monthly wage. The employer, however, may only claim the credit for wages paid to a student whose most recent cumulative grade point average is at least 3.0 or the equivalent. The maximum amount of the credits that an employer may claim in any taxable year is $10,000. If the credit claimed by an employer exceeds the employer’s tax liability, the state will not issue a refund check, but the employer may carry forward any remaining credit to subsequent taxable years.
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), (5c), (5d), and (5e), (5f), 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, company’s, or tax–option corporation’s income under s. 71.21 (4) or 71.34 (1) (g).

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

71.07 (5c) **Youth Summer Employment Credit.** (a) **Definitions.** In this subsection:

1. “Claimant” means a person who files a claim under this subsection.
2. “Full time” means at least 35 hours a week.
3. “Part time” means less than 35 hours a week.

(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, up to the amount of those taxes, an amount that is equal to the amount of the wages that the claimant paid in the taxable year to an employee, if all of the following apply:

1. The claimant paid the wages for work performed during the period beginning on July 1 and ending on the first Monday in September of the taxable year.
2. The employee is at least 15 years of age, but no more than 18 years of age.
3. The employee is either a high school student or graduates from high school during the taxable year prior to the first Monday in September and provides proof
to the claimant that he or she is enrolled in a university or college located in this state and intends to begin instruction at the university or college in that taxable year.

4. The employee receives an hourly wage that is at least 20 percent more than the federal minimum hourly wage.

5. The student’s most recent cumulative high school grade point average is at least 3.0 or the equivalent.

(c) Limitations. 1. The maximum amount that a claimant may claim under this subsection in any taxable year for any single employee who works full time 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 during that period.

2. The maximum amount that a claimant may claim under this subsection in any taxable year for any single employee who works part time is an amount that is equal to the lesser of $300 for each month that the employee is employed during the period described under par. (b) or 70 percent of the employee’s monthly wages during that period.

3. The maximum amount that a claimant may claim under this subsection in any taxable year is $10,000.

4. 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) (cn) of the statutes is created to read:

71.10 (4) (cn) Youth summer employment credit under s. 71.07 (5c).

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), (3s), (3t), (3w), (5b), (5c), (5e), (5f), (5g), and (5h) 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), (5c), (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 (5c) of the statutes is created to read:

71.28 (5c) Youth summer employment credit. (a) Definitions. In this subsection:

1. “Claimant” means a person who files a claim under this subsection.
2. “Full time” means at least 35 hours a week.
3. “Part time” means less than 35 hours a week.

(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, an amount that is equal to the amount of the wages that the claimant paid in the taxable year to an employee, if all of the following apply:

1. The claimant paid the wages for work performed during the period beginning on July 1 and ending on the first Monday in September of the taxable year.
2. The employee is at least 15 years of age, but no more than 18 years of age.
3. The employee is either a high school student or graduates from high school during the taxable year prior to the first Monday in September and provides proof to the claimant that he or she is enrolled in a university or college located in this state and intends to begin instruction at the university or college in that taxable year.
4. The employee receives an hourly wage that is at least 20 percent more than the federal minimum hourly wage.
5. The student’s most recent cumulative high school grade point average is at least 3.0 or the equivalent.
(c) Limitations. 1. The maximum amount that a claimant may claim under this subsection in any taxable year for any single employee who works full time 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 during that period.

2. The maximum amount that a claimant may claim under this subsection in any taxable year for any single employee who works part time is an amount that is equal to the lesser of $300 for each month that the employee is employed during the period described under par. (b) or 70 percent of the employee’s monthly wages during that period.

3. The maximum amount that a claimant may claim under this subsection in any taxable year is $10,000.

4. 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) (cn) of the statutes is created to read:

71.30 (3) (cn) Youth summer employment credit under s. 71.28 (5c).

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), (5c), (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), (5c), (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) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

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

71.47 (5c) YOUTH SUMMER EMPLOYMENT CREDIT. (a) Definitions. In this subsection:

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

2. “Full time” means at least 35 hours a week.

3. “Part time” means less than 35 hours a week.

(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, an amount that is equal to the amount of the wages that the claimant paid in the taxable year to an employee, if all of the following apply:

1. The claimant paid the wages for work performed during the period beginning on July 1 and ending on the first Monday in September of the taxable year.

2. The employee is at least 15 years of age, but no more than 18 years of age.

3. The employee is either a high school student or graduates from high school during the taxable year prior to the first Monday in September and provides proof
to the claimant that he or she is enrolled in a university or college located in this state
and intends to begin instruction at the university or college in that taxable year.

4. The employee receives an hourly wage that is at least 20 percent more than
the federal minimum hourly wage.

5. The student’s most recent cumulative high school grade point average is at
least 3.0 or the equivalent.

(c) Limitations. 1. The maximum amount that a claimant may claim under this
subsection in any taxable year for any single employee who works full time 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 during that period.

2. The maximum amount that a claimant may claim under this subsection in
any taxable year for any single employee who works part time 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 during
that period.

3. The maximum amount that a claimant may claim under this subsection in
any taxable year is $10,000.

4. 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) (cn) of the statutes is created to read:

71.49 (1) (cn) Youth summer employment credit under s. 71.47 (5c).

**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 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. Initial applicability.**

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