



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

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STEPHEN R. MILLER  
CHIEF

March 25, 2010

## MEMORANDUM

**To:** Representative Bies

**From:** Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

**Subject:** Technical Memorandum to **2009 AB 868** (LRB-4417/1) by **DOR**

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We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

## MEMORANDUM

March 24, 2010

**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Rebecca Boldt  
Department of Revenue

**SUBJECT:** Technical Memorandum on AB 868 (LRB 4417/1) – Credit for Shipbuilding

The Department has the following technical concerns with the above-referenced bill:

- The term “payroll” is not defined. Is it the gross amount earned by the employee before reduction for such items as social security tax, medicare tax, contributions to retirement plans, health insurance, withholding, etc., or is it the net amount actually paid by check to each employee for the year? The author may wish to provide a definition.
- The credit is available for employees who are engaged in the business of building ships. It is not clear whether this is to include only employees who actually work on building the ships or whether it includes all employees who work for the firm, including office clerical staff, accountants, or officers of the corporation.
- The bill does not include a definition for “shipbuilding.” The North American Industry Classification System defines ship and boat building in this manner: “This industry comprises establishments primarily engaged in operating shipyards or boat yards (i.e., ship or boat manufacturing facilities). Shipyards are fixed facilities with drydocks and fabrication equipment capable of building a ship, defined as watercraft typically suitable or intended for other than personal or recreational use. Boats are defined as watercraft typically suitable or intended for personal use. Activities of shipyards include the construction of ships, their repair, conversion and alteration, the production of prefabricated ship and barge sections, and specialized services, such as ship scaling.” The author may wish to clarify this.
- As written, the provisions could be subject to abuse. May the employer let go an employee recently hired during the previous taxable year, but rehire that same employee again during the taxable year to which the claim relate and claim 30%, as opposed to 10%? Definitions or hiring-retention parameters should be in place to avoid this.

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173, or via email at [Michael.oakleaf@revenue.wi.gov](mailto:Michael.oakleaf@revenue.wi.gov).

cc: Rep. Bies