

1 processing, including the following, if used exclusively for meat processing and if
2 acquired and placed in service in this state during taxable years that begin after
3 December 31, 2008, and before January 1, 2017:

4 a. Building construction, including livestock handling, product intake, storage,
5 and warehouse facilities.

6 b. Building additions.

7 c. Upgrades to utilities, including water, electric, heat, refrigeration, freezing,
8 and waste facilities.

9 d. Livestock intake and storage equipment.

10 e. Processing and manufacturing equipment, including cutting equipment,
11 mixers, grinders, sausage stuffers, meat smokers, curing equipment, cooking
12 equipment, pipes, motors, pumps, and valves.

13 f. Packaging and handling equipment, including sealing, bagging, boxing,
14 labeling, conveying, and product movement equipment.

15 g. Warehouse equipment, including storage and curing racks.

16 h. Waste treatment and waste management equipment, including tanks,
17 blowers, separators, dryers, digesters, and equipment that uses waste to produce
18 energy, fuel, or industrial products.

19 i. Computer software and hardware used for managing the claimant's meat
20 processing operation, including software and hardware related to logistics,
21 inventory management, production plant controls, and temperature monitoring
22 controls.

23 4. "Used exclusively" means used to the exclusion of all other uses except for
24 use not exceeding 5 percent of total use.

1 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.
2 560.208, for taxable years beginning after December 31, 2008, and before January
3 1, 2017, a claimant may claim as a credit against the taxes imposed under s. 71.02
4 or 71.08, up to the amount of the tax, an amount equal to 10 percent of the amount
5 the claimant paid in the taxable year for meat processing modernization or
6 expansion related to the claimant's meat processing operation.

7 (c) *Limitations.* 1. No credit may be allowed under this subsection for any
8 amount that the claimant paid for expenses described under par. (b) that the
9 claimant also claimed as a deduction under section 162 of the Internal Revenue Code.

10 2. The aggregate amount of credits that a claimant may claim under this
11 subsection is \$200,000.

12 3. a. The maximum amount of the credits that may be allocated under this
13 subsection and ss. 71.28 (3r) and 71.47 (3r) in fiscal year 2009-10 is \$300,000, as
14 allocated under s. 560.208.

15 b. The maximum amount of the credits that may be allocated under this
16 subsection and ss. 71.28 (3r) and 71.47 (3r) in fiscal year 2010-11, and in each fiscal
17 year thereafter, is \$700,000, as allocated under s. 560.208.

18 4. Partnerships, limited liability companies, and tax-option corporations may
19 not claim the credit under this subsection, but the eligibility for, and the amount of,
20 the credit are based on their payment of expenses under par. (b), except that the
21 aggregate amount of credits that the entity may compute shall not exceed \$200,000.
22 A partnership, limited liability company, or tax-option corporation shall compute
23 the amount of credit that each of its partners, members, or shareholders may claim
24 and shall provide that information to each of them. Partners, members of limited

1 liability companies, and shareholders of tax-option corporations may claim the
2 credit in proportion to their ownership interest.

3 5. If 2 or more persons own and operate the meat processing operation, each
4 person may claim a credit under par. (b) in proportion to his or her ownership
5 interest, except that the aggregate amount of the credits claimed by all persons who
6 own and operate the meat processing operation shall not exceed \$200,000.

7 6. No credit may be allowed under this subsection unless the claimant submits
8 with the claimant's return a copy of the claimant's credit certification and allocation
9 under s. 560.208.

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

12 2. If the allowable amount of the claim under par. (b) exceeds the tax otherwise
13 due under s. 71.02 or 71.08, the amount of the claim not used to offset the tax due
14 shall be certified by the department of revenue to the department of administration
15 for payment by check, share draft, or other draft drawn from the appropriation
16 account under s. 20.835 (2) (bd).

17 ***-1949/P7*SECTION 101.** 71.07 (5b) (c) 1. of the statutes is repealed.

18 ***-1949/P7*SECTION 102.** 71.07 (5b) (c) 2. of the statutes is renumbered 71.07
19 (5b) (c).

20 ***-1949/P1.2* SECTION 103.** 71.07 (5d) (b) of the statutes is renumbered 71.07
21 (5d) (b) (intro.) and amended to read:

22 71.07 (5d) (b) *Filing claims.* (intro.) Subject to the limitations provided in this
23 subsection and in s. 560.205, a claimant may claim as a credit against the tax
24 imposed under s. 71.02 or 71.08, up to the amount of those taxes, the following:

1 1. For taxable years beginning before January 1, 2008, in each taxable year for
2 consecutive years, beginning with the taxable year as certified by the department
3 of commerce, an amount equal to 12.5 percent of the claimant's bona fide angel
4 investment made directly in a qualified new business venture.

5 ***-1949/P1.3* SECTION 104.** 71.07 (5d) (b) 2. of the statutes is created to read:

6 71.07 (5d) (b) 2. For taxable years beginning after December 31, 2007, for the
7 taxable year certified by the department of commerce, an amount equal to 25 percent
8 of the claimant's bona fide angel investment made directly in a qualified new
9 business venture.

10 ***-1949/P1.4* SECTION 105.** 71.07 (5d) (c) 2. of the statutes is amended to read:

11 71.07 (5d) (c) 2. The For taxable years beginning before January 1, 2008, the
12 maximum amount of a claimant's investment that may be used as the basis for a
13 credit under this subsection is \$2,000,000 for each investment made directly in a
14 business certified under s. 560.205 (1).

15 ***-0377/P10.5* *-4294/P1.5* SECTION 106.** 71.07 (5e) (b) of the statutes is
16 amended to read:

17 71.07 (5e) (b) *Filing claims.* Subject to the limitations provided in this
18 subsection and subject to 2005 Wisconsin Act 479, section 17, beginning in the first
19 taxable year following the taxable year in which the claimant claims ~~an exemption~~
20 a deduction under s. ~~77.54 (48) 77.585 (9)~~, a claimant may claim as a credit against
21 the taxes imposed under ss. 71.02 and 71.08, up to the amount of those taxes, in each
22 taxable year for 2 years, the amount of sales and use tax certified by the department
23 of commerce that resulted from the claimant ~~elaimed as an exemption~~ claiming a
24 deduction under s. ~~77.54 (48) 77.585 (9)~~.

1 ***-0377/P10.6*** ***-4294/P1.6*** SECTION 107. 71.07 (5e) (c) 1. of the statutes is
2 amended to read:

3 71.07 (5e) (c) 1. No credit may be allowed under this subsection unless the
4 claimant satisfies the requirements under s. ~~77.54 (48)~~ 77.585 (9).

5 ***-0377/P10.7*** ***-4294/P1.7*** SECTION 108. 71.07 (5e) (c) 3. of the statutes is
6 amended to read:

7 71.07 (5e) (c) 3. The total amount of the credits and ~~exemptions~~ the sales and
8 use tax resulting from the deductions claimed under s. 77.585 (9) that may be claimed
9 by all claimants under this subsection and ss. 71.28 (5e), 71.47 (5e), and ~~77.54 (48)~~
10 77.585 (9) is \$7,500,000, as determined by the department of commerce.

11 ***-1948/P1.4*** SECTION 109. 71.08 (1) (intro.) of the statutes is amended to read:

12 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
13 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under
14 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2dy), (2fd), (3m), (3n),
15 (3p), (3r), (3s), (3t), (3w), (5b), (5d), (5e), (5f), (6), (6e), and (9e), 71.28 (1dd), (1de),
16 (1di), (1dj), (1dL), (1ds), (1dx), (1dy), (1fd), (2m), (3), (3n), (3t), and (3w), and 71.47
17 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1dy), (1fd), (2m), (3), (3n), (3t), and (3w),
18 and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than
19 the tax under this section, there is imposed on that natural person, married couple
20 filing jointly, trust or estate, instead of the tax under s. 71.02, an alternative
21 minimum tax computed as follows:

22 ***-1215/P5***SECTION 110. 71.10 (1) of the statutes is amended to read:

23 71.10 (1) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE
24 BUSINESSES. In any case of 2 or more organizations, trades or businesses (whether or
25 not incorporated, whether or not organized in the United States and, whether or not

1 affiliated, and whether or not unitary) owned or controlled directly or indirectly by
2 the same interests, the secretary or the secretary's delegate may distribute,
3 apportion or allocate gross income, deductions, credits or allowances between or
4 among such organizations, trades or businesses, if the secretary determines that
5 such distribution, apportionment or allocation is necessary in order to prevent
6 evasion of taxes or clearly to reflect the income of any of such organizations, trades
7 or businesses. The authority granted under this subsection is in addition to, and not
8 a limitation of or dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26
9 (2) (a) 7. and 8., 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).

10 ***-1215/P5***SECTION 111. 71.10 (1m) of the statutes is created to read:

11 71.10 (1m) TRANSACTIONS WITHOUT ECONOMIC SUBSTANCE. (a) If any person,
12 directly or indirectly, engages in a transaction or series of transactions without
13 economic substance to create a loss or to reduce taxable income or to increase credits
14 allowed in determining Wisconsin tax, the department shall determine the amount
15 of a taxpayer's taxable income or tax so as to reflect what would have been the
16 taxpayer's taxable income or tax if not for the transaction or transactions without
17 economic substance causing the reduction in taxable income or tax.

18 (b) A transaction has economic substance only if the taxpayer shows all of the
19 following:

20 1. The transaction changes the taxpayer's economic position in a meaningful
21 way, apart from federal, state, local, and foreign tax effects.

22 2. The taxpayer has a substantial nontax purpose for entering into the
23 transaction and the transaction is a reasonable means of accomplishing the
24 substantial nontax purpose. A transaction has a substantial nontax purpose if it has
25 substantial potential for profit, disregarding any tax effects.

1 (c) With respect to transactions between members of a controlled group as
2 defined in section 267 (f) (1) of the Internal Revenue Code, such transactions shall
3 be presumed to lack economic substance and the taxpayer shall bear the burden of
4 establishing by clear and convincing evidence that a transaction or a series of
5 transactions between the taxpayer and one or more members of the controlled group
6 has economic substance.

7 ***-1942/P1.7* SECTION 112.** 71.10 (4) (gv) of the statutes is created to read:

8 71.10 (4) (gv) Economic development tax credit under s. 71.07 (2dy).

9 ***-1948/P1.5* SECTION 113.** 71.10 (4) (i) of the statutes is amended to read:

10 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
11 preservation credit under subch. IX, homestead credit under subch. VIII, farmland
12 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.
13 71.07 (2fd), dairy manufacturing facility investment credit under s. 71.07 (3p), meat
14 processing facility investment credit under s. 71.07 (3r), film production services
15 credit under s. 71.07 (5f) (b) 2., veterans and surviving spouses property tax credit
16 under s. 71.07 (6e), enterprise zone jobs credit under s. 71.07 (3w), earned income tax
17 credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld
18 under subch. X.

19 ***-1948/P1.6* SECTION 114.** 71.21 (4) of the statutes is amended to read:

20 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
21 (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3r), (3s), (3t), (3w), (5e),
22 (5f), (5g), (5h), (5i), (5j), and (5k) and passed through to partners shall be added to
23 the partnership's income.

24 ***-1215/P5*SECTION 115.** 71.22 (1g) of the statutes is amended to read:

1 71.22 (1g) For purposes of s. 71.25 (9) (df) ~~and~~, (dh), (dj), and (dk), “commercial
2 domicile” means the location from which a trade or business is principally managed
3 and directed, based on any factors the department determines are appropriate,
4 including the location where the greatest number of employees of the trade or
5 business work, have their office or base of operations, or from which the employees
6 are directed or controlled.

7 *-1215/P5*SECTION 116. 71.22 (1r) of the statutes is amended to read:

8 71.22 (1r) “Doing business in this state” includes issuing credit, debit, or travel
9 and entertainment cards to customers in this state; regularly selling products or
10 services of any kind or nature to customers in this state that receive the product or
11 service in this state; regularly soliciting business from potential customers in this
12 state; regularly performing services outside this state for which the benefits are
13 received in this state; regularly engaging in transactions with customers in this state
14 that involve intangible property and result in receipts flowing to the taxpayer from
15 within this state; holding loans secured by real or tangible personal property located
16 in this state; owning, directly or indirectly, a general or limited partnership interest
17 in a partnership that does business in this state, regardless of the percentage of
18 ownership; and owning, directly or indirectly, an interest in a limited liability
19 company that does business in this state, regardless of the percentage of ownership,
20 if the limited liability company is treated as a partnership for federal income tax
21 purposes.

22 *-1215/P5*SECTION 117. 71.22 (1t) of the statutes is amended to read:

23 71.22 (1t) For purposes of s. 71.25 (9) (df) ~~and~~, (dh), (dj), and (dk), “domicile”
24 means an individual’s true, fixed, and permanent home where the individual intends
25 to remain permanently and indefinitely and to which, whenever absent, the

1 individual intends to return, except that no individual may have more than one
2 domicile at any time.

3 ***-1215/P5*SECTION 118.** 71.22 (3g) of the statutes is created to read:

4 71.22 (3g) For purposes of ss. 71.26 (2) (a) 7. and 9. and 71.255 (2) (d) 1.,
5 “intangible expenses” include the following, to the extent that the amounts would
6 otherwise be deductible in determining net income under the Internal Revenue Code
7 as modified under s. 71.26 (3):

8 (a) Expenses, losses, and costs for, related to, or directly or indirectly in
9 connection with the acquisition, use, maintenance, management, ownership, sale,
10 exchange, or any other disposition of intangible property.

11 (b) Losses related to, or incurred in connection directly or indirectly with,
12 factoring transactions or discounting transactions.

13 (c) Royalty, patent, technical, and copyright fees.

14 (d) Licensing fees.

15 (e) Other similar expenses, losses, and costs.

16 ***-1215/P5*SECTION 119.** 71.22 (3h) of the statutes is created to read:

17 71.22 (3h) “Intangible property” includes stocks, bonds, financial instruments,
18 patents, patent applications, trade names, trademarks, service marks, copyrights,
19 mask works, trade secrets, and similar types of intangible assets.

20 ***-1215/P5*SECTION 120.** 71.22 (3m) of the statutes is amended to read:

21 71.22 (3m) For purposes of ~~s.~~ ss. 71.26 (2) (a) 7. and 9. and 71.255 (2) (d) 1.,
22 “interest expenses” means interest that would otherwise be deductible under section
23 163 of the Internal Revenue Code, as modified under s. 71.26 (3).

24 ***-1215/P5*SECTION 121.** 71.22 (6d) of the statutes is created to read:

1 71.22 (6d) For purposes of s. 71.26 (2) (a) 7. and 9., “management fees” include
2 expenses and costs, not including interest expenses, pertaining to accounts
3 receivable, accounts payable, employee benefit plans, insurance, legal matters,
4 payroll, data processing, purchasing, taxation, financial matters, securities,
5 accounting, or reporting and compliance matters or similar activities, to the extent
6 that the amounts would otherwise be deductible in determining net income under
7 the Internal Revenue Code as modified by s. 71.26 (3).

8 *-1215/P5*SECTION 122. 71.22 (9g) of the statutes is amended to read:

9 71.22 (9g) For purposes of s. 71.25 (9) (df) and, (dh), (dj), and (dk), “state” means
10 a state of the United States, the District of Columbia, the commonwealth of Puerto
11 Rico, or any territory or possession of the United States, unless the context requires
12 that “state” means only the state of Wisconsin.

13 *-1215/P5*SECTION 123. 71.25 (intro.) of the statutes is amended to read:

14 **71.25 Situs of income; allocation and apportionment.** (intro.) For
15 purposes of determining the situs of income under this section and s. 71.255 (5) (a)
16 1. and 2.:

17 *-1215/P5*SECTION 124. 71.25 (5) (b) 1. of the statutes is renumbered 71.25
18 (5) (b).

19 *-1215/P5*SECTION 125. 71.25 (5) (b) 2. of the statutes is repealed.

20 *-1215/P5*SECTION 126. 71.25 (9) (d) of the statutes is repealed.

21 *-1215/P5*SECTION 127. 71.25 (9) (dj) of the statutes is created to read:

22 71.25 (9) (dj) 1. Except as provided in par. (df), gross royalties and other gross
23 receipts received for the use or license of intangible property, including patents,
24 copyrights, trademarks, trade names, service names, franchises, licenses, plans,
25 specifications, blueprints, processes, techniques, formulas, designs, layouts,

1 patterns, drawings, manuals, technical know-how, contracts, and customer lists, are
2 sales in this state if any of the following applies:

3 a. The purchaser or licensee uses the intangible property in the operation of a
4 trade or business at a location in this state. If the purchaser or licensee uses the
5 intangible property in the operation of a trade or business in more than one state,
6 the gross royalties and other gross receipts from the use of the intangible property
7 shall be divided between those states having jurisdiction to impose an income tax on
8 the taxpayer in proportion to the use of the intangible property in those states.

9 b. The purchaser or licensee is billed for the purchase or license of the use of
10 the intangible property at a location in this state.

11 c. The purchaser or licensee of the use of the intangible property has its
12 commercial domicile in this state.

13 2. If the taxpayer is not within the jurisdiction, for income or franchise tax
14 purposes, in the state in which the gross royalties or other gross receipts are
15 apportioned under this paragraph, but the taxpayer's commercial domicile is in this
16 state, 50 percent of those gross royalties or other gross receipts shall be included in
17 the numerator of the sales factor.

18 ***-1215/P5*SECTION 128.** 71.25 (9) (dk) of the statutes is created to read:

19 71.25 (9) (dk) 1. Sales of intangible property, excluding securities, are sales in
20 this state if any of the following applies:

21 a. The purchaser uses the intangible property in the regular course of business
22 operations in this state or for personal use in this state. If the purchaser uses the
23 intangible property in more than one state, the sales shall be divided between those
24 states having jurisdiction to impose an income tax on the taxpayer in proportion to
25 the use of the intangible property in those states.

1 b. The purchaser is billed for the purchase of the intangible property at a
2 location in this state.

3 c. The purchaser of the intangible property has its commercial domicile in this
4 state.

5 2. If the taxpayer is not within the jurisdiction, for income or franchise tax
6 purposes, in the state in which the sales of intangible property are apportioned under
7 this paragraph, but the taxpayer's commercial domicile is in this state, 50 percent
8 of those gross receipts shall be included in the numerator of the sales factor.

9 *-1215/P5*SECTION 129. 71.25 (10) (a) of the statutes is renumbered 71.25 (10)
10 (a) 1.

11 *-1215/P5*SECTION 130. 71.25 (10) (a) 2. of the statutes is created to read:

12 71.25 (10) (a) 2. As used in this section, "financial organization" includes any
13 subsidiary of an entity described in subd. 1., if a significant purpose for the
14 subsidiary is to hold investments or if the subsidiary primarily functions to hold
15 investments.

16 *-1215/P5*SECTION 131. 71.255 of the statutes is created to read:

17 **71.255 Combined Reporting. (1) DEFINITIONS.** In this section:

18 (a) "Combined group" means the group of all persons whose income and
19 apportionment factors are required to be taken into account under sub. (2) to
20 determine a member's share of the net business income or loss apportionable to this
21 state that is attributable to a unitary business.

22 (b) "Combined report" means a report in the form and manner prescribed by
23 the department that specifies a combined group's income from the unitary business,
24 apportionment factors attributable to the unitary business, and any other tax return
25 information prescribed by the department.

1 (c) "Commonly controlled group" means any of the following:

2 1. A parent corporation and any one or more corporations or chains of
3 corporations that are connected to the parent corporation by direct or indirect
4 ownership by the parent corporation, if the parent corporation owns stock
5 representing more than 50 percent of the voting power of at least one of the connected
6 corporations or if the parent corporation or any of the connected corporations owns
7 stock that cumulatively represents more than 50 percent of the voting power of each
8 of the connected corporations.

9 2. Any 2 or more corporations if a common owner, regardless of whether the
10 owner is a corporate entity, directly or indirectly owns stock representing more than
11 50 percent of the voting power of the corporations or connected corporations.

12 3. Any 2 or more corporations if stock representing more than 50 percent of the
13 voting power in each corporation are interests that cannot be separately transferred.

14 4. Any 2 or more corporations if stock representing more than 50 percent of the
15 voting power in each corporation is directly owned by, or for the benefit of, family
16 members. In this subdivision, "family member" means an individual related by
17 blood, marriage, or adoption within the 3rd degree of kinship, as computed under s.
18 990.001 (16), or the spouse of such individual.

19 (d) "Consolidated foreign operating corporation" means a corporation that, for
20 the taxable year, satisfies all of the following conditions:

21 1. It is a member of a unitary business.

22 2. It is included in the same federal consolidated return as at least one other
23 corporation in that unitary business.

1 3. It has active foreign business income, as defined in section 861 (c) (1) B of
2 the Internal Revenue Code, in an amount that is 80 percent or more of the
3 corporation's worldwide income.

4 (e) "Corporation" means any corporation, as defined in s. 71.22 (1k), wherever
5 located, which if it were doing business in this state would be subject to this chapter.
6 "Corporation" does not include a tax-option corporation.

7 (f) "Department" means the department of revenue.

8 (g) "Doing business in this state" has the meaning given in s. 71.22 (1r).

9 (h) "Domestic" means incorporated, organized, or created in the United States
10 or under the laws of the United States or any state.

11 (i) "File" has the meaning given in s. 71.22 (2m).

12 (j) "Foreign" means not incorporated, organized, or created in the United States
13 or under the laws of the United States or any state.

14 (k) "Intangible expenses" has the meaning given in s. 71.22 (3g) for corporations
15 taxable under this subchapter and the meaning given in s. 71.42 (1sg) for
16 corporations taxable under subch. VII.

17 (L) "Interest expenses" has the meaning given in s. 71.22 (3m) for corporations
18 taxable under this subchapter and the meaning given in s. 71.42 (1t) for corporations
19 taxable under subch. VII.

20 (m) "Pass-through entity" means a general or limited partnership, an
21 organization of any kind treated as a partnership for tax purposes under this
22 chapter, a tax-option corporation, a real estate investment trust, a regulated
23 investment company, a real estate mortgage investment conduit, a financial asset
24 securitization investment trust, a trust, or an estate.

1 (n) "Unitary business" means a single economic enterprise that is made up
2 either of separate parts of a single business entity, of multiple business entities that
3 are related under section 267 or 1563 of the Internal Revenue Code, or of a commonly
4 controlled group of business entities that are sufficiently interdependent,
5 integrated, and interrelated through their activities so as to provide a synergy and
6 mutual benefit that produces a sharing or exchange of value among them and a
7 significant flow of value to the separate parts. Two or more business entities are
8 presumed to be a unitary business if the businesses have unity of ownership,
9 operation, and use as indicated by a centralized management or a centralized
10 executive force; centralized purchasing, advertising, or accounting; intercorporate
11 sales or leases; intercorporate services, including administrative, employee benefits,
12 human resources, legal, financial, and cash management services; intercorporate
13 debts; intercorporate use of proprietary materials; interlocking directorates; or
14 interlocking corporate officers. In no event and under no circumstances shall the
15 preceding sentence be construed as exclusive of any and all other factors indicative
16 of a unitary business. For purposes of this section, the term "unitary business" shall
17 be broadly construed, to the extent permitted by the U.S. Constitution. The members
18 of a combined group shall be jointly and severally liable for costs, penalties, interests,
19 and taxes associated with the combined report. Any business conducted by a
20 pass-through entity that is owned directly or indirectly by a corporation shall be
21 treated as conducted by the corporation, to the extent of the corporation's distributive
22 share of the pass-through entity's income, regardless of the percentage of the
23 corporation's ownership interest. A business conducted directly or indirectly by one
24 corporation is unitary with that portion of a business conducted by another
25 corporation through its direct or indirect interest in a pass-through entity if there

1 is a synergy and exchange and flow of value between the 2 parts of the business and
2 the 2 corporations are members of the same commonly controlled group.

3 (2) CORPORATIONS REQUIRED TO USE COMBINED REPORTING. (a) A corporation, not
4 including a corporation of which all its income is exempt from taxation under s. 71.26
5 (1), engaged in a unitary business with one or more other corporations shall report
6 its share of income from that unitary business in the amount determined by a
7 combined report filed by a designated agent of the unitary business, as determined
8 under sub. (7). The combined report shall include the income, determined under sub.
9 (3), and apportionment factor or factors determined under sub. (5), of every
10 corporation engaged in the unitary business, except as provided in pars. (b) to (f).

11 (b) A foreign corporation that is a combined group member shall include in the
12 combined report income that is derived only from sources within the United States
13 as provided in sections 861 to 865 of the Internal Revenue Code. The foreign
14 corporation shall include in the combined report its apportionment factor or factors
15 related only to that income.

16 (c) Except as provided in par. (d), if 80 percent or more of a corporation's
17 worldwide income is active foreign business income, as defined in section 861 (c) (1)
18 (B) of the Internal Revenue Code, the income and apportionment factor or factors of
19 the corporation shall not be included in the combined report, but the corporation
20 shall compute and allocate or apportion its income from the unitary business
21 separately.

22 (d) The combined report of the unitary business of which a consolidated foreign
23 operating corporation is a member shall include, and the separate return filed by the
24 consolidated foreign operating corporation shall exclude, the following amounts, to
25 the extent that they are attributable to the unitary business:

1 1. An income amount equal to the interest expenses and intangible expenses
2 that are paid, accrued, or incurred by any combined group member to or for the
3 benefit of the consolidated foreign operating corporation, except to the extent such
4 amounts constitute income to the consolidated foreign operating corporation from
5 sources outside the United States under sections 861 to 865 of the Internal Revenue
6 Code.

7 2. To the extent that the amounts were not included under subd. 1., interest
8 income and income generated from intangible property received or accrued by the
9 consolidated foreign operating corporation, except to the extent such amounts
10 constitute income from sources outside the United States under sections 861 to 865
11 of the Internal Revenue Code. For purposes of this subdivision, income generated
12 from intangible property includes income related to the direct or indirect acquisition,
13 use, maintenance, management, ownership, sale, exchange, or any other disposition
14 of intangible property; income from factoring transactions or discounting
15 transactions; royalty, patent, technical, and copyright fees; licensing fees; and other
16 similar income.

17 3. Dividends paid or accrued by a real estate investment trust to the
18 consolidated foreign operating corporation, if the real estate investment trust is not
19 a qualified real estate investment trust as defined in s. 71.22 (9ad) and the dividend
20 income is from sources within the United States under sections 861 to 865 of the
21 Internal Revenue Code.

22 4. Income of the consolidated foreign operating corporation that is equal to
23 gains derived from the sale of real or personal property located in the United States.

24 5. The apportionment factor or factors attributable to the income described in
25 subds 1. to 4.

1 (e) Except for the amounts in par. (d), a consolidated foreign operating
2 corporation shall compute and allocate or apportion its income from the unitary
3 business separately.

4 (f) 1. The department may require that a combined report include the income
5 and associated apportionment factor or factors of any person who is not otherwise
6 included in a combined group under this subsection, but who is a member of a unitary
7 business, in order to reflect proper apportionment of income of the entire unitary
8 business. The department may require that a combined report include the income
9 and associated apportionment factor or factors of persons that are not corporations.

10 2. If the department determines that the reported income or loss of a member
11 of a combined group engaged in a unitary business with any person not otherwise
12 included in the combined group under this subsection represents an avoidance or
13 evasion of tax by the person or the combined group member, the department may
14 require all or any part of the income or loss and associated apportionment factor or
15 factors of the person be included in or excluded from the combined report for the
16 unitary business or may require the use of a different apportionment factor or
17 factors. The department may require that a combined report include or exclude the
18 income or loss and associated apportionment factor or factors of persons that are not
19 corporations.

20 3. The authority granted under this paragraph is in addition to, and not a
21 limitation of or dependent on, the provisions in this chapter enacted to prevent tax
22 avoidance or evasion or to clearly reflect the income of any person. Any
23 determination by the department under this paragraph is presumed correct and the
24 person challenging the determination has the burden of proving by clear and
25 convincing evidence that the determination is incorrect.

1 **(3) COMPONENTS OF INCOME SUBJECT TO TAX.** Each member is responsible for tax
2 based on its taxable income or loss apportioned or allocated to this state, including:

3 (a) Its share of any business income apportionable to this state of each of the
4 combined groups of which it is a member, as determined under subs. (4) and (5). For
5 financial organizations, as defined in ss. 71.04 (8) (a) and 71.25 (10) (a), business
6 income includes interest, dividends, and receipts from investments of any kind. For
7 purposes of this section, a financial organization shall treat the expenses associated
8 with an investment as business expenses.

9 (b) Its share of any business income apportionable to this state of a distinct
10 business activity conducted within and outside the state wholly by the member, as
11 determined under s. 71.25 or 71.45.

12 (c) Its income from a business conducted wholly by the member entirely within
13 the state.

14 (d) Its income sourced to this state from the sale or exchange of capital assets,
15 and from involuntary conversions, as determined under sub. (4) (i).

16 (e) Its nonbusiness income or loss allocable to this state.

17 (f) Its income that is realized from the purchase and subsequent sale or
18 redemption of lottery prizes, if the winning tickets were originally bought in this
19 state.

20 (g) Its income or loss allocated or apportioned in an earlier year, required to be
21 taken into account as state source income or loss during the taxable year, other than
22 a net business loss carry-forward.

23 (h) Its net business loss carry-forward, as determined under sub. (6).

24 **(4) BUSINESS INCOME OF THE COMBINED GROUP.** (a) The business income of a
25 combined group is the sum of the income of each member of the combined group as

1 determined under the Internal Revenue Code, as modified under s. 71.26 or 71.45,
2 and except as provided under pars. (b) to (j). If a unitary business includes income
3 from a pass-through entity, the pass-through entity income to be included in the
4 total income of the combined group shall be the member of the combined group's
5 direct and indirect distributive share of the pass-through entity's unitary business
6 income.

7 (b) 1. Subtract any apportionable income of a distinct business activity
8 conducted within and outside the state wholly by the member, income from a
9 business conducted wholly by the member entirely within this state, the member's
10 nonbusiness income, the member's income realized from the purchase and
11 subsequent sale or redemption of lottery prizes if the winning tickets were originally
12 bought in this state, and its income allocated or apportioned in an earlier year
13 required to be taken into account as state source income during the taxable year.

14 2. Add any apportionable expense or loss of a distinct business activity
15 conducted within and outside the state wholly by the member, expense or loss from
16 a business conducted wholly by the member entirely within this state, the member's
17 nonbusiness expense or loss, its loss allocated or apportioned in an earlier year
18 required to be taken into account as state source loss during the taxable year, and
19 its net business loss carry-forward, except as provided in par. (e).

20 (c) For combined group members that are consolidated foreign operating
21 corporations, include only the income described in sub. (2) (d) 2. to 4. A combined
22 group may deduct expenses properly attributable to a consolidated foreign operating
23 corporation's income described in sub. (2) (d) 2. to 4., subject to ss. 71.30 (2) and (2m)
24 and 71.80 (1) (b) and (1m).

1 (d) The modifications provided under ss. 71.26 (2) (a) 7., 8., and 9. and 71.45
2 (2) (a) 16., 17., and 18. shall not apply with respect to interest expenses or intangible
3 expenses paid, accrued, or incurred by a combined group member to or for the benefit
4 of a consolidated foreign operating corporation.

5 (e) Subtract any pre-apportionment net business loss carry-forward
6 deduction, as provided in sub. (6) (b).

7 (f) Except as provided in sub. (2) (d) 3. and except if the modification under s.
8 71.26 (3) (j) applies, dividends paid by one combined group member to another shall
9 be, to the extent that the dividends are paid out of the earnings and profits of the
10 unitary business included in the combined report, whether in the current taxable
11 year or in a prior taxable year, subtracted from the income of the recipient. This
12 paragraph does not apply to dividends received from members of the unitary
13 business that were not part of the combined group during the calendar year
14 preceding the receipt of the dividends.

15 (g) Except as otherwise provided by rule, business income or loss from an
16 intercompany transaction between members of the same combined group shall be
17 deferred as provided under U.S. Treasury Regulation 1.1502-13. Upon the
18 occurrence of any of the following events, deferred business income or loss resulting
19 from an intercompany transaction between members of a combined group shall be
20 included in the income of the seller and shall be apportioned as business income or
21 loss recognized immediately before the event:

22 1. The object of the deferred intercompany transaction is resold by the buyer
23 to an entity that is not a member of the combined group.

1 2. The object of the deferred intercompany transaction is resold by the buyer
2 to an entity that is a member of the combined group for use outside the unitary
3 business in which the buyer and seller are engaged.

4 3. The object of the deferred intercompany transaction is converted by the
5 buyer or is otherwise transferred to a use outside the unitary business in which the
6 buyer and seller are engaged.

7 4. The buyer and seller are no longer members of the same combined group,
8 regardless of whether the members are in the same unitary business.

9 (h) A charitable expense incurred by a member of a combined group shall, to
10 the extent allowable as a deduction under section 170 of the Internal Revenue Code,
11 be subtracted first from the business income of the combined group, subject to the
12 income limitations of that section as applied to the entire business income of the
13 combined group, and any remaining amount shall then be treated as a nonbusiness
14 expense allocable to the member that incurred the expense, subject to the income
15 limitations of that section applied to the nonbusiness income of that specific member.
16 Any charitable deduction disallowed under this paragraph, but allowed as a
17 carryover deduction in a subsequent year, shall be treated as originally incurred in
18 the subsequent year by the same member and this paragraph shall apply in the
19 subsequent year in determining the allowable deduction in that year.

20 (i) Gain or loss from the sale or exchange of capital assets, property described
21 by section 1231 (a) (3) of the Internal Revenue Code, and property subject to an
22 involuntary conversion, shall be removed from the total separate net income of each
23 member of a combined group and shall be apportioned and allocated as follows:

24 1. For short-term capital gains or losses, long-term capital gains or losses,
25 gains or losses under section 1231 of the Internal Revenue Code, and involuntary

1 conversions, all combined group members' business gains and losses shall be
2 combined within each class, and each class of net business gain or loss separately
3 apportioned to each member using the member's apportionment factor or factors
4 determined under sub. (5).

5 2. Each member shall then net its apportioned business gain or loss for all
6 classes, including any such apportioned business gain and loss from other combined
7 groups, against the member's nonbusiness gain and loss for all classes allocated to
8 this state, as provided under sections 1222 and 1231 of the Internal Revenue Code,
9 without regard to any of the member's gains or losses from the sale or exchange of
10 capital assets, property described under section 1231 of the Internal Revenue Code,
11 and involuntary conversions that are nonbusiness items allocated to another state.

12 3. Any state source income or loss, if the loss is not subject to the limitations
13 of section 1211 of the Internal Revenue Code, of a member that results from the
14 application of subds. 1. and 2. shall then be applied to all other state source income
15 or loss of that member.

16 4. Any state source loss of a member that is subject to the limitations of section
17 1211 of the Internal Revenue Code shall be carried forward or carried back by that
18 member and shall be treated as state source short-term capital loss incurred by that
19 member for the year for which the carry-forward or carry-back applies.

20 (j) Any expense of one member of the combined group that is directly or
21 indirectly attributable to the nonbusiness or exempt income of another member of
22 the unitary business shall be allocated to that other member of the unitary business
23 as corresponding nonbusiness or exempt expense, as appropriate.

24 **(5) MEMBER'S SHARE OF BUSINESS INCOME OF THE COMBINED GROUP.** (a) For
25 purposes of this subsection, each member of a combined group is doing business in

1 this state if any member of the combined group is doing business in this state and
2 that business relates to the combined group's unitary business. Except as provided
3 in par. (b), a taxpayer's share of the business income apportionable to this state of
4 each combined group of which it is a member shall be the product of the business
5 income of the combined group as determined under sub. (4) and the taxpayer's
6 modified sales factor from the combined group, determined as follows:

7 1. For a member that is subject to apportionment under s. 71.25 (9), the
8 numerator of the modified sales factor includes the member's sales associated with
9 the combined group's unitary business in this state. Sales under s. 71.25 (9) (b) 2m.
10 and 3. and (c) shall be included in the numerator of the modified sales factor if no
11 member of the combined group is within the jurisdiction of the destination state for
12 income or franchise tax purposes.

13 2. For a member that is subject to apportionment using a receipts factor under
14 the department's rules pursuant to s. 71.25 (10), the numerator of the modified sales
15 factor includes the member's Wisconsin receipts associated with the combined
16 group's unitary business in this state, as provided by such rules.

17 3. For a member that is subject to apportionment under s. 71.45 (3), the
18 numerator of the modified sales factor includes the member's premiums that are
19 associated with the combined group's unitary business in this state.

20 4. The denominator of the modified sales factor shall include the denominator
21 of the sales factor for each combined group member described in subd. 1., the
22 denominator of the receipts factor for each combined group member described in
23 subd. 2., and the denominator of the premiums factor for each combined group
24 member described in subd. 3.

1 5. For a member that is required under the department's rules to use an
2 apportionment factor or factors other than the sales factor, receipts factor, or
3 premiums factor, the numerator of the modified sales factor for such member is its
4 Wisconsin apportionment percentage on a separate entity basis based on the rules
5 prescribed by the department, multiplied by the member's total sales, as defined in
6 s. 71.25 (9) (e) and (f). The denominator of the modified sales factor for such member
7 is the member's total sales as defined in s. 71.25 (9) (e) and (f).

8 6. The numerator and denominator, described in subds. 1. to 5., shall include
9 the sales, receipts, or premiums of pass-through entities that are owned directly or
10 indirectly by a corporation in proportion to a ratio the numerator of which is the
11 amount of the corporation's distributive share of the pass-through entity's unitary
12 business income included in the income of the combined group under sub. (4) and the
13 denominator of which is the amount of the pass-through entity's total unitary
14 business income.

15 7. The modified sales factor shall exclude transactions between members of the
16 same combined group.

17 8. For purposes of determining the numerator of the modified sales factor or
18 any apportionment factor or factors determined under par. (b), a taxpayer is
19 considered to be within the jurisdiction for income or franchise tax purposes of any
20 state in which any member of its combined group is within the jurisdiction for income
21 or franchise tax purposes.

22 (b) If 2 or more members of a combined group would in the absence of this
23 section be required to use differing apportionment formulas from one another, and
24 if the business income of the combined group derived from business transacted in
25 this state of that combined group cannot be ascertained with reasonable certainty

1 by use of the modified sales factor as provided in par. (a), the combined group may
2 petition the department to use a different apportionment computation for the
3 combined report. This paragraph does not apply if less than 30 percent of the
4 business income of the combined group would in the absence of this section be
5 required to be apportioned using a factor or factors other than a single sales factor,
6 a single receipts factor, or a single premiums factor. The department shall deny the
7 petition if the taxpayer cannot show, by clear and convincing evidence, that the
8 apportionment methods described in this subsection do not clearly reflect the income
9 of the unitary business attributable to this state.

10 (6) CREDITS, NET BUSINESS LOSSES, AND POST-APPORTIONMENT DEDUCTIONS. (a)
11 Except as provided in par. (b), no tax credit, Wisconsin net business loss
12 carry-forward, or other post-apportionment deduction earned by one member of the
13 combined group, but not fully used by or allowed to that member, may be used in
14 whole or in part by another member of the combined group or applied in whole or in
15 part against the total income of the combined group. A member of a combined group
16 may use a carry-forward of a credit, Wisconsin net business loss carry-forward, or
17 other post-apportionment deduction otherwise allowable under s. 71.26 or 71.45,
18 that was incurred by that same member in a taxable year beginning before the
19 effective date of this paragraph [LRB inserts date].

20 (b) A combined group member's share of a Wisconsin net business loss
21 computed on a combined report for a taxable year beginning on or after the effective
22 date of this paragraph [LRB inserts date], is subject to the carry-forward period
23 and limitations provided in s. 71.26 (4), if the member is subject to tax under this
24 subchapter, or s. 71.45 (4), if the member is subject to tax under subchapter VII. A

1 member may use such Wisconsin net business loss, or share it among the members
2 of the unitary business filing the combined report, as follows:

3 1. For the taxable year in which the Wisconsin net business loss from the
4 unitary business is generated, such loss shall first be offset by the member against
5 its Wisconsin income for that same taxable year from sources other than the unitary
6 business. In subsequent years, the member shall offset such loss first against income
7 from that same unitary business in the manner described in subd. 2. and then from
8 sources other than the unitary business.

9 2. If the member is included in the combined report of the same unitary
10 business for the taxable year for which the member will offset the loss, the member
11 shall convert its Wisconsin net business loss carry-forward attributable to the
12 unitary business to a pre-apportionment net business loss carry-forward in the
13 manner described in subd. 3. and offset it against the combined group's business
14 income computed under sub. (4). Any amount of pre-apportionment net business
15 loss carry-forward not offset by the combined group's business income shall be
16 converted back to a Wisconsin net business loss carry-forward in the manner
17 described in subd. 4. and offset against the member's income, if any, from sources
18 other than the unitary business. The carry-forward period and limitations set forth
19 in ss. 71.26 (4) and 71.45 (4) shall apply in the same manner as if the loss was not
20 converted to a pre-apportionment net business loss carry-forward before used.

21 3. For purposes of subd. 2, the pre-apportionment net business loss
22 carry-forward for each year for which a combined group member has available
23 Wisconsin net business loss is the member's apportioned share of the Wisconsin net
24 business loss computed on the combined report for the year in which the loss was

1 generated, divided by the member's Wisconsin apportionment percentage computed
2 on that same combined report.

3 4. A combined group member's pre-apportionment net business loss
4 carry-forward computed under subd. 3, but not used, shall be converted back to a
5 Wisconsin net business loss carry-forward by multiplying the member's apportioned
6 share of the remaining Wisconsin net business loss computed on the combined report
7 for the year in which the loss was generated by the member's Wisconsin
8 apportionment percentage computed on that same combined report.

9 5. Except as provided by the department by rule, if a corporation may no longer
10 be included in the combined report, as determined under this section, that
11 corporation's share of Wisconsin net business loss carry-forward from the combined
12 group may not be shared among or transferred to any other members of the combined
13 group or members of other combined groups, but the corporation may claim the loss
14 carry-forward against its own income attributable to other unitary businesses or
15 other sources of income, subject to the limitations under ss. 71.26 (4) or 71.45 (4).

16 (7) DESIGNATED AGENT. (a) Each combined group shall have one designated
17 agent. The designated agent is the parent corporation of the combined group. If
18 there is no such parent corporation, the designated agent may be appointed by the
19 members. If there is no such parent corporation and no member is appointed, the
20 designated agent is the member that has the most significant operations in this state
21 on a recurring basis, as determined by the department. The designated agent may
22 change only when the designated agent is no longer a member of the combined group,
23 in which case the succeeding designated agent shall notify the department of the
24 change in the manner prescribed by the department.

1 (b) Only the designated agent may act on behalf of the members of the combined
2 group for matters relating to the combined report. The designated agent's
3 responsibilities include:

4 1. Filing a combined report under sub. (2) (a).

5 2. Filing any extension under s. 71.24 or 71.44.

6 3. Filing any amended combined reports or claims for refunds or credits.

7 4. Sending and receiving all correspondence with the department regarding the
8 combined report.

9 5. Remitting all taxes, including estimated taxes, to the department. For
10 purposes of computing interest on late payments, all payments remitted are deemed
11 to be made on a pro rata basis by all members of the combined group, unless
12 otherwise specified by the designated agent.

13 6. Participating on behalf of the combined group members in any investigation
14 or hearing requested by the department regarding a combined report, producing all
15 information requested by the department regarding the combined report, and filing
16 any appeal related to the combined report, investigation, or hearing. Any appeal
17 filed by the designated agent shall be considered to be filed by all members of the
18 combined group.

19 7. Executing waivers, closing agreements, powers of attorney, and other
20 documents as necessary or required regarding the combined report filed under sub.
21 (2) (a). Any waiver, agreement, power of attorney, or document executed by the
22 designated agent shall be considered as executed by all members of the combined
23 group.

1 8. Receiving notices regarding the combined report. Any such notice the
2 designated agent receives is considered received by all members of the combined
3 group.

4 9. Receiving refunds relating to the combined report. Any such refund shall
5 be paid to and in the name of the designated agent and shall discharge any liability
6 of the state to any member of the combined group regarding the refund.

7 10. Other responsibilities as determined by rule by the department.

8 (c) Acts contrary to those described in par. (b) are unauthorized acts that do not
9 bind the department in any manner. The department may choose to receive the
10 benefits or assume the obligations of any such unauthorized acts. The department
11 is bound by acts contrary to those described in par. (b) only if the department takes
12 affirmative steps to expressly manifest its intent to receive the benefits or assume
13 the obligations of any such acts. If the department takes such affirmative steps to
14 ratify an unauthorized act, the unauthorized act relates back to the time of the
15 unauthorized act.

16 (d) The department may relieve the designated agent from any of the duties
17 described in par. (b). Unless the department provides for such relief by rule, a
18 designated agent shall obtain written approval from the department to be relieved
19 of the duties described in par. (b).

20 **(8) TAXABLE YEAR OF COMBINED GROUP.** The combined group's taxable year is
21 determined as follows:

22 (a) If 2 or more members of a combined group file a federal consolidated return,
23 the combined group's taxable year is the taxable year of the federal consolidated
24 group. In all other cases, the taxable year is the taxable year of the designated agent
25 under sub. (7).

1 (b) If a taxable year of a member of a combined group differs from the taxable
2 year of the combined group, the designated agent shall elect to determine the portion
3 of that member's income to be included in one of the following ways:

4 1. A separate income statement prepared from the books and records for the
5 months included in the combined group's taxable year.

6 2. Including all of the income for the year that ends during the combined group's
7 taxable year.

8 (c) For corporations that are subject to an election under par. (b), the same
9 election shall be made for each member of the combined group subject to the election,
10 the same election shall be made in each succeeding year, and the election is
11 irrevocable except upon written approval by the department.

12 **(9) PART-YEAR MEMBERS OF A COMBINED GROUP.** If a corporation becomes a
13 member of a combined group or ceases to be a member of a combined group after the
14 beginning of the taxable year of the combined group, the corporation's income shall
15 be determined as provided under subs. (3), (4), and (5) for the portion of the year in
16 which the corporation was a member of the combined group and that income shall
17 be included in the combined report. The income for the remaining short period shall
18 be reported on a separate return or separate combined report.

19 **(10) TRANSITION.** The department shall deem timely paid the estimated tax
20 payments attributable to income includable in the combined report for installments
21 that become due during the period beginning on January 1, 2009, and ending on the
22 effective date of this subsection [LRB inserts date], provided that such estimated
23 tax payments are paid by the next installment due date that follows in sequence
24 following the effective date of this subsection [LRB inserts date]. However, if the
25 next installment due date that follows in sequence following the effective date of this

1 subsection [LRB inserts date], is less than 45 days after the effective date of this
2 subsection [LRB inserts date], such estimated tax payments, in addition to the
3 payment due less than 45 days after the effective date of this subsection [LRB
4 inserts date], shall be deemed timely paid if paid by the next subsequent installment
5 due date.

6 ***-1948/P1.7* SECTION 132.** 71.26 (2) (a) 4. of the statutes is amended to read:

7 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd),
8 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3r), (3t), (3w),
9 (5e), (5f), (5g), (5h), (5i), (5j), and (5k) and not passed through by a partnership,
10 limited liability company, or tax-option corporation that has added that amount to
11 the partnership's, limited liability company's, or tax-option corporation's income
12 under s. 71.21 (4) or 71.34 (1k) (g).

13 ***-1215/P5*SECTION 133.** 71.26 (2) (a) 7. of the statutes is amended to read:

14 71.26 (2) (a) 7. Plus the amount deducted or excluded under the Internal
15 Revenue Code for interest expenses ~~and~~, rental expenses, intangible expenses, and
16 management fees that are directly or indirectly paid, accrued, or incurred to, or in
17 connection directly or indirectly with one or more direct or indirect transactions with,
18 one or more related entities.

19 ***-1215/P5*SECTION 134.** 71.26 (2) (a) 9. of the statutes is amended to read:

20 71.26 (2) (a) 9. Minus the amount added, pursuant to subd. 7. or s. 71.05 (6) (a)
21 24., 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that
22 paid interest expenses ~~or~~, rental expenses, intangible expenses, or management fees
23 to the corporation, to the extent that the related entity could not offset such amount
24 with the deduction allowable under subd. 8. or s. 71.05 (6) (b) 45., 71.34 (1k) (k), or
25 71.45 (2) (a) 17.

1 ***-1215/P5*SECTION 135.** 71.26 (3) (x) of the statutes is amended to read:

2 71.26 (3) (x) Sections 1501 to 1505, 1551, 1552, 1563 and 1564 (relating to
3 consolidated returns) are excluded, except that U.S. Treasury Regulation 1.1502-13,
4 relating to deferred gain or loss from an intercompany transaction, applies to
5 transactions between combined group members under s. 71.255 (4) (g).

6 ***-1942/P1.10* SECTION 136.** 71.28 (1dy) of the statutes is created to read:

7 71.28 (1dy) ECONOMIC DEVELOPMENT TAX CREDIT. (a) *Definition.* In this
8 subsection, "claimant" means a person who files a claim under this subsection and
9 is certified under s. 560.701 (2) and authorized to claim tax benefits under s. 560.703.

10 (b) *Filing claims.* Subject to the limitations under this subsection and ss.
11 560.701 to 560.706, for taxable years beginning after December 31, 2008, a claimant
12 may claim as a credit against the tax imposed under s. 71.23, up to the amount of the
13 tax, the amount authorized for the claimant under s. 560.703.

14 (c) *Limitations.* 1. No credit may be allowed under this subsection unless the
15 claimant includes with the claimant's return a copy of the claimant's certification
16 under s. 560.701 (2) and a copy of the claimant's notice of eligibility to receive tax
17 benefits under s. 560.703 (3).

18 2. Partnerships, limited liability companies, and tax-option corporations may
19 not claim the credit under this subsection, but the eligibility for, and the amount of,
20 the credit are based on their authorization to claim tax benefits under s. 560.703.
21 A partnership, limited liability company, or tax-option corporation shall compute
22 the amount of credit that each of its partners, members, or shareholders may claim
23 and shall provide that information to each of them. Partners, members of limited
24 liability companies, and shareholders of tax-option corporations may claim the
25 credit in proportion to their ownership interests.

1 (d) *Administration*. 1. Except as provided in subd. 2., sub. (4) (e) and (f), as it
2 applies to the credit under sub. (4), applies to the credit under this subsection.

3 2. If a claimant's certification is revoked under s. 560.705, or if a claimant
4 becomes ineligible for tax benefits under s. 560.702, the claimant may not claim
5 credits under this subsection for the taxable year that includes the day on which the
6 certification is revoked; the taxable year that includes the day on which the claimant
7 becomes ineligible for tax benefits; or succeeding taxable years and the claimant may
8 not carry over unused credits from previous years to offset the tax imposed under s.
9 71.23 for the taxable year that includes the day on which certification is revoked; the
10 taxable year that includes the day on which the claimant becomes ineligible for tax
11 benefits; or succeeding taxable years.

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

14 ***-1947/P1.13* SECTION 137.** 71.28 (3p) (a) 1m. of the statutes is created to
15 read:

16 71.28 (3p) (a) 1m. "Dairy cooperative" means a business organized under ch.
17 185 or 193 for the purpose of obtaining or processing milk.

18 ***-1947/P1.14* SECTION 138.** 71.28 (3p) (a) 3. (intro.) of the statutes is amended
19 to read:

20 71.28 (3p) (a) 3. (intro.) "Dairy manufacturing modernization or expansion"
21 means constructing, improving, or acquiring buildings or facilities, or acquiring
22 equipment, for dairy manufacturing, including the following, if used exclusively for
23 dairy manufacturing and if acquired and placed in service in this state during
24 taxable years that begin after December 31, 2006, and before January 1, 2015, or, in

1 the case of dairy cooperatives, if acquired and placed in service in this state during
2 taxable years that begin after December 31, 2008, and before January 1, 2017:

3 ***-1947/P1.15* SECTION 139.** 71.28 (3p) (b) of the statutes is amended to read:

4 71.28 (3p) (b) *Filing claims.* Subject to the limitations provided in this
5 subsection and s. 560.207, except as provided in par. (c) 5., for taxable years
6 beginning after December 31, 2006, and before January 1, 2015, a claimant may
7 claim as a credit against the taxes imposed under s. 71.23, up to the amount of the
8 tax, an amount equal to 10 percent of the amount the claimant paid in the taxable
9 year for dairy manufacturing modernization or expansion related to the claimant's
10 dairy manufacturing operation.

11 ***-1947/P1.16* SECTION 140.** 71.28 (3p) (c) 2m. b. of the statutes is amended
12 to read:

13 71.28 (3p) (c) 2m. b. The maximum amount of the credits that may be claimed
14 by all claimants, other than members of dairy cooperatives, under this subsection
15 and ss. 71.07 (3p) and 71.47 (3p) in fiscal year 2008-09, and in each fiscal year
16 thereafter, is \$700,000, as allocated under s. 560.207.

17 ***-1947/P1.17* SECTION 141.** 71.28 (3p) (c) 2m. bm. of the statutes is created
18 to read:

19 71.28 (3p) (c) 2m. bm. The maximum amount of the credits that may be claimed
20 by members of dairy cooperatives under this subsection and ss. 71.07 (3p) and 71.47
21 (3p) in fiscal year 2009-10 is \$600,000, as allocated under s. 560.207, and the
22 maximum amount of the credits that may be claimed by members of dairy
23 cooperatives under this subsection and ss. 71.07 (3p) and 71.47 (3p) in fiscal year
24 2010-11, and in each fiscal year thereafter, is \$700,000, as allocated under s.
25 560.207.

1 ***-1947/P1.18* SECTION 142.** 71.28 (3p) (c) 3. of the statutes is amended to read:

2 71.28 (3p) (c) 3. Partnerships, limited liability companies, ~~and~~ tax-option
3 corporations, and dairy cooperatives may not claim the credit under this subsection,
4 but the eligibility for, and the amount of, the credit are based on their payment of
5 expenses under par. (b), except that the aggregate amount of credits that the entity
6 may compute shall not exceed \$200,000 for each of the entity's dairy manufacturing
7 facilities. A partnership, limited liability company, ~~or~~ tax-option corporation, or
8 dairy cooperative shall compute the amount of credit that each of its partners,
9 members, or shareholders may claim and shall provide that information to each of
10 them. Partners, members of limited liability companies, and shareholders of
11 tax-option corporations may claim the credit in proportion to their ownership
12 interest. Members of a dairy cooperative may claim the credit in proportion to the
13 amount of milk that each member delivers to the dairy cooperative, as determined
14 by the dairy cooperative.

15 ***-1947/P1.19* SECTION 143.** 71.28 (3p) (c) 5. of the statutes is created to read:

16 71.28 (3p) (c) 5. A claimant who is a member of a dairy cooperative may claim
17 the credit, based on amounts described under par. (b) that are paid by the dairy
18 cooperative, for taxable years beginning after December 31, 2008, and before
19 January 1, 2017.

20 ***-1947/P1.20* SECTION 144.** 71.28 (3p) (c) 6. of the statutes is created to read:

21 71.28 (3p) (c) 6. No credit may be allowed under this subsection unless the
22 claimant submits with the claimant's return a copy of the claimant's credit
23 certification and allocation under s. 560.207.

24 ***-1947/P1.21* SECTION 145.** 71.28 (3p) (d) 2. of the statutes is amended to
25 read:

1 71.28 (3p) (d) 2. If Except as provided in subd. 3., if the allowable amount of
2 the claim under par. (b) exceeds the tax otherwise due under s. 71.23 ~~or no tax is due~~
3 ~~under s. 71.23~~, the amount of the claim not used to offset the tax due shall be certified
4 by the department of revenue to the department of administration for payment by
5 check, share draft, or other draft drawn from the appropriation account under s.
6 20.835 (2) (bn).

7 *-1947/P1.22* SECTION 146. 71.28 (3p) (d) 3. of the statutes is created to read:

8 71.28 (3p) (d) 3. With regard to claims that are based on amounts described
9 under par. (b) that are paid by a dairy cooperative, if the allowable amount of the
10 claim under par. (b) exceeds the tax otherwise due under s. 71.23, the amount of the
11 claim not used to offset the tax due shall be certified by the department of revenue
12 to the department of administration for payment by check, share draft, or other draft
13 drawn from the appropriation account under s. 20.835 (2) (bp).

14 *-1948/P1.8* SECTION 147. 71.28 (3r) of the statutes is created to read:

15 71.28 (3r) MEAT PROCESSING FACILITY INVESTMENT CREDIT. (a) *Definitions*. In this
16 subsection:

17 1. "Claimant" means a person who files a claim under this subsection.

18 2. "Meat processing" means processing livestock into meat products or
19 processing meat products for sale commercially.

20 3. "Meat processing modernization or expansion" means constructing,
21 improving, or acquiring buildings or facilities, or acquiring equipment, for meat
22 processing, including the following, if used exclusively for meat processing and if
23 acquired and placed in service in this state during taxable years that begin after
24 December 31, 2008, and before January 1, 2017:

1 a. Building construction, including livestock handling, product intake, storage,
2 and warehouse facilities.

3 b. Building additions.

4 c. Upgrades to utilities, including water, electric, heat, refrigeration, freezing,
5 and waste facilities.

6 d. Livestock intake and storage equipment.

7 e. Processing and manufacturing equipment, including cutting equipment,
8 mixers, grinders, sausage stuffers, meat smokers, curing equipment, cooking
9 equipment, pipes, motors, pumps, and valves.

10 f. Packaging and handling equipment, including sealing, bagging, boxing,
11 labeling, conveying, and product movement equipment.

12 g. Warehouse equipment, including storage and curing racks.

13 h. Waste treatment and waste management equipment, including tanks,
14 blowers, separators, dryers, digesters, and equipment that uses waste to produce
15 energy, fuel, or industrial products.

16 i. Computer software and hardware used for managing the claimant's meat
17 processing operation, including software and hardware related to logistics,
18 inventory management, production plant controls, and temperature monitoring
19 controls.

20 4. "Used exclusively" means used to the exclusion of all other uses except for
21 use not exceeding 5 percent of total use.

22 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.
23 560.208, for taxable years beginning after December 31, 2008, and before January
24 1, 2017, a claimant may claim as a credit against the taxes imposed under s. 71.23,
25 up to the amount of the tax, an amount equal to 10 percent of the amount the

1 claimant paid in the taxable year for meat processing modernization or expansion
2 related to the claimant's meat processing operation.

3 (c) *Limitations.* 1. No credit may be allowed under this subsection for any
4 amount that the claimant paid for expenses described under par. (b) that the
5 claimant also claimed as a deduction under section 162 of the Internal Revenue Code.

6 2. The aggregate amount of credits that a claimant may claim under this
7 subsection is \$200,000.

8 3. a. The maximum amount of the credits that may be allocated under this
9 subsection and ss. 71.07 (3r) and 71.47 (3r) in fiscal year 2009-10 is \$300,000, as
10 allocated under s. 560.208.

11 b. The maximum amount of the credits that may be allocated under this
12 subsection and ss. 71.07 (3r) and 71.47 (3r) in fiscal year 2010-11, and in each fiscal
13 year thereafter, is \$700,000, as allocated under s. 560.208.

14 4. Partnerships, limited liability companies, and tax-option corporations may
15 not claim the credit under this subsection, but the eligibility for, and the amount of,
16 the credit are based on their payment of expenses under par. (b), except that the
17 aggregate amount of credits that the entity may compute shall not exceed \$200,000.
18 A partnership, limited liability company, or tax-option corporation shall compute
19 the amount of credit that each of its partners, members, or shareholders may claim
20 and shall provide that information to each of them. Partners, members of limited
21 liability companies, and shareholders of tax-option corporations may claim the
22 credit in proportion to their ownership interest.

23 5. If 2 or more persons own and operate the meat processing operation, each
24 person may claim a credit under par. (b) in proportion to his or her ownership

1 interest, except that the aggregate amount of the credits claimed by all persons who
2 own and operate the meat processing operation shall not exceed \$200,000.

3 6. No credit may be allowed under this subsection unless the claimant submits
4 with the claimant's return a copy of the claimant's credit certification and allocation
5 under s. 560.208.

6 (d) *Administration.* 1. Subsection (4) (e), (g), and (h), as it applies to the credit
7 under sub. (4), applies to the credit under this subsection.

8 2. If the allowable amount of the claim under par. (b) exceeds the tax otherwise
9 due under s. 71.23, the amount of the claim not used to offset the tax due shall be
10 certified by the department of revenue to the department of administration for
11 payment by check, share draft, or other draft drawn from the appropriation account
12 under s. 20.835 (2) (bd).

13 ***-1215/P5*SECTION 148.** 71.28 (4) (ad) 1. of the statutes is amended to read:

14 71.28 (4) (ad) 1. Except as provided in subs. 2. and 3., any corporation may
15 credit against taxes otherwise due under this chapter an amount equal to 5 percent
16 of the amount obtained by subtracting from the corporation's qualified research
17 expenses, as defined in section 41 of the Internal Revenue Code, except that
18 "qualified research expenses" includes only expenses incurred by the claimant,
19 incurred for research conducted in this state for the taxable year, except that a
20 taxpayer may elect the alternative computation under section 41 (c) (4) of the
21 Internal Revenue Code and that election applies until the department permits its
22 revocation, except as provided in par. (af), and except that "qualified research
23 expenses" does not include compensation used in computing the credit under subs.
24 (1dj) and (1dx), the corporation's base amount, as defined in section 41 (c) of the
25 Internal Revenue Code, except that gross receipts used in calculating the base

1 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
2 (b) 1. and 2., (d), (df) 1. and 2., and (dh)1., 2., and 3., (dj) 1., and (dk) 1. Section 41
3 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

4 ***-1215/P5*SECTION 149.** 71.28 (4) (ad) 2. of the statutes is amended to read:

5 71.28 (4) (ad) 2. For taxable years beginning after June 30, 2007, any
6 corporation may credit against taxes otherwise due under this chapter an amount
7 equal to 10 percent of the amount obtained by subtracting from the corporation's
8 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
9 except that "qualified research expenses" includes only expenses incurred by the
10 claimant for research related to designing internal combustion engines for vehicles,
11 including expenses related to designing vehicles that are powered by such engines
12 and improving production processes for such engines and vehicles, incurred for
13 research conducted in this state for the taxable year, except that a taxpayer may elect
14 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
15 and that election applies until the department permits its revocation, except as
16 provided in par. (af), and except that "qualified research expenses" does not include
17 compensation used in computing the credit under subs. (1dj) and (1dx), the
18 corporation's base amount, as defined in section 41 (c) of the Internal Revenue Code,
19 except that gross receipts used in calculating the base amount means gross receipts
20 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d), (df) 1. and
21 2., (dh) 1., 2., and 3., (dj) 1., and (dk) 1. Section 41 (h) of the Internal Revenue Code
22 does not apply to the credit under this paragraph.

23 ***-1215/P5*SECTION 150.** 71.28 (4) (ad) 3. of the statutes is amended to read:

24 71.28 (4) (ad) 3. For taxable years beginning after June 30, 2007, any
25 corporation may credit against taxes otherwise due under this chapter an amount

1 equal to 10 percent of the amount obtained by subtracting from the corporation's
2 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
3 except that "qualified research expenses" includes only expenses incurred by the
4 claimant for research related to the design and manufacturing of energy efficient
5 lighting systems, building automation and control systems, or automotive batteries
6 for use in hybrid-electric vehicles, that reduce the demand for natural gas or
7 electricity or improve the efficiency of its use, incurred for research conducted in this
8 state for the taxable year, except that a taxpayer may elect the alternative
9 computation under section 41 (c) (4) of the Internal Revenue Code and that election
10 applies until the department permits its revocation, except as provided in par. (af),
11 and except that "qualified research expenses" does not include compensation used
12 in computing the credit under subs. (1dj) and (1dx), the corporation's base amount,
13 as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts
14 used in calculating the base amount means gross receipts from sales attributable to
15 Wisconsin under s. 71.25 (9) (b) 1. and 2. ~~and (d), (df), 1. and 2., (dh) 1., 2., and 3., (dj)~~
16 1., and (dk) 1. Section 41 (h) of the Internal Revenue Code does not apply to the credit
17 under this paragraph.

18 ***-1215/P5*SECTION 151.** 71.28 (4) (am) 1. of the statutes is amended to read:

19 71.28 (4) (am) 1. In addition to the credit under par. (ad), any corporation may
20 credit against taxes otherwise due under this chapter an amount equal to 5 percent
21 of the amount obtained by subtracting from the corporation's qualified research
22 expenses, as defined in section 41 of the Internal Revenue Code, except that
23 "qualified research expenses" include only expenses incurred by the claimant in a
24 development zone under subch. VI of ch. 560, except that a taxpayer may elect the
25 alternative computation under section 41 (c) (4) of the Internal Revenue Code and

1 that election applies until the department permits its revocation and except that
2 “qualified research expenses” do not include compensation used in computing the
3 credit under sub. (1dj) nor research expenses incurred before the claimant is certified
4 for tax benefits under s. 560.765 (3), the corporation’s base amount, as defined in
5 section 41 (c) of the Internal Revenue Code, in a development zone, except that gross
6 receipts used in calculating the base amount means gross receipts from sales
7 attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2., ~~(d)~~, (df) 1. and 2., and (dh)
8 1., 2., and 3., (dj) 1., and (dk) 1. and research expenses used in calculating the base
9 amount include research expenses incurred before the claimant is certified for tax
10 benefits under s. 560.765 (3), in a development zone, if the claimant submits with the
11 claimant’s return a copy of the claimant’s certification for tax benefits under s.
12 560.765 (3) and a statement from the department of commerce verifying the
13 claimant’s qualified research expenses for research conducted exclusively in a
14 development zone. The rules under s. 73.03 (35) apply to the credit under this
15 subdivision. The rules under sub. (1di) (f) and (g) as they apply to the credit under
16 that subsection apply to claims under this subdivision. Section 41 (h) of the Internal
17 Revenue Code does not apply to the credit under this subdivision.

18 ***-1949/P7*SECTION 152.** 71.28 (5b) (c) 1. of the statutes is repealed.

19 ***-1949/P7*SECTION 153.** 71.28 (5b) (c) 2. of the statutes is renumbered 71.28
20 (5b) (c).

21 ***-0377/P10.8* *-4294/P1.8* SECTION 154.** 71.28 (5e) (b) of the statutes is
22 amended to read:

23 71.28 (5e) (b) *Filing claims.* Subject to the limitations provided in this
24 subsection and subject to 2005 Wisconsin Act 479, section 17, beginning in the first
25 taxable year following the taxable year in which the claimant claims an exemption

1 a deduction under s. ~~77.54 (48)~~ 77.585 (9), a claimant may claim as a credit against
2 the taxes imposed under s. 71.23, up to the amount of those taxes, in each taxable
3 year for 2 years, the amount of sales and use tax certified by the department of
4 commerce that resulted from the claimant ~~claimed as an exemption~~ claiming a
5 deduction under s. ~~77.54 (48)~~ 77.585 (9).

6 ***-0377/P10.9* *-4294/P1.9* SECTION 155.** 71.28 (5e) (c) 1. of the statutes is
7 amended to read:

8 71.28 (5e) (c) 1. No credit may be allowed under this subsection unless the
9 claimant satisfies the requirements under s. ~~77.54 (48)~~ 77.585 (9).

10 ***-0377/P10.10* *-4294/P1.10* SECTION 156.** 71.28 (5e) (c) 3. of the statutes
11 is amended to read:

12 71.28 (5e) (c) 3. The total amount of the credits and ~~exemptions~~ the sales and
13 use tax resulting from the deductions claimed under s. 77.585 (9) that may be claimed
14 by all claimants under this subsection and ss. 71.07 (5e), 71.47 (5e), and ~~77.54 (48)~~
15 77.585 (9) is \$7,500,000, as determined by the department of commerce.

16 ***-1215/P5*SECTION 157.** 71.30 (2) of the statutes is amended to read:

17 71.30 (2) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE
18 BUSINESSES. In any case of 2 or more organizations, trades or businesses (whether or
19 not incorporated, whether or not organized in the United States and, whether or not
20 affiliated, and whether or not unitary) owned or controlled directly or indirectly by
21 the same interests, the secretary or his or her delegate may distribute, apportion or
22 allocate gross income, deductions, credits or allowances between or among such
23 organizations, trades or businesses, if he or she determines that such distribution,
24 apportionment or allocation is necessary in order to prevent evasion of taxes or
25 clearly to reflect the income of any of such organizations, trades or businesses. The

1 authority granted under this subsection is in addition to, and not a limitation of or
2 dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8.,
3 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).

4 ***-1215/P5*SECTION 158.** 71.30 (2m) of the statutes is created to read:

5 **71.30 (2m) TRANSACTIONS WITHOUT ECONOMIC SUBSTANCE.** (a) If any person,
6 directly or indirectly, engages in a transaction or series of transactions without
7 economic substance to create a loss or to reduce taxable income or to increase credits
8 allowed in determining Wisconsin tax, the department shall determine the amount
9 of a taxpayer's taxable income or tax so as to reflect what would have been the
10 taxpayer's taxable income or tax if not for the transaction or transactions without
11 economic substance causing the reduction in taxable income or tax.

12 (b) A transaction has economic substance only if the taxpayer shows both of the
13 following:

14 1. The transaction changes the taxpayer's economic position in a meaningful
15 way, apart from federal, state, local, and foreign tax effects.

16 2. The taxpayer has a substantial nontax purpose for entering into the
17 transaction and the transaction is a reasonable means of accomplishing the
18 substantial nontax purpose. A transaction has a substantial nontax purpose if it has
19 substantial potential for profit, disregarding any tax effects.

20 (c) With respect to transactions between members of a controlled group as
21 defined in section 267 (f) (1) of the Internal Revenue Code, such transactions shall
22 be presumed to lack economic substance and the taxpayer shall bear the burden of
23 establishing by clear and convincing evidence that a transaction or a series of
24 transactions between the taxpayer and one or more members of the controlled group
25 has economic substance.

1 ***-1942/P1.11* SECTION 159.** 71.30 (3) (em) of the statutes is renumbered 71.30
2 (3) (eh).

3 ***-1942/P1.12* SECTION 160.** 71.30 (3) (ema) of the statutes is created to read:
4 71.30 (3) (ema) Economic development tax credit under s. 71.28 (1dy).

5 ***-1942/P1.13* SECTION 161.** 71.30 (3) (emb) of the statutes is renumbered
6 71.30 (3) (ei).

7 ***-1942/P1.14* SECTION 162.** 71.30 (3) (en) of the statutes is renumbered 71.30
8 (3) (ej).

9 ***-1942/P1.15* SECTION 163.** 71.30 (3) (eo) of the statutes is renumbered 71.30
10 (3) (ek).

11 ***-1942/P1.16* SECTION 164.** 71.30 (3) (eom) of the statutes is renumbered
12 71.30 (3) (eL).

13 ***-1948/P1.9* SECTION 165.** 71.30 (3) (f) of the statutes is amended to read:
14 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28
15 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
16 s. 71.28 (2m), dairy manufacturing facility investment credit under s. 71.28 (3p),
17 meat processing facility investment credit under s. 71.28 (3r), enterprise zone jobs
18 credit under s. 71.28 (3w), film production services credit under s. 71.28 (5f) (b) 2.,
19 and estimated tax payments under s. 71.29.

20 ***-1215/P5*SECTION 166.** 71.34 (1c) of the statutes is created to read:
21 71.34 (1c) For purposes of sub. (1k) (j) and (L), "intangible expenses" include
22 the following, to the extent that the amounts would otherwise be deductible in
23 computing Wisconsin adjusted gross income:

1 (a) Expenses, losses, and costs for, related to, or directly or indirectly in
2 connection with the acquisition, use, maintenance, management, ownership, sale,
3 exchange, or any other disposition of intangible property.

4 (b) Losses related to, or incurred in connection directly or indirectly with,
5 factoring transactions or discounting transactions.

6 (c) Royalty, patent, technical, and copyright fees.

7 (d) Licensing fees.

8 (e) Other similar expenses, losses, and costs.

9 ***-1215/P5*SECTION 167.** 71.34 (1d) of the statutes is created to read:

10 71.34 (1d) "Intangible property" includes stocks, bonds, financial instruments,
11 patents, patent applications, trade names, trademarks, service marks, copyrights,
12 mask works, trade secrets, and similar types of intangible assets.

13 ***-1215/P5*SECTION 168.** 71.34 (1h) of the statutes is created to read:

14 71.34 (1h) For purposes of sub. (1k) (j) and (L), "management fees" include
15 expenses and costs, not including interest expenses, pertaining to accounts
16 receivable, accounts payable, employee benefit plans, insurance, legal matters,
17 payroll, data processing, purchasing, taxation, financial matters, securities,
18 accounting, or reporting and compliance matters or similar activities, to the extent
19 that the amounts would otherwise be deductible in the computation of Wisconsin
20 adjusted gross income.

21 ***-1948/P1.10* SECTION 169.** 71.34 (1k) (g) of the statutes is amended to read:

22 71.34 (1k) (g) An addition shall be made for credits computed by a tax-option
23 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),
24 (3), (3g), (3h), (3n), (3p), (3r), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k) and
25 passed through to shareholders.

1 ***-1215/P5*SECTION 170.** 71.34 (1k) (j) of the statutes is amended to read:

2 71.34 (1k) (j) An addition shall be made for any amount deducted or excluded
3 under the Internal Revenue Code for interest expenses ~~and~~, rental expenses,
4 intangible expenses, and management fees that are directly or indirectly paid,
5 accrued, or incurred to, or in connection directly or indirectly with one or more direct
6 or indirect transactions with, one or more related entities.

7 ***-1215/P5*SECTION 171.** 71.34 (1k) (L) of the statutes is amended to read:

8 71.34 (1k) (L) A deduction shall be allowed for the amount added, pursuant to
9 par. (j) or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.45 (2) (a) 16., to the federal income
10 of a related entity that paid interest expenses ~~or~~, rental expenses, intangible
11 expenses, or management fees to the corporation, to the extent that the related entity
12 could not offset such amount with the deduction allowable under par. (k) or s. 71.05
13 (6) (b) 45., 71.26 (2) (a) 8., or 71.45 (2) (a) 17.

14 ***-1215/P5*SECTION 172.** 71.42 (1sg) of the statutes is created to read:

15 71.42 (1sg) For purposes of ss. 71.45 (2) (a) 16. and 18. and 71.255 (2) (d) 1.,
16 “intangible expenses” include the following, to the extent that the amounts would
17 otherwise be deductible in computing net income under the Internal Revenue Code,
18 as adjusted under s. 71.45 (2):

19 (a) Expenses, losses, and costs for, related to, or directly or indirectly in
20 connection with the acquisition, use, maintenance, management, ownership, sale,
21 exchange, or any other disposition of intangible property.

22 (b) Losses related to, or incurred in connection directly or indirectly with,
23 factoring transactions or discounting transactions.

24 (c) Royalty, patent, technical, and copyright fees.

25 (d) Licensing fees.

1 (e) Other similar expenses, losses, and costs.

2 ***-1215/P5*SECTION 173.** 71.42 (1sh) of the statutes is created to read:

3 71.42 (1sh) "Intangible property" includes stocks, bonds, financial
4 instruments, patents, patent applications, trade names, trademarks, service marks,
5 copyrights, mask works, trade secrets, and similar types of intangible assets.

6 ***-1215/P5*SECTION 174.** 71.42 (1t) of the statutes is amended to read:

7 71.42 (1t) For purposes of s. ~~ss.~~ 71.45 (2) (a) 16. and 18. and 71.255 (2) (d) 1.,
8 "interest expenses" means interest that would otherwise be deductible under section
9 163 of the Internal Revenue Code, as adjusted under s. 71.45 (2).

10 ***-1215/P5*SECTION 175.** 71.42 (3c) of the statutes is created to read:

11 71.42 (3c) For purposes of s. 71.45 (2) (a) 16. and 18., "management fees"
12 include expenses and costs, not including interest expenses, pertaining to accounts
13 receivable, accounts payable, employee benefit plans, insurance, legal matters,
14 payroll, data processing, purchasing, taxation, financial matters, securities,
15 accounting, or reporting and compliance matters or similar activities, to the extent
16 that the amounts would otherwise be deductible in determining net income under
17 the Internal Revenue Code as adjusted under s. 71.45 (2).

18 ***-1215/P5*SECTION 176.** 71.43 (2) of the statutes is amended to read:

19 71.43 (2) FRANCHISE TAX ON CORPORATIONS. For the privilege of exercising its
20 franchise, buying or selling lottery prizes if the winning tickets were originally
21 bought in this state or doing business in this state in a corporate capacity, except as
22 provided under s. 71.23 (3), every domestic or foreign corporation, except
23 corporations specified in ss. 71.26 (1) and 71.45 (1) (a), shall annually pay a franchise
24 tax according to or measured by its entire Wisconsin net income of the preceding
25 taxable year at the rates set forth in s. 71.46 (2). In addition, except as provided in

1 ss. 71.23 (3), 71.26 (1) and 71.45 (1) (a), a corporation that ceases doing business in
2 this state shall pay a special franchise tax according to or measured by its entire
3 Wisconsin net income for the taxable year during which the corporation ceases doing
4 business in this state at the rate under s. 71.46 (2). Every corporation organized
5 under the laws of this state shall be deemed to be residing within this state for the
6 purposes of this franchise tax. All provisions of this chapter and ch. 73 relating to
7 income taxation of corporations shall apply to franchise taxes imposed under this
8 subsection, unless the context requires otherwise. The tax imposed by this
9 subsection on insurance companies subject to taxation under this chapter shall be
10 based on Wisconsin net income computed under s. 71.45, and no other provision of
11 this chapter relating to computation of taxable income for other corporations shall
12 apply to such insurance companies, except for s. 71.255. All other provisions of this
13 chapter shall apply to insurance companies subject to taxation under this chapter
14 unless the context clearly requires otherwise.

15 ***-1948/P1.11* SECTION 177.** 71.45 (2) (a) 10. of the statutes is amended to read:

16 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
17 computed under s. 71.47 (1dd) to ~~(1dx)~~ (1dy), (3h), (3n), (3p), (3r), (3w), (5e), (5f), (5g),
18 (5h), (5i), (5j), and (5k) and not passed through by a partnership, limited liability
19 company, or tax-option corporation that has added that amount to the partnership's,
20 limited liability company's, or tax-option corporation's income under s. 71.21 (4) or
21 71.34 (1k) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and
22 (5).

23 ***-1215/P5* SECTION 178.** 71.45 (2) (a) 16. of the statutes is amended to read:

24 71.45 (2) (a) 16. By adding to federal taxable income any amount deducted or
25 excluded under the Internal Revenue Code for interest expenses and, rental