

2011 DRAFTING REQUEST

Bill

Received: **02/01/2011**

Received By: **jkreye**

Wanted: **As time permits**

Companion to LRB:

For: **Glenn Grothman (608) 266-7513**

By/Representing:

May Contact:

Drafter: **jkreye**

Subject: **Tax, Business - credits**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Grothman@legis.wisconsin.gov**

Carbon copy (CC:) to: **joseph.kreye@legis.wisconsin.gov**
ron.shanovich@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Domestic production credit for manufacturers

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			State
/1	jkreye 02/01/2011	edt_sbasford 02/04/2011	jfrantze 02/04/2011	_____	lparisi 02/04/2011		State
/2	jkreye 02/07/2011	wjackson 02/08/2011	jfrantze 02/08/2011	_____	lparisi 02/08/2011	ggodwin 06/02/2011	

FE Sent For:

*at intro
6-7-11*

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FE Sent For:

1/2 Wlj 2/8


2/8


<END>

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Subject: Tax, Business - credits

Adtl. Drafters:

Extra Copies:

*Send copy to
for Memo in
LFB*

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Pre Topic:

No specific pre topic given


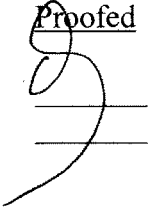
Topic:

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Instructions:

See attached

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1/?	jkreye	1 SBB 1 Awn 1 2/3	 2/4				

FE Sent For:

<END>

Burri, Lance

From: Don M. Millis [dmillis@reinhartlaw.com]
Sent: Friday, January 28, 2011 5:26 PM
To: Sen. Grothman
Subject: RE: Domestic Production Credit for Manufacturers
Sen. Grothman,

I think this language will work.

For the corporate/franchise tax, use this:

"Qualified production activities income" has the meaning as provided in section 26 USC 199(c).

"Manufacturing property" means property that it classified as manufacturing property under s. 70.995.

"Agricultural property" means property that is assessed under s. 70.32(2r).

"Eligible qualified production activities income" means lesser of a corporation's (1) qualified production activities income that derives from manufacturing property and agricultural property, (2) income that is apportionable to Wisconsin under s. 71.25(5), or (3) income that is determined to be taxable in Wisconsin under s. 71.255(2),

CREDIT: In each tax year, there shall be a nonrefundable credit equal to 7.5% of a corporation's eligible qualified production activities income realized in that year.

For all other taxpayers, use this:

"Qualified production activities income" has the meaning as provided in section 26 USC 199(c).

"Manufacturing property" means property that it classified as manufacturing property under s. 70.995.

"Agricultural property" means property that is assessed under s. 70.32(2r).

"Eligible qualified production activities income" means qualified production activities income that derives from manufacturing property and agricultural.

CREDIT: In each tax year, there shall be a nonrefundable credit equal to 7.5% of a person's eligible qualified production activities income realized in that year.

Don

Don M. Millis
Reinhart Boerner Van Deuren s.c.
22 East Mifflin Street, Suite 600 | Madison, WI 53703
Office: 608-229-2234 | Cell: 608-698-2650 | Fax: 608-229-2100
dmillis@reinhartlaw.com | bio | vCard | reinhartlaw.com
Legal Secretary: Jane Kallander | 608-229-2268 | jkallander@reinhartlaw.com



From: Don M. Millis
Sent: Monday, January 24, 2011 9:47 AM
To: 'Sen.Grothman@legis.wisconsin.gov'
Subject: Domestic Production Credit for Manufacturers

Sen. Grothman,

Following up on our conversation on Friday, here is some possible language to reinstate the federal domestic production activities deduction for manufacturers. I have suggested placing it in s. 71.26(2)(a). I am not sure that this is the best place to put this; I would defer to a drafting attorney. The idea is to limit the applicability of this reinstated credit to manufacturers who are classified as such under section 70.995.

Please note that even though I perform work for WMC, I am sending this to you as a friend. This is not part of my role with WMC.

Please call if you have any questions or need more information.

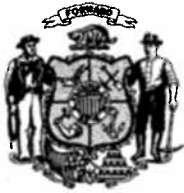
Don

Don M. Millis
Reinhart Boerner Van Deuren s.c.
22 East Mifflin Street, Suite 600 | Madison, WI 53703
Office: 608-229-2234 | Cell: 608-698-2650 | Fax: 608-229-2100
dmillis@reinhartlaw.com | bio | vCard | reinhartlaw.com
Legal Secretary: Jane Kallander | 608-229-2268 | jkallander@reinhartlaw.com



71.26(2)(a)5 of the statutes is created to read: Minus any amount deducted as income attributable to domestic production activities under section 199 of the Internal Revenue Code that relates to any property classified as manufacturing property under s. 70.995.

Nonstatutory provision. The treatment of s. 71.26(2)(a)5 first applies to tax years beginning after December 31, 2010.



2011 BILL

in 2-1-11

Encl
due 2-4

SAV
X-100 ✓

Gen tax

1 AN ACT ...; relating to: an income and franchise tax credit for qualified
2 production activities income.

Analysis by the Legislative Reference Bureau

* 9 Under the federal Internal Revenue Code, a taxpayer may claim a deduction
* equal to nine percent of the the taxpayer's qualified production activities income in
* the taxable year or nine percent of the taxpayer's total taxable income, whichever is
less. For federal tax purposes, qualified production activities income is, generally,
the amount of the taxpayer's domestic production gross receipts that exceed the sum
* of the cost of goods sold and other expenses, losses, or deduction. Domestic
production gross receipts are, generally, gross receipts derived from property that
was manufactured, produced, grown, or extracted in the United States.

Under this bill, an individual taxpayer may claim a state income tax credit
equal to the taxpayer's qualified production activities income derived from
manufacturing property and agricultural property, multiplied by 7.5 percent. A
corporation or insurer may claim a state income and franchise tax credit equal to the
lesser of its taxable income apportioned to this state or its qualified production
* activities income derived from manufacturing property and agricultural property,
multiplied by 7.5 percent.

For further information see the *state* fiscal estimate, which will be printed as
an appendix to this bill.

**The people of the state of Wisconsin, represented in senate and assembly, do
enact as follows:**

BILL

SECTION 1

X

1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

2 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),
4 (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and
5 not passed through by a partnership, limited liability company, or tax-option
6 corporation that has added that amount to the partnership's, company's, or
7 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).✓

NOTE: NOTE: Subd. 15. is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.07 (3rn) was changed from s. 71.07 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.07 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 205, 265, 269, 275, 297, 332, 344; s. 13.92 (1) (bm) 2., (2) (i).

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

9 71.07 (5n) QUALIFIED PRODUCTION ACTIVITIES CREDIT. (a) *Definitions.* In this
10 subsection:✓ (13)

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

12 2. "Eligible qualified production activities income" means qualified production
13 activities income that derives from property assessed as manufacturing property
14 under s. 70.995 and property assessed as agricultural property under s. 70.32 (2) (a)

(14) ✓
(15) ✓
5-4-12

16 3. "Qualified production activities income" means qualified production
17 activities income as defined in 26 USC 199 (c).✓

18 (b) *Filing claims.* Subject to the limitations provided in this subsection,✓ a
19 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
20 amount of the tax, an amount equal to the claimant's eligible qualified production
21 activities income in the taxable year, multiplied by 7.5 percent.✓

22 (c) *Limitations.* Partnerships, limited liability companies, and tax-option
23 corporations may not claim the credit under this subsection,✓ but the eligibility for,

BILL

1 and the amount of, the credit are based on their payment of amounts under par. (b).[✓]

2 A partnership, limited liability company, or tax-option corporation shall compute
3 the amount of credit that each of its partners, members, or shareholders may claim
4 and shall provide that information to each of them.[✓] Partners, members of limited
5 liability companies, and shareholders of tax-option corporations may claim the
6 credit in proportion to their ownership interests.[✓]

7 (d) *Administration*. Section 71.28 (4) (e) to (h),[✓] as it applies to the credit under
8 s. 71.28 (4),[✓] applies to the credit under this subsection.[✓]

9 **SECTION 3.** 71.10 (4) (cr)[✓] of the statutes is created to read:

10 71.10 (4) (cr) Qualified production activities credit under s. 71.07 (5n).^{✓✓}

11 **SECTION 4.** 71.21 (4) of the statutes is amended to read:

12 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
13 (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s),
14 (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n),^{✓✓} (5r), (5rm), and (8r) and passed
15 through to partners shall be added to the partnership's income.[✓]

NOTE: NOTE: Sub. (4) is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.07 (3rn) was changed from s. 71.07 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.07 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1987 a. 312, 411; 1989 a. 31; 1993 a. 112; 1995 a. 27, 400; 1997 a. 27; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; 2007 a. 20, 96; 2009 a. 2, 28, 265, 269, 295, 332; s. 13.92 (1) (bm) 2., (2) (i).

16 **SECTION 5.** 71.26 (2) (a) 4. of the statutes is amended to read:

17 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd),
18 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3q), (3r),
19 (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n),[✓] (5r), (5rm), and (8r)
20 and not passed through by a partnership, limited liability company, or tax-option
21 corporation that has added that amount to the partnership's, limited liability
22 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).[✓]

BILL

SECTION 5

1 NOTE: NOTE: NOTE: Subd. 4. is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92
 2 (2) (i). The cross-reference to s. 71.28 (3rn) was changed from s. 71.28 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering
 3 of s. 71.28 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 236; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428;
 1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 106, 109; 2003 a. 33, 85, 99, 135, 255, 326; 2005 a. 25, 74, 335, 361, 362, 479,
 483; 2007 a. 20, 96, 97, 151, 226; 2009 a. 2, 28, 161, 165, 180, 183, 285, 265, 269, 295, 332, 344; s. 13.92 (1) (bm) 2., (2) (i).

4 SECTION 6. 71.28 (5n) of the statutes is created to read:

5 71.28 (5n) QUALIFIED PRODUCTION ACTIVITIES CREDIT. (a) *Definitions.* In this
 6 subsection: (B)

- 7 1. "Claimant" means a person who files a claim under this subsection. ✓
 8 2. "Eligible qualified production activities income" means the lesser of the
 9 following: ✓

10 a. Qualified production activities income that derives from property assessed
 11 as manufacturing property under s. 70.995 and property assessed as agricultural
 12 property under s. 70.32 (2) (a) 5. ✓ 4 (02)

- 13 b. Income that is apportioned to this state under s. 71.25 (5), (6), and (6m). ✓ ✓ ✓ ✓ ✓ ✓
 14 c. Income that is determined to be taxable in this state under s. 71.255 (2). ✓

15 3. "Qualified production activities income" means qualified production
 16 activities income as defined in 26 USC 199 (c). ✓

17 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
 18 claimant may claim as a credit against the tax imposed under s. 71.23, up to the
 19 amount of the tax, an amount equal to the claimant's eligible qualified production
 20 activities income in the taxable year, multiplied by 7.5 percent. ✓

21 (c) *Limitations.* Partnerships, limited liability companies, and tax-option
 22 corporations may not claim the credit under this subsection, but the eligibility for,
 23 and the amount of, the credit are based on their payment of amounts under par. (b). ✓ ✓
 24 A partnership, limited liability company, or tax-option corporation shall compute
 25 the amount of credit that each of its partners, members, or shareholders may claim
 26 and shall provide that information to each of them. ✓ Partners, members of limited

BILL

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

3 (d) *Administration*. Subsection (4) (e) to (h), as it applies to the credit under
4 sub. (4), applies to the credit under this subsection. ✓

5 **SECTION 7.** 71.30 (3) (dn) of the statutes is created to read:

6 71.30 (3) (dn) Qualified production activities credit under s. 71.28 (5n). ✓

7 **SECTION 8.** 71.34 (1k) (g) of the statutes is amended to read:

8 71.34 (1k) (g) An addition shall be made for credits computed by a tax-option
9 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),
10 (3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j),
11 (5k), (5n), (5r), (5rm), and (8r) and passed through to shareholders. ✓

NOTE: NOTE: Par. (g) is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.28 (3rn) was changed from s. 71.28 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.28 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1987 a. 312; 1987 a. 411 ss. 18, 23, 146; 1989 a. 31, 336; 1991 a. 39, 269; 1993 a. 16, 437; 1995 a. 27, 37, 237; 1999 a. 9, 194; 2001 a. 16, 109; 2003 a. 33, 99, 135, 255, 326; 2005 a. 25, 49, 74, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 161, 183, 265, 269, 295, 332; s. 13.92 (1) (bm) 2., (2) (i).

12 **SECTION 9.** 71.45 (2) (a) 10. of the statutes is amended to read:

13 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
14 computed under s. 71.47 (1dd) to (1dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn),
15 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and not passed
16 through by a partnership, limited liability company, or tax-option corporation that
17 has added that amount to the partnership's, limited liability company's, or
18 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount
19 of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5). ✓

NOTE: NOTE: Subd. 10. is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.47 (3rn) was changed from s. 71.47 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.47 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1987 a. 312; 1989 a. 31, 336, 359; 1991 a. 37, 39, 269; 1993 a. 16, 112, 263, 437; 1995 a. 27, 56, 371, 380; 1997 a. 27, 37, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 109; 2003 a. 37, 85, 99, 135, 255, 326; 2005 a. 74, 297, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 165, 205, 265, 269, 295, 332, 344; s. 13.92 (1) (bm) 2., (2) (i).

20 **SECTION 10.** 71.47 (5n) of the statutes is created to read:

BILL

SECTION 10

1 71.47 (5n) QUALIFIED PRODUCTION ACTIVITIES CREDIT. (a) *Definitions*. In this
2 subsection: [✓] (b)

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

4 2. "Eligible qualified production activities income" means the lesser of the
5 following: ✓

6 a. Qualified production activities income that derives from property assessed
7 as manufacturing property under s. 70.995 ^{✓✓✓} and property assessed as agricultural
8 property under s. 70.32 (2) (a) ^{✓ 4 ✓ 2} (b). ✓

9 b. Income that is apportioned to this state under s. 71.45 (3), (3d), and (3e). ✓ ✓ ✓

10 c. Income that is determined to be taxable in this state under s. 71.255 (2).

11 3. "Qualified production activities income" means qualified production
12 activities income as defined in 26 USC 199 (c). ✓

13 (b) *Filing claims*. Subject to the limitations provided in this subsection, a
14 claimant may claim as a credit against the tax imposed under s. 71.43, ^{✓✓} up to the
15 amount of the tax, an amount equal to the claimant's eligible qualified production
16 activities income in the taxable year, multiplied by 7.5 percent. ✓

17 (c) *Limitations*. Partnerships, limited liability companies, and tax-option
18 corporations may not claim the credit under this subsection, [✓] but the eligibility for,
19 and the amount of, the credit are based on their payment of amounts under par. (b). ✓
20 A partnership, limited liability company, or tax-option corporation shall compute
21 the amount of credit that each of its partners, members, or shareholders may claim
22 and shall provide that information to each of them. ✓ Partners, members of limited
23 liability companies, and shareholders of tax-option corporations may claim the
24 credit in proportion to their ownership interests. ✓

BILL

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

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

4 71.49 (1) (dn) Qualified production activities credit under s. 71.47 (5n).

5 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

6 77.92 (4) "Net business income," with respect to a partnership, means taxable
7 income as calculated under section 703 of the Internal Revenue Code; plus the items
8 of income and gain under section 702 of the Internal Revenue Code, including taxable
9 state and municipal bond interest and excluding nontaxable interest income or
10 dividend income from federal government obligations; minus the items of loss and
11 deduction under section 702 of the Internal Revenue Code, except items that are not
12 deductible under s. 71.21; plus guaranteed payments to partners under section 707
13 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
14 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),
15 (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and
16 (8r); and plus or minus, as appropriate, transitional adjustments, depreciation
17 differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but
18 excluding income, gain, loss, and deductions from farming. "Net business income,"
19 with respect to a natural person, estate, or trust, means profit from a trade or
20 business for federal income tax purposes and includes net income derived as an
21 employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

NOTE: NOTE: Sub. (4) is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.07 (3rn) was changed from s. 71.07 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.07 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1989 a. 335; 1991 a. 39, 269; 1993 a. 16, 112, 490; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; 2007 a. 20, 96; 2009 a. 2, 28, 265, 269, 295, 332; s. 13.92 (1) (bm) 2., (2) (i).

22 **SECTION 13. Initial applicability.**

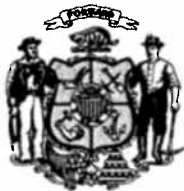
BILL

SECTION 13

1 (1) This act first applies to taxable years beginning on January 1 of the year
2 in which this subsection takes effect, except that if this subsection takes effect after
3 July 31 this act first applies to taxable years beginning on January 1 of the year
4 following the year in which this subsection takes effect.

5

(END)



State of Wisconsin
2011 - 2012 LEGISLATURE



LRB-1256/A
JK:sbb&nwn:jf

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stays
TWLj
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2011 BILL

in Mon 2-7
Oliver Tue 2-8

Regen

1 AN ACT *to amend* 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a) 4., 71.34 (1k) (g), 71.45
2 (2) (a) 10. and 77.92 (4); and *to create* 71.07 (5n), 71.10 (4) (cr), 71.28 (5n), 71.30
3 (3) (dn), 71.47 (5n) and 71.49 (1) (dn) of the statutes; **relating to:** an income and
4 franchise tax credit for qualified production activities income.

Analysis by the Legislative Reference Bureau

Under the federal Internal Revenue Code, a taxpayer may claim a deduction equal to 9 percent of the taxpayer's qualified production activities income in the taxable year or 9 percent of the taxpayer's total taxable income, whichever is less. For federal tax purposes, qualified production activities income is, generally, the amount of the taxpayer's domestic production gross receipts that exceed the sum of the cost of goods sold and other expenses, losses, or deductions. Domestic production gross receipts are, generally, gross receipts derived from property that was manufactured, produced, grown, or extracted in the United States.

Under this bill, an individual taxpayer may claim a state income tax credit equal to the taxpayer's qualified production activities income derived from manufacturing property and agricultural property, multiplied by 7.5 percent. A corporation or insurer may claim a state income and franchise tax credit equal to the lesser of its taxable income apportioned to this state or its qualified production activities income derived from manufacturing property or agricultural property, multiplied by 7.5 percent.

BILL

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

2 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),
4 (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and
5 not passed through by a partnership, limited liability company, or tax-option
6 corporation that has added that amount to the partnership's, company's, or
7 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

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

9 71.07 (5n) **QUALIFIED PRODUCTION ACTIVITIES CREDIT.** (a) *Definitions.* In this
10 subsection:

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

12 2. "Eligible qualified production activities income" means qualified production
13 activities income that derives from property assessed as manufacturing property
14 under s. 70.995 or property assessed as agricultural property under s. 70.32 (2) (a)
15 4.

16 3. "Qualified production activities income" means qualified production
17 activities income as defined in 26 USC 199 (c).

18 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
19 claimant may claim as a credit against the tax imposed under s. 71.02, up to the
20 amount of the tax, an amount equal to the claimant's eligible qualified production
21 activities income in the taxable year, multiplied by 7.5 percent.

BILL

share of the income described

1 (c) *Limitations.* Partnerships, limited liability companies, and tax-option
 2 corporations may not claim the credit under this subsection, but the eligibility for,
 3 and the amount of, the credit are based on their payment of amounts under par. (b).
 4 A partnership, limited liability company, or tax-option corporation shall compute
 5 the amount of credit that each of its partners, members, or shareholders may claim
 6 and shall provide that information to each of them. Partners, members of limited
 7 liability companies, and shareholders of tax-option corporations may claim the
 8 credit in proportion to their ownership interests.

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

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

71.10 (4) (cr) Qualified production activities credit under s. 71.07 (5n).

SECTION 4. 71.21 (4) of the statutes is amended to read:

14 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
 15 (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s),
 16 (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and passed
 17 through to partners shall be added to the partnership's income.

18 **SECTION 5.** 71.26 (2) (a) 4. of the statutes ^{*as affected by 2011 Wisconsin Act 3,*} is amended to read: =

19 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd),
 20 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3q), (3r),
 21 (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r), ^{*and (9s)*}
 22 and not passed through by a partnership, limited liability company, or tax-option
 23 corporation that has added that amount to the partnership's, limited liability
 24 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

SECTION 6. 71.28 (5n) of the statutes is created to read:

plain

BILL

1 71.28 (5n) QUALIFIED PRODUCTION ACTIVITIES CREDIT. (a) *Definitions.* In this
2 subsection:

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

4 2. "Eligible qualified production activities income" means the lesser of the
5 following:

6 a. Qualified production activities income that derives from property assessed
7 as manufacturing property under s. 70.995 or property assessed as agricultural
8 property under s. 70.32 (2) (a) 4.

9 b. Income that is apportioned to this state under s. 71.25 (5), (6), and (6m).

10 c. Income that is determined to be taxable in this state under s. 71.255 (2).

11 3. "Qualified production activities income" means qualified production
12 activities income as defined in 26 USC 199 (c).

13 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
14 claimant may claim as a credit against the tax imposed under s. 71.23, up to the
15 amount of the tax, an amount equal to the claimant's eligible qualified production
16 activities income in the taxable year, multiplied by 7.5 percent.

17 (c) *Limitations.* Partnerships, limited liability companies, and tax-option
18 corporations may not claim the credit under this subsection, but the eligibility for,
19 and the amount of, the credit are based on their payment of amounts under par. (b).

20 A partnership, limited liability company, or tax-option corporation shall compute
21 the amount of credit that each of its partners, members, or shareholders may claim
22 and shall provide that information to each of them. Partners, members of limited
23 liability companies, and shareholders of tax-option corporations may claim the
24 credit in proportion to their ownership interests.

share of the income described ↓

BILL

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

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

4 71.30 (3) (dn) Qualified production activities credit under s. 71.28 (5n).

5 **SECTION 8.** 71.34 (1k) (g) of the statutes is amended to read:

6 71.34 (1k) (g) An addition shall be made for credits computed by a tax-option
7 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),
8 (3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j),
9 (5k), (5n), (5r), (5rm), and (8r) and passed through to shareholders.

10 **SECTION 9.** 71.45 (2) (a) 10. of the statutes ^{as affected by 2011 Wisconsin Act 3,} is amended to read:

11 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
12 computed under s. 71.47 (1dd) to (1dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn),
13 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), ~~and~~ ^{§ and (9s) ← P41n} (8r) and not passed
14 through by a partnership, limited liability company, or tax-option corporation that
15 has added that amount to the partnership's, limited liability company's, or
16 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount
17 of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5).

18 **SECTION 10.** 71.47 (5n) of the statutes is created to read:

19 71.47 (5n) QUALIFIED PRODUCTION ACTIVITIES CREDIT. (a) *Definitions*. In this
20 subsection:

- 21 1. "Claimant" means a person who files a claim under this subsection.
22 2. "Eligible qualified production activities income" means the lesser of the
23 following:

BILL

1 a. Qualified production activities income that derives from property assessed
2 as manufacturing property under s. 70.995 or property assessed as agricultural
3 property under s. 70.32 (2) (a) 4.

4 b. Income that is apportioned to this state under s. 71.45 (3), (3d), and (3e).

5 c. Income that is determined to be taxable in this state under s. 71.255 (2).

6 3. "Qualified production activities income" means qualified production
7 activities income as defined in 26 USC 199 (c).

8 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
9 claimant may claim as a credit against the tax imposed under s. 71.43, up to the
10 amount of the tax, an amount equal to the claimant's eligible qualified production
11 activities income in the taxable year, multiplied by 7.5 percent.

12 (c) *Limitations.* Partnerships, limited liability companies, and tax-option
13 corporations may not claim the credit under this subsection, but the eligibility for,
14 and the amount of, the credit are based on their payment of amounts under par. (b).

15 A partnership, limited liability company, or tax-option corporation shall compute
16 the amount of credit that each of its partners, members, or shareholders may claim
17 and shall provide that information to each of them. Partners, members of limited
18 liability companies, and shareholders of tax-option corporations may claim the
19 credit in proportion to their ownership interests.

20 (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under
21 s. 71.28 (4), applies to the credit under this subsection.

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

23 71.49 (1) (dn) Qualified production activities credit under s. 71.47 (5n).

24 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

their share of the income described

Godwin, Gigi

From: Burri, Lance
Sent: Thursday, June 02, 2011 1:37 PM
To: LRB.Legal
Subject: Draft Review: LRB 11-1256/2 Topic: Domestic production credit for manufacturers

Please Jacket LRB 11-1256/2 for the SENATE.