

**2011 Jr1 DRAFTING REQUEST**

**Senate Substitute Amendment (SSA-SB7)**

Received: 01/20/2011

Received By: jkreye

Wanted: As time permits

Companion to LRB:

For: Legislative Fiscal Bureau

By/Representing: joe malkasian

May Contact:

Drafter: jkreye

Subject: Tax, Business - credits

Addl. Drafters:

Extra Copies: Send stripes to Joe at Joint Finance (305 East)

Submit via email: YES

Requester's email: joe.malkasian@legis.wisconsin.gov

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

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Small business credits

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**Instructions:**

See attached

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**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>
/?	jkreye 01/20/2011	wjackson 01/20/2011		_____			
/1			mduchek 01/20/2011	_____	sbasford 01/20/2011	sbasford 01/20/2011	

FE Sent For:

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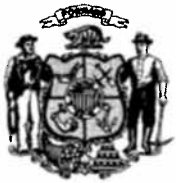
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FE Sent For:

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State of Wisconsin  
2011 - 2012 LEGISLATURE

January 2011 Special Session



LRBs0018/1  
JK:wlj&kjf:ph

stays

50025/1

ASSEMBLY SUBSTITUTE AMENDMENT,  
TO ASSEMBLY BILL 7

Senate

Today

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 (5p), 71.10 (4) (dw), 71.28 (5p),  
3 71.30 (3) (dw), 71.47 (5p) and 71.49 (1) (dw) of the statutes; **relating to:** an  
4 income and franchise tax credit for small businesses.

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

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

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

2           **71.07 (5p) SMALL BUSINESS CREDIT.** (a) *Definitions.* In this subsection:

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

4           2. “Increase in the number of full-time equivalent employees employed by the  
5 taxpayer in this state during the taxable year” means the number determined by  
6 subtracting from the number of full-time equivalent employees employed by the  
7 taxpayer in this state during the taxable year, as determined by computing the  
8 average employee count from the taxpayer’s quarterly unemployment insurance  
9 reports for the taxable year, the number of full-time equivalent employees employed  
10 by the taxpayer in this state during the immediately preceding taxable year, as  
11 determined by computing the average employee count from the taxpayer’s quarterly  
12 unemployment insurance reports for the immediately preceding taxable year.

13           (b) *Filing claims.* Subject to the limitations provided in this subsection, for  
14 taxable years beginning after December 31, 2010, a claimant may claim as a credit  
15 against the tax imposed under s. 71.02, up to the amount of the tax, an amount equal  
16 to \$250 multiplied by the increase in the number of full-time equivalent employees  
17 employed by the taxpayer in this state during the taxable year.

18           (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
19 corporations may not claim the credit under this subsection. A partnership, limited  
20 liability company, or tax-option corporation shall compute the rate of credit that each  
21 of its partners, members, or shareholders may claim and shall provide that  
22 information to each of them.

23           (d) *Administration.* 1. A claimant shall claim the credit under this subsection  
24 on a form prepared by the department and shall submit to the department any

1 documentation required by the department to administer the credit under this  
2 subsection.

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

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

6 71.10 (4) (dw) Small business credit under s. 71.07 (5p).

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

8 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
9 (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s),  
10 (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p), (5r), (5rm), and (8r) and passed  
11 through to partners shall be added to the partnership's income.

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

13 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd),  
14 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3q), (3r),  
15 (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p), (5r), (5rm), and (8r) and  
16 not passed through by a partnership, limited liability company, or tax-option  
17 corporation that has added that amount to the partnership's, limited liability  
18 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

19 **SECTION 6.** 71.28 (5p) of the statutes is created to read:

20 71.28 (5p) SMALL BUSINESS CREDIT. (a) *Definitions.* In this subsection:

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

22 2. "Increase in the number of full-time equivalent employees employed by the  
23 taxpayer in this state during the taxable year" means the number determined by  
24 subtracting from the number of full-time equivalent employees employed by the  
25 taxpayer in this state during the taxable year, as determined by computing the

1 average employee count from the taxpayer's quarterly unemployment insurance  
2 reports for the taxable year, the number of full-time equivalent employees employed  
3 by the taxpayer in this state during the immediately preceding taxable year, as  
4 determined by computing the average employee count from the taxpayer's quarterly  
5 unemployment insurance reports for the immediately preceding taxable year.

6 (b) *Filing claims.* Subject to the limitations provided in this subsection, for  
7 taxable years beginning after December 31, 2010, a claimant may claim as a credit  
8 against the tax imposed under s. 71.23, up to the amount of the tax, an amount equal  
9 to \$250 multiplied by the increase in the number of full-time equivalent employees  
10 employed by the taxpayer in this state during the taxable year.

11 (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
12 corporations may not claim the credit under this subsection. A partnership, limited  
13 liability company, or tax-option corporation shall compute the rate of credit that each  
14 of its partners, members, or shareholders may claim and shall provide that  
15 information to each of them.

16 (d) *Administration.* 1. A claimant shall claim the credit under this subsection  
17 on a form prepared by the department and shall submit to the department any  
18 documentation required by the department to administer the credit under this  
19 subsection.

20 2. Subsection (4) (e) to (h), as it applies to the credit under sub. (4), applies to  
21 the credit under this subsection.

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

23 71.30 (3) (dw) Small business credit under s. 71.28 (5p).

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

1           71.34 (1k) (g) An addition shall be made for credits computed by a tax-option  
2 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),  
3 (3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j),  
4 (5k), (5p), (5r), (5rm), and (8r) and passed through to shareholders.

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

6           71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
7 computed under s. 71.47 (1dd) to (1dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn),  
8 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p), (5r), (5rm), and (8r) and not passed  
9 through by a partnership, limited liability company, or tax-option corporation that  
10 has added that amount to the partnership's, limited liability company's, or  
11 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount  
12 of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5).

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

14           71.47 (5p) SMALL BUSINESS CREDIT. (a) *Definitions.* In this subsection:

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

16           2. "Increase in the number of full-time equivalent employees employed by the  
17 taxpayer in this state during the taxable year" means the number determined by  
18 subtracting from the number of full-time equivalent employees employed by the  
19 taxpayer in this state during the taxable year, as determined by computing the  
20 average employee count from the taxpayer's quarterly unemployment insurance  
21 reports for the taxable year, the number of full-time equivalent employees employed  
22 by the taxpayer in this state during the immediately preceding taxable year, as  
23 determined by computing the average employee count from the taxpayer's quarterly  
24 unemployment insurance reports for the immediately preceding taxable year.

1           (b) *Filing claims.* Subject to the limitations provided in this subsection, for  
2 taxable years beginning after December 31, 2010, a claimant may claim as a credit  
3 against the tax imposed under s. 71.43, up to the amount of the tax, an amount equal  
4 to \$250 multiplied by the increase in the number of full-time equivalent employees  
5 employed by the taxpayer in this state during the taxable year.

6           (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
7 corporations may not claim the credit under this subsection. A partnership, limited  
8 liability company, or tax-option corporation shall compute the rate of credit that each  
9 of its partners, members, or shareholders may claim and shall provide that  
10 information to each of them.

11           (d) *Administration.* 1. A claimant shall claim the credit under this subsection  
12 on a form prepared by the department and shall submit to the department any  
13 documentation required by the department to administer the credit under this  
14 subsection.

15           2. Section 71.28 (4) (e) to (h), as it applies to the credit under s. 71.28 (4), applies  
16 to the credit under this subsection.

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

18           71.49 (1) (dw) Small business credit under s. 71.47 (5p).

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

20           77.92 (4) “Net business income,” with respect to a partnership, means taxable  
21 income as calculated under section 703 of the Internal Revenue Code; plus the items  
22 of income and gain under section 702 of the Internal Revenue Code, including taxable  
23 state and municipal bond interest and excluding nontaxable interest income or  
24 dividend income from federal government obligations; minus the items of loss and  
25 deduction under section 702 of the Internal Revenue Code, except items that are not



1       deductible under s. 71.21; plus guaranteed payments to partners under section 707  
2       (c) of the Internal Revenue Code; plus the credits claimed 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), (5g), (5h), (5i), (5j), (5k), (5p), (5r), (5rm), and  
5       (8r); and plus or minus, as appropriate, transitional adjustments, depreciation  
6       differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but  
7       excluding income, gain, loss, and deductions from farming. “Net business income,”  
8       with respect to a natural person, estate, or trust, means profit from a trade or  
9       business for federal income tax purposes and includes net income derived as an  
10      employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

11               **SECTION 13. Nonstatutory provisions.**

12               (1) REQUIRED GENERAL FUND BALANCE. Section 20.003 (4) of the statutes does not  
13      apply to the action of the legislature in enacting this act.

14                               **(END)**