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

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax credit for amounts that a taxpayer spends for infrastructure costs to provide broadband service to any of the following:
1. Rural areas in this state.
2. Areas in this state where there is no broadband service or where the Internet access service is no more than 200 kilobits per second.
3. Areas in this state that are populated primarily by low-income persons.
For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

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

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

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

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

71.07 (5n) Broadband Service Credit. (a) Definitions. In this subsection:

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

2. “Low-income persons” means low-income persons, and very low-income
persons, as determined by the income limits published by the federal department of
housing and urban development under the National Housing Act of 1937.

3. “Unserved area” means an area of this state where there is no broadband
service or where Internet service is no more 200 kilobits per second.

(b) Filing claims. Subject to the limitations provided in this subsection, a
claimant may claim as a credit against the tax imposed under s. 71.02, up to the
amount of the tax, an amount equal to any of the following:

1. Ten percent of the amount the claimant paid in the taxable year for
infrastructure costs to provide broadband service to a rural area of this state or an
area in this state populated primarily by low-income persons, if the broadband
service is at least 5 megabits per second, but less than 50 megabits per second.

2. Twenty percent of the amount the claimant paid in the taxable year for
infrastructure costs to provide broadband service to a rural area of this state, an
unserved area, or an area in this state populated primarily by low-income persons,
if the broadband service is at least 50 megabits per second.

3. Twenty percent of the amount the claimant paid in the taxable year for
infrastructure costs to provide broadband service to an unserved area, if the
broadband service is at least 5 megabits per second, but less than 50 megabits per
second.

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

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

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

71.10 (4) (cr) Broadband service credit under s. 71.07 (5n).

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

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

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

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

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

71.28 (5n) **BROADBAND SERVICE CREDIT.** (a) **Definitions.** In this subsection:

1. “Claimant” means a person who files a claim under this subsection.
2. “Low–income persons” means low–income persons, and very low–income persons, as determined by the income limits published by the federal department of housing and urban development under the National Housing Act of 1937.
3. “Unserved area” means an area of this state where broadband service is less than 200 kilobits per second.

(b) **Filing claims.** Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.23, up to the amount of the tax, an amount equal to any of the following:

1. Ten percent of the amount the claimant paid in the taxable year for infrastructure costs to provide broadband service to a rural area of this state or an area in this state populated primarily by low–income persons, if the broadband service is at least 5 megabits per second, but less than 50 megabits per second.
2. Twenty percent of the amount the claimant paid in the taxable year for infrastructure costs to provide broadband service to a rural area of this state, an unserved area, or an area in this state populated primarily by low–income persons, if the broadband service is at least 50 megabits per second.
3. Twenty percent of the amount the claimant paid in the taxable year for infrastructure costs to provide broadband service to an unserved area, if the broadband service is at least 5 megabits per second, but less than 50 megabits per second.
(c) **Limitations.** Partnerships, limited liability companies, and tax–option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, limited liability company, or tax–option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax–option corporations may claim the credit in proportion to their ownership interests.

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

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

71.30 (3) (cr) Broadband service credit under s. 71.28 (5n).

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

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

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

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

71.47 (5n) BROADBAND SERVICE CREDIT. (a) Definitions. In this subsection:

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

2. “Low-income persons” means low-income persons, and very low-income persons, as determined by the income limits published by the federal department of housing and urban development under the National Housing Act of 1937.

3. “Unserved area” means an area of this state where broadband service is less than 200 kilobits per second.

(b) Filing claims. Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.43, up to the amount of the tax, an amount equal to any of the following:

1. Ten percent of the amount the claimant paid in the taxable year for infrastructure costs to provide broadband service to a rural area of this state or an area in this state populated primarily by low-income persons, if the broadband service is at least 5 megabits per second, but less than 50 megabits per second.

2. Twenty percent of the amount the claimant paid in the taxable year for infrastructure costs to provide broadband service to a rural area of this state, an unserved area, or an area in this state populated primarily by low-income persons, if the broadband service is at least 50 megabits per second.

3. Twenty percent of the amount the claimant paid in the taxable year for infrastructure costs to provide broadband service to an unserved area, if the broadband service is at least 5 megabits per second, but less than 50 megabits per second.

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

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

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

SECTION 11. 71.49 (1) (cr) of the statutes is created to read:

71.49 (1) (cr) Broadband service credit under s. 71.47 (5n).

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

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

SECTION 13. Initial applicability.

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

(END)