March 15, 2012 – Introduced by Representatives ENDSLEY, PETRYK, SPANBAUER and THIESFELDT, cosponsored by Senators ZIPPERER and SCHULTZ. Referred to Committee on Jobs, Economy and Small Business.

**AN ACT to repeal** 71.28 (4) (ab) 2., 71.28 (5) (ab) 2., 71.365 (3), 71.47 (4) (ab) 2. and 71.47 (5) (ab) 2.; **to renumber and amend** 71.28 (4) (i) and 71.47 (4) (i);

**to amend** 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a) 4., 71.28 (4) (ab) 3., 71.28 (4)

(ad) 1., 71.28 (4) (ad) 2., 71.28 (4) (af), 71.28 (4m) (c), 71.28 (5) (ab) 3., 71.28 (5)

(ad) 1., 71.28 (5) (ad) 2., 71.34 (1k) (g), 71.45 (2) (a) 10., 71.47 (4) (ab) 3., 71.47

(4) (ad) 1., 71.47 (4) (ad) 2., 71.47 (4) (af), 71.47 (4m) (c), 71.47 (5) (ab) 3., 71.47

(5) (ad) 1., 71.47 (5) (ad) 2. and 77.92 (4); and **to create** 71.07 (5a), 71.10 (4) (ds),

71.28 (4) (ad) 2m., 71.28 (4) (i) 2., 71.28 (5) (ad) 2m., 71.28 (5) (c), 71.47 (4) (ad)

2m., 71.47 (4) (i) 2., 71.47 (5) (ad) 2m. and 71.47 (5) (c) of the statutes; **relating**

to: research and research facilities tax credits related to internal combustion engines.

**Analysis by the Legislative Reference Bureau**
Under current law, a corporation may claim income and franchise tax credits based on its qualified research expenses. A corporation may claim 5 percent of its increase in qualified research expenses over a base year, except that a corporation may claim 10 percent of the increase in qualified research expenses over the base
year for qualified research expenses related to designing internal combustion engines for vehicles or designing and manufacturing certain energy efficient equipment. A corporation may also claim 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, except that a corporation may claim 10 percent of such amounts if the research is related to designing internal combustion engines for vehicles or designing and manufacturing certain energy efficient equipment.

Under current law, partnerships, limited liability companies, tax−option corporations, partners of a partnership, members of a limited liability company, and shareholders of a tax−option corporation may not claim the credits.

Under this bill, a taxpayer may claim an income and franchise tax credit equal to 15 percent of the taxpayer’s qualified research expenses paid in the taxable year that are directly or indirectly related to designing internal combustion engines for vehicles and an amount equal to 15 percent of the amount paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research directly or indirectly related to designing internal combustion engines for vehicles. Under the bill, partnerships, limited liability companies, and tax−option corporations may not claim the credit, but may compute the credit based on amounts paid by the entity and pass the credit on to the partners, members, or shareholders who may claim the credit.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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

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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, as affected by 2011 Wisconsin Act 32, 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), (5a), (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 (5a) of the statutes is created to read:

71.07 (5a) RESEARCH AND RESEARCH FACILITIES CREDIT. (a) Definitions. In this subsection:

1. “Claimant” means any of the following who file a claim under this subsection:
   a. A partner of a partnership.
   b. A member of a limited liability company.
   c. A member of a tax-option corporation.

2. “Frame” includes:
   a. Every part of a motorcycle, except the tires.
   b. In the case of a truck, the control system and the fuel and drive train, excluding any comfort features located in the cab or the tires.
   c. In the case of a generator, the control modules, fuel train, fuel scrubbing process, fuel mixers, generator, heat exchangers, exhaust train, and similar components.

3. “Vehicle” means any vehicle or frame, including parts, accessories, and component technologies, in which or on which an engine is mounted for use in mobile or stationary applications. “Vehicle” includes any truck, tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction equipment, mechanical drive for a stationary engine, lawn and garden maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

(b) Filing claims. Subject to the limitations provided in this subsection, for taxable years beginning after December 31, 2011, a claimant may claim as a credit against the taxes imposed under s. 71.02 any of the following:

1. An amount equal to 15 percent of qualified research expenses, as defined in section 41 of the Internal Revenue Code, that the claimant’s partnership, limited
liability company, or tax–option corporation paid during the taxable year, except that "qualified research expenses" includes only expenses paid by the entity for research directly or indirectly related to designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines and improving production processes for such engines and vehicles, incurred for research conducted in this state for the taxable year, except that the entity may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation, except as provided in s. 71.28 (4) (af), and except that "qualified research expenses" does not include compensation used in computing the credit under s. 71.28 (1dj) and (1dx). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this subdivision.

2. An amount equal to 15 percent of the amount paid or incurred by the claimant's partnership, limited liability company, or tax–option corporation during the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined in section 41 of the Internal Revenue Code, except that "qualified research expenses" includes only expenses paid or incurred by the claimant for research directly or indirectly related to designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines and improving production processes for such engines and vehicles. Eligible amounts include only amounts paid or incurred for tangible, depreciable property but do not include amounts paid or incurred for replacement property.

(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 allocation of the deductions of the qualified research expenses used to determine the credit.

(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) (ds) of the statutes is created to read:

71.10 (4) (ds) Research and research facilities credit under s. 71.07 (5a).

SECTION 4. 71.21 (4) of the statutes, as affected by 2011 Wisconsin Act 32, 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), (5a), (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, as affected by 2011 Wisconsin Act 32, 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), (3s), (3t), (3w), (4) (ad) 2m., (5) (ad) 2m., (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), (8r), and (9s) 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 (4) (ab) 2. of the statutes is repealed.

**SECTION 7.** 71.28 (4) (ab) 3. of the statutes is amended to read:

> 71.28 (4) (ab) 3. “Vehicle” means any vehicle or frame, including parts, accessories, and component technologies, in which or on which an engine is mounted for use in mobile or stationary applications. “Vehicle” includes any truck, tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction equipment, **mechanical drive for a stationary engine**, lawn and garden maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

**SECTION 8.** 71.28 (4) (ad) 1. of the statutes is amended to read:

> 71.28 (4) (ad) 1. Except as provided in subds. 2., 2m., and 3., any corporation may credit against taxes otherwise due under this chapter an amount equal to 5 percent of the amount obtained by subtracting from the corporation’s qualified research expenses, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses incurred by the claimant, incurred for research conducted in this state for the taxable year, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation, except as provided in par. (af), and except that “qualified research expenses” does not include compensation used in computing the credit under subs. (1dj) and (1dx), the corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
(b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

**SECTION 9.** 71.28 (4) (ad) 2. of the statutes is amended to read:

71.28 (4) (ad) 2. For taxable years beginning after June 30, 2007, and before January 1, 2012, any corporation may credit against taxes otherwise due under this chapter an amount equal to 10 percent of the amount obtained by subtracting from the corporation’s qualified research expenses, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses incurred by the claimant for research related to designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines and improving production processes for such engines and vehicles, incurred for research conducted in this state for the taxable year, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation, except as provided in par. (af), and except that “qualified research expenses” does not include compensation used in computing the credit under subs. (1dj) and (1dx), the corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

**SECTION 10.** 71.28 (4) (ad) 2m. of the statutes is created to read:

71.28 (4) (ad) 2m. For taxable years beginning after December 31, 2011, any corporation may claim as a credit against taxes otherwise due under s. 71.23 an amount equal to 15 percent of the corporation’s qualified research expenses, as
defined in section 41 of the Internal Revenue Code, that the corporation paid during
the taxable year, except that “qualified research expenses” includes only expenses
paid by the claimant for research directly or indirectly related to designing internal
combustion engines for vehicles, including expenses related to designing vehicles
that are powered by such engines and improving production processes for such
engines and vehicles, incurred for research conducted in this state for the taxable
year, except that a taxpayer may elect the alternative computation under section 41
(c) (4) of the Internal Revenue Code and that election applies until the department
permits its revocation, except as provided in par. (af), and except that “qualified
research expenses” does not include compensation used in computing the credit
under subs. (1dj) and (1dx). Section 41 (h) of the Internal Revenue Code does not
apply to the credit under this paragraph.

SECTION 11. 71.28 (4) (af) of the statutes is amended to read:

71.28 (4) (af) Computation. If in any taxable year a corporation claims a credit
under par. (ad) 1., 2., 2m., or 3., or any combination of those credits, the corporation
may use a different computation method to calculate each of the credits and may
choose to change the computation method once for each credit without the
department’s approval.

SECTION 12. 71.28 (4) (i) of the statutes is renumbered 71.28 (4) (i) 1. and
amended to read:

71.28 (4) (i) Nonclaimants Limitations. 1. The credits under this subsection
par. (ad) 1., 2., and 3. may not be claimed by a partnership, except a publicly traded
partnership treated as a corporation under s. 71.22 (1k), limited liability company,
except a limited liability company treated as a corporation under s. 71.22 (1k), or
tax–option corporation or by partners, including partners of a publicly traded
partnership, members of a limited liability company or shareholders of a tax-option
corporation.

**SECTION 13.** 71.28 (4) (i) 2. of the statutes is created to read:

71.28 (4) (i) 2. Partnerships, limited liability companies, and tax-option
corporations may not claim the credit under par. (ad) 2m., but the eligibility for, and
the amount of, the credit are based on their payment of amounts under par. (ad) 2m.
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 allocation of the deductions of the qualified research
deductions used to determine the credit.

**SECTION 14.** 71.28 (4m) (c) of the statutes is amended to read:

71.28 (4m) (c) *Limitations.* Subsection (4) (b) to (d) and (i) 1., as it applies to
the credit under sub. (4), applies to the credit under this subsection.

**SECTION 15.** 71.28 (5) (ab) 2. of the statutes is repealed.

**SECTION 16.** 71.28 (5) (ab) 3. of the statutes is amended to read:

71.28 (5) (ab) 3. “Vehicle” means any vehicle or frame, including parts,
accessories, and component technologies, in which or on which an engine is mounted
for use in mobile or stationary applications. “Vehicle” includes any truck, tractor,
motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator,
construction equipment, mechanical drive for a stationary engine, lawn and garden
maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or
aircraft.

**SECTION 17.** 71.28 (5) (ad) 1. of the statutes is amended to read:
71.28 (5) (ad) 1. Except as provided in subds. 2., 2m., and 3., for taxable year 1986 and subsequent years, any corporation may credit against taxes otherwise due under this chapter an amount equal to 5 percent of the amount paid or incurred by that corporation during the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined in section 41 of the Internal Revenue Code. Eligible amounts include only amounts paid or incurred for tangible, depreciable property but do not include amounts paid or incurred for replacement property.

SECTION 18. 71.28 (5) (ad) 2. of the statutes is amended to read:

71.28 (5) (ad) 2. For taxable years beginning after June 30, 2007, and before January 1, 2012, any corporation may credit against taxes otherwise due under this chapter an amount equal to 10 percent of the amount paid or incurred by that corporation during the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses paid or incurred by the claimant for research related to designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines and improving production processes for such engines and vehicles. Eligible amounts include only amounts paid or incurred for tangible, depreciable property but do not include amounts paid or incurred for replacement property.

SECTION 19. 71.28 (5) (ad) 2m. of the statutes is created to read:

71.28 (5) (ad) 2m. For taxable years beginning after December 31, 2011, any corporation may claim as a credit against taxes otherwise due under s. 71.23 an amount equal to 15 percent of the amount paid or incurred by that corporation during
the taxable year to construct and equip new facilities or expand existing facilities
used in this state for qualified research, as defined in section 41 of the Internal
Revenue Code, except that “qualified research expenses” includes only expenses paid
or incurred by the claimant for research directly or indirectly related to designing
internal combustion engines for vehicles, including expenses related to designing
vehicles that are powered by such engines and improving production processes for
such engines and vehicles. Eligible amounts include only amounts paid or incurred
for tangible, depreciable property but do not include amounts paid or incurred for
replacement property.

SECTION 20. 71.28 (5) (c) of the statutes is created to read:

71.28 (5) (c) Limitations. 1. The credits under par. (ad) 1., 2., and 3. may not
be claimed by a partnership, except a publicly traded partnership treated as a
corporation under s. 71.22 (1k), limited liability company, except a limited liability
company treated as a corporation under s. 71.22 (1k), or tax−option corporation or
by partners, including partners of a publicly traded partnership, members of a
limited liability company, or shareholders of a tax−option corporation.

2. Partnerships, limited liability companies, and tax−option corporations may
not claim the credit under par. (ad) 2m., but the eligibility for, and the amount of, the
credit are based on their payment of amounts under par. (ad) 2m. 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 allocation of the deductions of the qualified research expenses
used to determine the credit.
SECTION 21. 71.34 (1k) (g) of the statutes, as affected by 2011 Wisconsin Act 32, 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), (3t), (3w), (4) (ad) 2m., (5) (ad) 2m., (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and passed through to shareholders.

SECTION 22. 71.365 (3) of the statutes is repealed.

SECTION 23. 71.45 (2) (a) 10. of the statutes, as affected by 2011 Wisconsin Act 32, 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), (3t), (3w), (4) (ad) 2m., (5) (ad) 2m., (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (9s) 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) (ad) 2m., (4m), and (5) (ad) 2m.

SECTION 24. 71.47 (4) (ab) 2. of the statutes is repealed.

SECTION 25. 71.47 (4) (ab) 3. of the statutes is amended to read:

71.47 (4) (ab) 3. “Vehicle” means any vehicle or frame, including parts, accessories, and component technologies, in which or on which an engine is mounted for use in mobile or stationary applications. “Vehicle” includes any truck, tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction equipment, mechanical drive for a stationary engine, lawn and garden
maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

**SECTION 26.** 71.47 (4) (ad) 1. of the statutes is amended to read:

71.47 (4) (ad) 1. Except as provided in subds. 2., 2m., and 3., any corporation may credit against taxes otherwise due under this chapter an amount equal to 5 percent of the amount obtained by subtracting from the corporation’s qualified research expenses, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses incurred by the claimant, incurred for research conducted in this state for the taxable year, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation, except as provided in par. (af), and except that “qualified research expenses” does not include compensation used in computing the credit under subs. (1dj) and (1dx), the corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

**SECTION 27.** 71.47 (4) (ad) 2. of the statutes is amended to read:

71.47 (4) (ad) 2. For taxable years beginning after June 30, 2007, and before January 1, 2012, any corporation may credit against taxes otherwise due under this chapter an amount equal to 10 percent of the amount obtained by subtracting from the corporation’s qualified research expenses, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses incurred by the claimant for research related to designing internal combustion engines.
engines for vehicles, including expenses related to designing vehicles that are
powered by such engines and improving production processes for such engines and
vehicles, incurred for research conducted in this state for the taxable year, except
that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
Internal Revenue Code and that election applies until the department permits its
revocation, except as provided in par. (af), and except that “qualified research
expenses” does not include compensation used in computing the credit under subs.
(1dj) and (1dx), the corporation’s base amount, as defined in section 41 (c) of the
Internal Revenue Code, except that gross receipts used in calculating the base
amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
(b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the
Internal Revenue Code does not apply to the credit under this paragraph.

SECTION 28. 71.47 (4) (ad) 2m. of the statutes is created to read:

71.47 (4) (ad) 2m. For taxable years beginning after December 31, 2011, any
corporation may claim as a credit against taxes otherwise due under s. 71.43 an
amount equal to 15 percent of the corporation’s qualified research expenses, as
defined in section 41 of the Internal Revenue Code, that the corporation paid during
the taxable year, except that “qualified research expenses” includes only expenses
paid by the claimant for research directly or indirectly related to designing internal
combustion engines for vehicles, including expenses related to designing vehicles
that are powered by such engines and improving production processes for such
engines and vehicles, incurred for research conducted in this state for the taxable
year, except that a taxpayer may elect the alternative computation under section 41
(c) (4) of the Internal Revenue Code and that election applies until the department
permits its revocation, except as provided in par. (af), and except that “qualified
“research expenses” does not include compensation used in computing the credit under subs. (1dj) and (1dx). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

**SECTION 29.** 71.47 (4) (af) of the statutes is amended to read:

71.47 (4) (af) **Computation.** If in any taxable year a corporation claims a credit under par. (ad) 1., 2., 2m., or 3., or any combination of those credits, the corporation may use a different computation method to calculate each of the credits and may choose to change the computation method once for each credit without the department’s approval.

**SECTION 30.** 71.47 (4) (i) of the statutes is renumbered 71.47 (4) (i) 1. and amended to read:

71.47 (4) (i) **Nonclaimants Limitations.** 1. The credits under this subsection par. (ad) 1., 2., and 3. may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1k), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1k), or tax–option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company or shareholders of a tax–option corporation.

**SECTION 31.** 71.47 (4) (i) 2. of the statutes is created to read:

71.47 (4) (i) 2. Partnerships, limited liability companies, and tax–option corporations may not claim the credit under par. (ad) 2m., but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (ad) 2m. 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 allocation of the deductions of the qualified research
expenses used to determine the credit.

SECTION 32. 71.47 (4m) (c) of the statutes is amended to read:

71.47 (4m) (c) Limitations. Section 71.28 (4) (b) to (d) and (i) 1., as it applies
to the credit under s. 71.28 (4), applies to the credit under this subsection.

SECTION 33. 71.47 (5) (ab) 2. of the statutes is repealed.

SECTION 34. 71.47 (5) (ab) 3. of the statutes is amended to read:

71.47 (5) (ab) 3. “Vehicle” means any vehicle or frame, including parts,
accessories, and component technologies, in which or on which an engine is mounted
for use in mobile or stationary applications. “Vehicle” includes any truck, tractor,
motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator,
construction equipment, mechanical drive for a stationary engine, lawn and garden
maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or
aircraft.

SECTION 35. 71.47 (5) (ad) 1. of the statutes is amended to read:

71.47 (5) (ad) 1. Except as provided in subds. 2., 2m., and 3., for taxable year
1986 and subsequent years, any corporation may credit against taxes otherwise due
under this chapter an amount equal to 5 percent of the amount paid or incurred by
that corporation during the taxable year to construct and equip new facilities or
expand existing facilities used in this state for qualified research, as defined in
section 41 of the Internal Revenue Code. Eligible amounts include only amounts
paid or incurred for tangible, depreciable property but do not include amounts paid
or incurred for replacement property.

SECTION 36. 71.47 (5) (ad) 2. of the statutes is amended to read:
71.47 (5) (ad) 2. For taxable years beginning after June 30, 2007, and before January 1, 2012, any corporation may credit against taxes otherwise due under this chapter an amount equal to 10 percent of the amount paid or incurred by that corporation during the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses paid or incurred by the claimant for research related to designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines and improving production processes for such engines and vehicles. Eligible amounts include only amounts paid or incurred for tangible, depreciable property but do not include amounts paid or incurred for replacement property.

SECTION 37. 71.47 (5) (ad) 2m. of the statutes is created to read:

71.47 (5) (ad) 2m. For taxable years beginning after December 31, 2011, any corporation may claim as a credit against taxes otherwise due under s. 71.43 an amount equal to 15 percent of the amount paid or incurred by that corporation during the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses paid or incurred by the claimant for research directly or indirectly related to designing internal combustion engines for vehicles, including expenses related to designing vehicles that are powered by such engines and improving production processes for such engines and vehicles. Eligible amounts include only amounts paid or incurred for tangible, depreciable property but do not include amounts paid or incurred for replacement property.
SECTION 38. 71.47 (5) (c) of the statutes is created to read:

71.47 (5) (c) Limitations. 1. The credits under par. (ad) 1., 2., and 3. may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1k), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1k), or tax−option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company, or shareholders of a tax−option corporation.

2. Partnerships, limited liability companies, and tax−option corporations may not claim the credit under par. (ad) 2m., but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (ad) 2m. 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 allocation of the deductions of the qualified research expenses used to determine the credit.

SECTION 39. 77.92 (4) of the statutes, as affected by 2011 Wisconsin Act 32, 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), (5a), (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 40. Effective date.

(1) This act takes effect on January 1, 2012.