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 (5p), 71.10 (4) (cs), 71.28 (5p), 71.30 (3) (dp), 71.47 (5p) and 71.49 (1) (dp) of the statutes; relating to: an income and franchise tax credit for hiring unemployed individuals.

Analysis by the Legislative Reference Bureau

This bill allows a taxpayer to claim an income and franchise tax credit equal to $5,000 for each unemployed state resident hired by the taxpayer in the taxable year to work a full-time job at the taxpayer’s business in this state. The maximum amount of all such credits that a taxpayer may claim is $250,000. If the amount of the credit exceeds the taxpayer’s tax liability, the taxpayer does not receive a refund, but may carry forward the amount of any unused credit to subsequent taxable years.

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, as affected by 2011 Wisconsin Act 32, is amended to read:
The amount of the credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dy), (2d), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), (5k), (5n), (5p), (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 (5p) of the statutes is created to read:

71.07 (5p) HIRING THE UNEMPLOYED CREDIT. (a) Definitions. In this subsection:

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

2. “Full-time job” means a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

3. “Qualified individual” means a person who, on the date that the claimant hires the individual to work at the claimant’s business in this state, is a resident of this state, has been receiving unemployment insurance benefits for at least 60 days prior to being hired by the claimant, and has not been employed by the claimant at any time during the 60 days prior to the first day on which the individual is eligible to receive unemployment insurance benefits.

(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 tax imposed under s. 71.02, up to the amount of the tax, an amount equal to $5,000 for each qualified individual hired by the claimant in the taxable year to work at a full-time job at the claimant’s business in this state.

(c) Limitations. 1. The maximum amount of all credits that a claimant may claim under this subsection is $250,000.
2. 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 hiring individuals described 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) (cs) of the statutes is created to read:

71.10 (4) (cs) Hiring the unemployed credit under s. 71.07 (5p).

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), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5p), (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), (1dx), (1dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5p), (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 (5p) of the statutes is created to read:

71.28 (5p) HIRING THE UNEMPLOYED CREDIT. (a) Definitions. In this subsection:
1. “Claimant” means a person who files a claim under this subsection.
2. “Full-time job” means a regular, nonseasonal full-time position in which an
   individual, as a condition of employment, is required to work at least 2,080 hours per
   year, including paid leave and holidays.
3. “Qualified individual” means a person who, on the date that the claimant
   hires the individual to work at the claimant’s business in this state, is a resident of
   this state, has been receiving unemployment insurance benefits for at least 60 days
   prior to being hired by the claimant, and has not been employed by the claimant at
   any time during the 60 days prior to the first day on which the individual is eligible
   to receive unemployment insurance benefits.

(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 tax imposed under s. 71.23, up to the amount of the tax, an amount equal
to $5,000 for each qualified individual hired by the claimant in the taxable year to
work at a full-time job at the claimant’s business in this state.

(c) Limitations. 1. The maximum amount of all credits that a claimant may
claim under this subsection is $250,000.

2. 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 hiring individuals described 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) (dp) of the statutes is created to read:

71.30 (3) (dp) Hiring the unemployed credit under s. 71.28 (5p).

SECTION 8. 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), (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, 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), (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) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5).

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

71.47 (5p) Hiring the unemployed credit. (a) Definitions. In this subsection:
1. “Claimant” means a person who files a claim under this subsection.

2. “Full-time job” means a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

3. “Qualified individual” means a person who, on the date that the claimant hires the individual to work at the claimant’s business in this state, is a resident of this state, has been receiving unemployment insurance benefits for at least 60 days prior to being hired by the claimant, and has not been employed by the claimant at any time during the 60 days prior to the first day on which the individual is eligible to receive unemployment insurance benefits.

(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 tax imposed under s. 71.43, up to the amount of the tax, an amount equal to $5,000 for each qualified individual hired by the claimant in the taxable year to work at a full-time job at the claimant’s business in this state.

(c) Limitations. 1. The maximum amount of all credits that a claimant may claim under this subsection is $250,000.

2. 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 hiring individuals described 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) (dp) of the statutes is created to read:

71.49 (1) (dp) Hiring the unemployed credit under s. 71.47 (5p).

SECTION 12. 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), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5p), (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.