



State of Wisconsin
2013 - 2014 LEGISLATURE

January 2014 Special Session



LRB-4262/1
PG/MES/JK:all:kf

ENGROSSED ASSEMBLY BILL 1

February 13, 2014 - Printed by direction of SENATE CHIEF CLERK.

1 **AN ACT** *to repeal* 38.16 (3) (b); *to renumber* 71.05 (8) (b), 71.10 (4) (cr), 71.10
2 (4) (dr) and 71.10 (4) (er); *to amend* 38.16 (title), 38.16 (3) (a) 2., 38.16 (3) (be),
3 38.16 (3) (bg) 2., 38.16 (3) (br) 1., 38.16 (3) (br) 2., 38.16 (3) (c) (intro.), 38.16 (3)
4 (c) 1., 38.16 (3) (c) 3., 38.16 (3) (c) 4., 38.16 (3) (d), 71.05 (6) (b) 47. am., 71.05 (6)
5 (b) 47. b., 71.05 (6) (b) 47. c., 71.06 (1q) (a), 71.06 (2) (i) 1., 71.06 (2) (j) 1., 71.07
6 (4k) (b) 1., 71.07 (5m) (a) 4., 71.07 (5n) (b) (intro.), 71.07 (9r) (a), 71.08 (1) (intro.),
7 71.08 (1) (intro.), 71.26 (4) (a), 71.28 (9s) (d) 3., 71.45 (4) (a), 71.47 (9s) (d) 3.,
8 71.52 (6), 71.98 (3), 77.54 (61) (intro.), (a) and (b) and 238.16 (3) (intro.); and **to**
9 **create** 20.292 (1) (dp), 38.16 (3) (a) 1m., 38.16 (3) (a) 2w., 38.16 (4), 71.05 (6) (b)
10 47. dm., 71.05 (8) (b) 2., 71.05 (8) (c), 71.07 (5i) (c) 3., 71.28 (5i) (c) 3., 71.47 (5i)
11 (c) 3., 77.54 (9d) and 77.54 (61) (c) of the statutes; **relating to:** reducing the
12 lowest individual income tax rate; providing technical college property tax
13 relief aid; establishing a technical college district revenue limit; the carry-back
14 of net operating losses; a sales and use tax exemption for building materials

ENGROSSED ASSEMBLY BILL 1

1 that become a part of certain facilities; the sales and use tax exemption for
2 commercial printing; the jobs tax credit; the electronic medical records credit;
3 the manufacturing and agriculture credit; the research credit; the state historic
4 rehabilitation credit; the relocated business credit; and making an
5 appropriation.

Analysis by the Legislative Reference Bureau

Engrossment information:

The text of Engrossed January 2014 Special Session Assembly Bill 1 consists of the following documents adopted in the assembly on February 11, 2014: the bill as affected by Assembly Amendments 2, 3, and 4 and Assembly Amendment 1 to Assembly Amendment 4.

Content of Engrossed January 2014 Special Session Assembly Bill 1:

INDIVIDUAL INCOME TAX RATES

Under current law, there are four income tax brackets for single individuals, certain fiduciaries, heads of households, and married persons. The brackets are indexed for inflation. The rate of taxation under current law for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.40 percent of taxable income; the rate for the second bracket is 5.84 percent; the rate for the third bracket is 6.27 percent; and the rate for the highest bracket is 7.65 percent. Before applying bracket indexing, the four brackets for individuals, certain fiduciaries, and heads of households, to which the above rates apply, are as follows: taxable income from \$0 to \$7,500; taxable income exceeding \$7,500 but not exceeding \$15,000; taxable income exceeding \$15,000 but not exceeding \$225,000; and taxable income exceeding \$225,000.

This rate and bracket structure first applies to taxable year 2013, and was enacted in 2013 Wisconsin Act 20, the state budget bill.

For taxable years beginning after December 31, 2013, this bill lowers the rate of taxation for the lowest tax bracket. Under the bill, the rate of taxation for the lowest bracket for single individuals, certain fiduciaries, heads of households, and married persons is 4.0 percent of taxable income.

TECHNICAL COLLEGE SYSTEM

This bill provides property tax relief aid to technical college districts, distributed annually to each district on the basis of its equalized value as compared to the equalized value of all technical college districts as of January 2014. The first distribution is in February 2015.

The bill eliminates the current limit on a technical college district's tax levy and imposes, instead, a revenue limit. Under the bill, with certain exceptions, a district board's revenue (defined as the sum of its tax levy for operations and the amount of

ENGROSSED ASSEMBLY BILL 1

property tax relief aid it receives) in the 2014-15 school year or any school year thereafter may not exceed its revenue in the previous school year increased by the district's valuation factor, which is the percentage change in the district's equalized value due to new construction, less improvements removed.

NET OPERATING LOSSES

Under current law, for income tax purposes, under certain circumstances, a taxpayer may claim a Wisconsin net operating loss against Wisconsin taxable income of the two years preceding the year in which the taxpayer sustained the loss. This bill clarifies that a taxpayer need not make an offset against Wisconsin modified taxable income of the two years preceding the loss, if the taxpayer chooses not to carry back the net operating loss to the two years preceding the loss.

Under current law, corporations and insurers may offset against their Wisconsin net business income any Wisconsin net business loss sustained in any of the 15 preceding taxable years. Under the bill, corporations and insurers may offset against their Wisconsin net business income any Wisconsin net business loss sustained in any of the 20 preceding taxable years.

DEPLETION

Under current law, the provisions of the federal Internal Revenue Code used for computing depreciation, depletion, and amortization for state income and franchise tax purposes are the provisions of the federal Internal Revenue Code in effect on January 1, 2014. Under the bill, the provisions of the federal Internal Revenue Code used for computing depletion are the provisions of the federal Internal Revenue Code in effect for the year in which the property is placed in service.

SALES TAX

Under current law, municipalities, school districts, and certain nonprofit organizations are exempt from paying the sales tax and the use tax on purchases of tangible personal property. To receive the sales tax or use tax exemption, the municipality, school district, or nonprofit organization must purchase the tangible personal property. A construction contractor hired by the municipality, school district, or nonprofit organization may not receive the exemption for property purchased by the contractor to be used for a municipality, school district, or nonprofit organization construction project.

Under this bill, the sale of tangible personal property that becomes a component of a facility in this state that is owned by a municipality or nonprofit organization is exempt from the sales tax and the use tax. The exemption applies to tangible personal property purchased by a construction contractor who transfers the property to the municipality or nonprofit organization as part of constructing the facility.

TAX CREDITS

Under current law, a person may claim the jobs tax credit if the Wisconsin Economic Development Corporation certifies the person to receive the tax credit, the person increases net employment in the person's business, and the person provides certain wages or job training to its full-time employees. This bill specifies that to be eligible for the jobs tax credit a person must increase net employment in the person's business in this state. Therefore, under the bill, a person may qualify for the jobs tax

ENGROSSED ASSEMBLY BILL 1

credit by relocating existing jobs to this state even if the number of individuals the person's business employs nationwide does not increase. Similarly, under the bill, a person does not qualify for the jobs tax credit by increasing the number of individuals the person's business employs nationwide if the number of individuals the person's business employs in this state does not increase.

Under current law, for income and franchise tax purposes, a taxpayer may not claim a relocated business deduction or tax credit for taxable years beginning after December 31, 2013. Under this bill, a taxpayer who is first eligible to claim a relocated business deduction or tax credit for a taxable year beginning after December 31, 2012, and before January 1, 2014, may claim the deduction or credit in the following taxable year.

The bill also provides that the manufacturing and agriculture credit, the research credit, and the state historic rehabilitation credit may be claimed against the alternative minimum tax.

Finally, the bill makes technical changes to the electronic medical records tax credit and to the sales and use tax exemption for tangible personal property used in commercial printing.

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

1 **SECTION 1.** 20.292 (1) (dp) of the statutes is created to read:

2 20.292 (1) (dp) *Property tax relief aid.* A sum sufficient equal to the amount
3 necessary to distribute the property tax relief aid to technical college districts under
4 s. 38.16 (4).

5 **SECTION 2.** 38.16 (title) of the statutes is amended to read:

6 **38.16 (title) District tax levy; revenue limit; property tax relief aid.**

7 **SECTION 3.** 38.16 (3) (a) 1m. of the statutes is created to read:

8 38.16 (3) (a) 1m. "Equalized value" excludes the value of tax incremental
9 districts.

10 **SECTION 4.** 38.16 (3) (a) 2. of the statutes, as affected by 2013 Wisconsin Act 20,
11 is amended to read:

12 38.16 (3) (a) 2. "Excess levy revenue" means the amount by which a district
13 board's tax levy revenue exceeds the limit under this subsection.

1 **SECTION 5.** 38.16 (3) (a) 2w. of the statutes is created to read:

2 38.16 (3) (a) 2w. “Revenue” means the sum of the tax levy and property tax
3 relief aid under sub. (4).

4 **SECTION 6.** 38.16 (3) (b) of the statutes is repealed.

5 **SECTION 7.** 38.16 (3) (be) of the statutes, as created by 2013 Wisconsin Act 20,
6 is amended to read:

7 38.16 (3) (be) Notwithstanding sub. (1), no district board may increase its tax
8 levy revenue in 2013 the 2014-15 school year or in any school year thereafter by a
9 percentage that exceeds the district’s valuation factor, except as provided in pars.
10 (bg) and (br).

11 **SECTION 8.** 38.16 (3) (bg) 2. of the statutes, as created by 2013 Wisconsin Act
12 20, is amended to read:

13 38.16 (3) (bg) 2. If a district board’s allowable levy revenue under this
14 subsection in 2013 the 2014-15 school year, or any school year thereafter, is greater
15 than its actual levy revenue in that school year, the limit otherwise applicable to the
16 district board under this subsection in the succeeding school year is increased by the
17 difference between the prior school year’s allowable levy revenue and the prior school
18 year’s actual levy revenue, as determined by the department of revenue, up to a
19 maximum increase of 0.5 percent of the actual levy revenue in that prior school year,
20 if the district board approves the increase by a three-fourths vote.

21 **SECTION 9.** 38.16 (3) (br) 1. of the statutes, as affected by 2013 Wisconsin Act
22 20, is amended to read:

23 38.16 (3) (br) 1. If a district board wishes to exceed the limit otherwise
24 applicable to the district under this subsection, it shall adopt a resolution supporting
25 inclusion in the final district budget of an amount equal to the proposed excess levy

1 revenue. The resolution shall be filed as provided in s. 8.37. Within 10 days after
2 adopting the resolution, the district board shall notify the board of the scheduled date
3 of the referendum and submit a copy of the resolution to the board. The district board
4 shall call a special referendum for the purpose of submitting the resolution to the
5 electors of the district for approval or rejection. In lieu of a special referendum, the
6 district board may specify that the referendum be held at the next succeeding spring
7 primary or election or partisan primary or general election, if such election is to be
8 held not sooner than 70 days after the filing of the resolution of the district board.
9 The district board shall certify the results of the referendum to the board within 10
10 days after the referendum is held.

11 **SECTION 10.** 38.16 (3) (br) 2. of the statutes is amended to read:

12 38.16 (3) (br) 2. The district board shall publish type A, B, C, D, and E notices
13 of the referendum under s. 10.01 (2). Notwithstanding s. 10.01 (2) (a), the type A
14 notice shall include a statement of the amount of the excess levy revenue specified
15 in subd. 1. and a copy of the resolution under subd. 1. Section 5.01 (1) applies in the
16 event of failure to comply with the notice requirements of this subdivision.

17 **SECTION 11.** 38.16 (3) (c) (intro.) of the statutes, as affected by 2013 Wisconsin
18 Act 20, is amended to read:

19 38.16 (3) (c) (intro.) Except as provided in par. (d), if the board determines that
20 a district board ~~imposed an excess levy~~ exceeded its limit under this subsection, the
21 board shall do all of the following:

22 **SECTION 12.** 38.16 (3) (c) 1. of the statutes is amended to read:

23 38.16 (3) (c) 1. Reduce the amount of state aid payments to the district board
24 in the school year in which the district board ~~imposed the excess levy~~ exceeded its
25 limit by an amount equal to the amount of the excess levy revenue.

ENGROSSED ASSEMBLY BILL 1

1 **SECTION 13.** 38.16 (3) (c) 3. of the statutes, as affected by 2013 Wisconsin Act
2 20, is amended to read:

3 38.16 (3) (c) 3. Ensure that the amount of the excess levy revenue is not
4 included in determining the limit under this subsection for the district board for the
5 following year.

6 **SECTION 14.** 38.16 (3) (c) 4. of the statutes is amended to read:

7 38.16 (3) (c) 4. Ensure that, if a district board's excess levy revenue exceeds the
8 amount of state aid that may be reduced under subd. 1., the excess amount is
9 subtracted from state aid payments in the following years until the total amount of
10 the excess levy revenue is subtracted from the state aid payments.

11 **SECTION 15.** 38.16 (3) (d) of the statutes is amended to read:

12 38.16 (3) (d) The department may issue a finding that a district board is not
13 liable for a penalty that would otherwise be imposed under par. (c) if the department
14 determines that the district board's excess levy revenue is caused by one of the
15 following clerical errors:

16 1. The department, through mistake or inadvertence, has assessed to any
17 county or taxation district, in the current year or in the previous year, a greater or
18 lesser valuation for any year than should have been assessed, causing the district
19 board's levy to be erroneous in a way that directly causes an excess levy revenue.

20 2. A taxation district clerk or a county clerk, through mistake or inadvertence
21 in preparing or delivering the tax roll, causes a district board's levy to be erroneous
22 in a way that directly causes an excess levy revenue.

23 **SECTION 16.** 38.16 (4) of the statutes is created to read:

1 38.16 (4) On February 20, 2015, and annually thereafter on the 3rd Friday in
2 February, the board shall distribute to each district board, from the appropriation
3 under s. 20.292 (1) (dp), the amount determined as follows:

4 (a) For the payment in 2015, divide the district's equalized value as of January
5 1, 2014, by the total equalized value of all districts as of January 1, 2014, and
6 multiply the quotient by \$406,000,000.

7 (b) For the payment in 2016 and annually thereafter, the amount determined
8 under par. (a).

9 **SECTION 17.** 71.05 (6) (b) 47. am. of the statutes, as affected by 2013 Wisconsin
10 Act 20, is amended to read:

11 71.05 (6) (b) 47. am. For taxable years beginning after December 31, 2010, and
12 before January 1, 2014, for 2 consecutive taxable years beginning with the taxable
13 year in which the claimant's business locates to this state from another state or
14 another country and begins doing business in this state, as defined in s. 71.22 (1r),
15 and subject to the limitations provided under subd. 47. d., dm., and e., the profit or
16 loss from a trade or business as reported on federal income tax return schedules C
17 and F or their equivalents, plus ordinary gain or loss on the sale of business assets,
18 as determined under s. 71.01 (6), but not less than zero, multiplied by the
19 apportionment fraction determined in s. 71.04 (4) and subject to s. 71.04 (7).

20 **SECTION 18.** 71.05 (6) (b) 47. b. of the statutes, as affected by 2013 Wisconsin
21 Act 20, is amended to read:

22 71.05 (6) (b) 47. b. With respect to partners and members of limited liability
23 companies, for taxable years beginning after December 31, 2010, and before January
24 1, 2014, for 2 consecutive taxable years beginning with the taxable year in which the
25 partnership's or limited liability company's business locates to this state from

ENGROSSED ASSEMBLY BILL 1

1 another state or another country and begins doing business in this state, as defined
2 in s. 71.22 (1r), and subject to the limitations provided under subd. 47. d., dm., and
3 e., the partner's or member's distributive share of taxable income as calculated under
4 section 703 of the Internal Revenue Code; plus the items of income and gain under
5 section 702 of the Internal Revenue Code, including taxable state and municipal
6 bond interest and excluding nontaxable interest income or dividend income from
7 federal government obligations; minus the items of loss and deduction under section
8 ~~756702~~ 702 of the Internal Revenue Code, except items that are not deductible under
9 s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal
10 Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL),
11 (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t),
12 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r), (5rm), and (8r); and plus or minus, as
13 appropriate, transitional adjustments, depreciation differences, and basis
14 differences under s. 71.05 (13), (15), (16), (17), and (19), multiplied by the
15 apportionment fraction determined in s. 71.04 (4) and subject to s. 71.04 (7) or by
16 separate accounting. No amounts subtracted under this subd. 47. b. may be included
17 in the modification under par. (b) 9. or 9m.

18 **SECTION 19.** 71.05 (6) (b) 47. c. of the statutes, as affected by 2013 Wisconsin
19 Act 20, is amended to read:

20 71.05 (6) (b) 47. c. With respect to shareholders of a tax-option corporation, for
21 taxable years beginning after December 31, 2010, and before January 1, 2014, for 2
22 consecutive taxable years beginning with the taxable year in which the tax-option
23 corporation's business locates to this state from another state or another country and
24 begins doing business in this state, as defined in s. 71.22 (1r), and subject to the
25 limitations provided under subd. 47. d., dm., and e., the shareholder's distributive

ENGROSSED ASSEMBLY BILL 1

SECTION 19

1 share of the entity's net income or loss as determined under this chapter, including
2 interest income from federal, state, and municipal government obligations,
3 multiplied by the apportionment fraction determined in s. 71.25 (6m) and subject to
4 s. 71.25 (9) or by separate accounting. No amounts subtracted under this subdivision
5 may be included in the modification under par. (b) 9. or 9m.

6 **SECTION 20.** 71.05 (6) (b) 47. dm. of the statutes is created to read:

7 71.05 (6) (b) 47. dm. No person may claim a deduction under this subdivision
8 for taxable years beginning after December 31, 2013, except that a claimant who is
9 first eligible to claim a deduction under this subdivision for a taxable year beginning
10 after December 31, 2012, and before January 1, 2014, may claim the deduction the
11 following taxable year.

12 **SECTION 21.** 71.05 (8) (b) of the statutes, as affected by 2013 Wisconsin Act 20,
13 is renumbered 71.05 (8) (b) 1.

14 **SECTION 22.** 71.05 (8) (b) 2. of the statutes is created to read:

15 71.05 (8) (b) 2. The taxpayer need not make the offset against Wisconsin
16 modified taxable income of the 2 years preceding the loss, as provided under subd.
17 1., if the taxpayer chooses not to carry back the net operating loss to the 2 years
18 preceding the loss.

19 **SECTION 23.** 71.05 (8) (c) of the statutes is created to read:

20 71.05 (8) (c) The department shall not pay interest on any overpayment that
21 results from the carry-back of a net operating loss.

22 **SECTION 24.** 71.06 (1q) (a) of the statutes, as created by 2013 Wisconsin Act 20,
23 is amended to read:

24 71.06 (1q) (a) On all taxable income from \$0 to \$7,500, 4.40 percent, except that
25 for taxable years beginning after December 31, 2013, 4.0 percent.

ENGROSSED ASSEMBLY BILL 1

1 **SECTION 25.** 71.06 (2) (i) 1. of the statutes, as created by 2013 Wisconsin Act
2 20, is amended to read:

3 71.06 (2) (i) 1. On all taxable income from \$0 to \$10,000, 4.40 percent, except
4 that for taxable years beginning after December 31, 2013, 4.0 percent.

5 **SECTION 26.** 71.06 (2) (j) 1. of the statutes, as created by 2013 Wisconsin Act
6 20, is amended to read:

7 71.06 (2) (j) 1. On all taxable income from \$0 to \$5,000, 4.40 percent, except that
8 for taxable years beginning after December 31, 2013, 4.0 percent.

9 **SECTION 27.** 71.07 (4k) (b) 1. of the statutes, as created by 2013 Wisconsin Act
10 20, is amended to read:

11 71.07 (4k) (b) 1. Subject to the limitations provided in this subsection, and
12 except as provided in subs. 2. and 3., for taxable years beginning after December
13 31, 2012, an individual, a partner of a partnership, a shareholder of a tax-option
14 corporation, or a member of a limited liability company may claim a credit against
15 the tax imposed under s. 71.02 or 71.08, as allocated under par. (d), an amount equal
16 to 5 percent of the amount obtained by subtracting from the individual's,
17 partnership's, tax-option corporation's, or limited liability company's qualified
18 research expenses, as defined in section 41 of the Internal Revenue Code, except that
19 "qualified research expenses" includes only expenses incurred by the individual,
20 partnership, tax-option corporation, or the limited liability company, incurred for
21 research conducted in this state for the taxable year, except that a taxpayer may elect
22 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
23 and that election applies until the department permits its revocation, except as
24 provided in par. (c), and except that "qualified research expenses" does not include
25 compensation used in computing the credit under subs. (2dj) and (2dx), the entity's

1 base amount, as defined in section 41 (c) of the Internal Revenue Code, except that
2 gross receipts used in calculating the base amount means gross receipts from sales
3 attributable to Wisconsin under ss. 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk).
4 Section 41 (h) of the Internal Revenue Code does not apply to the credit under this
5 subdivision.

6 **SECTION 28.** 71.07 (5i) (c) 3. of the statutes is created to read:

7 71.07 (5i) (c) 3. No credit may be claimed under this subsection based on an
8 amount paid under par. (b) after December 31, 2013.

9 **SECTION 29.** 71.07 (5m) (a) 4. of the statutes is amended to read:

10 71.07 (5m) (a) 4. "Net tax liability" means a claimant's income tax liability after
11 he or she completes the computations listed in s. 71.10 (4) (a) to ~~(dr)~~ (d).

12 **SECTION 30.** 71.07 (5n) (b) (intro.) of the statutes is amended to read:

13 71.07 (5n) (b) *Filing claims.* (intro.) Subject to the limitations provided in this
14 subsection, a claimant may claim as a credit against the tax imposed under s. ss.
15 71.02 and 71.08, up to the amount of the tax, an amount equal to one of the following
16 percentages of the claimant's eligible qualified production activities income in the
17 taxable year:

18 **SECTION 31.** 71.07 (9r) (a) of the statutes is amended to read:

19 71.07 (9r) (a) For taxable years beginning on or after August 1, 1988, any
20 natural person may credit against taxes otherwise due under s. 71.02 or 71.08 an
21 amount equal to 25% of the costs of preservation or rehabilitation of historic property
22 located in this state, including architectural fees and costs incurred in preparing
23 nomination forms for listing in the national register of historic places in Wisconsin
24 or the state register of historic places, if the nomination is made within 5 years prior
25 to submission of a preservation or rehabilitation plan under par. (b) 3. b., and if the

1 physical work of construction or destruction in preparation for construction begins
2 after December 31, 1988, except that the credit may not exceed \$10,000, or \$5,000
3 for married persons filing separately, for any preservation or rehabilitation project.

4 **SECTION 32.** 71.08 (1) (intro.) of the statutes, as affected by 2013 Wisconsin Act
5 62, is amended to read:

6 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
7 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under
8 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2dy), (3m), (3n), (3p),
9 (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (5b), (5d), (5e), (5f), (5h), (5i), (5j), (5n), (6), (6e),
10 (8r), (9e), and (9m), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1dy), (2m), (3),
11 (3n), (3t), and (3w), 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1dy), (2m), (3),
12 (3n), (3t), and (3w), 71.57 to 71.61, and 71.613 and subch. VIII and payments to other
13 states under s. 71.07 (7), is less than the tax under this section, there is imposed on
14 that natural person, married couple filing jointly, trust or estate, instead of the tax
15 under s. 71.02, an alternative minimum tax computed as follows:

16 **SECTION 33.** 71.08 (1) (intro.) of the statutes, as affected by 2013 Wisconsin Acts
17 62 and (this act), is amended to read:

18 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
19 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under
20 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2dy), (3m), (3n), (3p),
21 (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (5b), (5d), (5e), (5f), (5h), (5i), (5j), (5n), (6),
22 (6e), (8r), (9e), ~~and~~ (9m), and (9r), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),
23 (1dy), (2m), (3), (3n), (3t), and (3w), 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),
24 (1dy), (2m), (3), (3n), (3t), and (3w), 71.57 to 71.61, and 71.613 and subch. VIII and
25 payments to other states under s. 71.07 (7), is less than the tax under this section,

ENGROSSED ASSEMBLY BILL 1

SECTION 33

1 there is imposed on that natural person, married couple filing jointly, trust or estate,
2 instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

3 **SECTION 34.** 71.10 (4) (cr) of the statutes is renumbered 71.10 (4) (fn).

4 **SECTION 35.** 71.10 (4) (dr) of the statutes is renumbered 71.10 (4) (fp).

5 **SECTION 36.** 71.10 (4) (er) of the statutes, as created by 2013 Wisconsin Act 20,
6 is renumbered 71.10 (4) (fr).

7 **SECTION 36d.** 71.26 (4) (a) of the statutes is amended to read:

8 71.26 (4) (a) Except as provided in par. (b), a corporation, except a tax-option
9 corporation or an insurer to which s. 71.45 (4) applies, may offset against its
10 Wisconsin net business income any Wisconsin net business loss sustained in any of
11 the next ~~15~~ 20 preceding taxable years, if the corporation was subject to taxation
12 under this chapter in the taxable year in which the loss was sustained, to the extent
13 not offset by other items of Wisconsin income in the loss year and by Wisconsin net
14 business income of any year between the loss year and the taxable year for which an
15 offset is claimed. For purposes of this subsection Wisconsin net business income or
16 loss shall consist of all the income attributable to the operation of a trade or business
17 in this state, less the business expenses allowed as deductions in computing net
18 income. The Wisconsin net business income or loss of corporations engaged in
19 business within and without the state shall be determined under s. 71.25 (6) and (10)
20 to (12). Nonapportionable losses having a Wisconsin situs under s. 71.25 (5) (b) shall
21 be included in Wisconsin net business loss; and nonapportionable income having a
22 Wisconsin situs under s. 71.25 (5) (b), whether taxable or exempt, shall be included
23 in other items of Wisconsin income and Wisconsin net business income for purposes
24 of this subsection.

25 **SECTION 37.** 71.28 (5i) (c) 3. of the statutes is created to read:

1 71.28 **(5i)** (c) 3. No credit may be claimed under this subsection based on an
2 amount paid under par. (b) after December 31, 2013.

3 **SECTION 38.** 71.28 (9s) (d) 3. of the statutes, as created by 2013 Wisconsin Act
4 20, is amended to read:

5 71.28 **(9s)** (d) 3. No credit may be claimed under this subsection for taxable
6 years beginning after December 31, 2013.—Credits under this subsection for taxable
7 years that begin before January 1, 2014, may be carried forward to taxable years that
8 begin after December 31, 2013, except that a claimant who is first eligible to claim
9 a credit under this subsection for taxable years beginning after December 31, 2012,
10 and before January 1, 2014, may claim the credit in the following taxable year.

11 **SECTION 38d.** 71.45 (4) (a) of the statutes is amended to read:

12 71.45 **(4)** (a) Except as provided in par. (b), insurers computing tax under this
13 subchapter may subtract from Wisconsin net income any Wisconsin net business loss
14 sustained in any of the next ~~15~~ 20 preceding taxable years to the extent not offset by
15 Wisconsin net business income of any year between the loss year and the taxable year
16 for which an offset is claimed and computed without regard to sub. (2) (a) 8. and 9.
17 and this subsection and limited to the amount of net income, but no loss incurred for
18 a taxable year before taxable year 1987 by a nonprofit service plan of sickness care
19 under ch. 148, or dental care under s. 447.13 may be treated as a net business loss
20 of the successor service insurer under ch. 613 operating by virtue of s. 148.03 or
21 447.13.

22 **SECTION 39.** 71.47 (5i) (c) 3. of the statutes is created to read:

23 71.47 **(5i)** (c) 3. No credit may be claimed under this subsection based on an
24 amount paid under par. (b) after December 31, 2013.

ENGROSSED ASSEMBLY BILL 1

SECTION 40

1 **SECTION 40.** 71.47 (9s) (d) 3. of the statutes, as created by 2013 Wisconsin Act
2 20, is amended to read:

3 71.47 **(9s)** (d) 3. No credit may be claimed under this subsection for taxable
4 years beginning after December 31, 2013. ~~Credits under this subsection for taxable~~
5 ~~years that begin before January 1, 2014, may be carried forward to taxable years that~~
6 ~~begin after December 31, 2013, except that a claimant who is first eligible to claim~~
7 ~~a credit under this subsection for taxable years beginning after December 31, 2012,~~
8 ~~and before January 1, 2014, may claim the credit in the following taxable year.~~

9 **SECTION 41.** 71.52 (6) of the statutes is amended to read:

10 71.52 **(6)** "Income" means the sum of Wisconsin adjusted gross income and the
11 following amounts, to the extent not included in Wisconsin adjusted gross income:
12 maintenance payments (except foster care maintenance and supplementary
13 payments excludable under section 131 of the internal revenue code), support money,
14 cash public assistance (not including credit granted under this subchapter and
15 amounts under s. 46.27), cash benefits paid by counties under s. 59.53 (21), the gross
16 amount of any pension or annuity (including railroad retirement benefits, all
17 payments received under the federal social security act and veterans disability
18 pensions), nontaxable interest received from the federal government or any of its
19 instrumentalities, nontaxable interest received on state or municipal bonds,
20 worker's compensation, unemployment insurance, the gross amount of "loss of time"
21 insurance, compensation and other cash benefits received from the United States for
22 past or present service in the armed forces, scholarship and fellowship gifts or
23 income, capital gains, gain on the sale of a personal residence excluded under section
24 121 of the internal revenue code, dividends, income of a nonresident or part-year
25 resident who is married to a full-year resident, housing allowances provided to

ENGROSSED ASSEMBLY BILL 1

1 members of the clergy, the amount by which a resident manager's rent is reduced,
2 nontaxable income of an American Indian, nontaxable income from sources outside
3 this state and nontaxable deferred compensation. Intangible drilling costs,
4 depletion allowances and depreciation, including first-year depreciation allowances
5 under section 179 of the internal revenue code, amortization, contributions to
6 individual retirement accounts under section 219 of the internal revenue code,
7 contributions to Keogh plans, net operating loss carry-backs and carry-forwards
8 and capital loss carry-forwards deducted in determining Wisconsin adjusted gross
9 income shall be added to "income". "Income" does not include gifts from natural
10 persons, cash reimbursement payments made under title XX of the federal social
11 security act, surplus food or other relief in kind supplied by a governmental agency,
12 the gain on the sale of a personal residence deferred under section 1034 of the
13 internal revenue code or nonrecognized gain from involuntary conversions under
14 section 1033 of the internal revenue code. Amounts not included in adjusted gross
15 income but added to "income" under this subsection in a previous year and repaid
16 may be subtracted from income for the year during which they are repaid.
17 Scholarship and fellowship gifts or income that are included in Wisconsin adjusted
18 gross income and that were added to household income for purposes of determining
19 the credit under this subchapter in a previous year may be subtracted from income
20 for the current year in determining the credit under this subchapter. A marital
21 property agreement or unilateral statement under ch. 766 has no effect in computing
22 "income" for a person whose homestead is not the same as the homestead of that
23 person's spouse.

24 **SECTION 41d.** 71.98 (3) of the statutes, as created by 2013 Wisconsin Act 20,
25 is amended to read:

1 71.98 (3) DEPRECIATION, DEPLETION, AND AMORTIZATION. For taxable years
2 beginning after December 31, 2013, and for purposes of computing depreciation,
3 ~~depletion, and amortization, the Internal Revenue Code means the federal Internal~~
4 Revenue Code in effect on January 1, 2014. For taxable years beginning after
5 December 31, 2013, and for purposes of computing depletion, the Internal Revenue
6 code means the federal Internal Revenue code in effect for the year in which the
7 property is placed in service.

8 **SECTION 41e.** 77.54 (9d) of the statutes is created to read:

9 77.54 (9d) The sales price from the sales of and the storage, use, or other
10 consumption of tangible personal property, or items or property under s. 77.52 (1) (b)
11 or (c), sold to a construction contractor who, in fulfillment of a real property
12 construction activity, transfers the tangible personal property, or item, or property
13 under s. 77.52 (1) (b) or (c), to an entity described under sub. (9a) (b) or (f), if such
14 tangible personal property, item, or property becomes a component of a facility in this
15 state that is owned by the entity. In this subsection, “facility” means any building,
16 shelter, parking lot, parking garage, athletic field, athletic park, storm sewer, or
17 water supply system, but does not include a highway, street, or road.

18 **SECTION 42.** 77.54 (61) (intro.), (a) and (b) of the statutes, as created by 2013
19 Wisconsin Act 20, are amended to read:

20 77.54 (61) (intro.) The sales price from the sale of and the storage, use, or other
21 consumption of the following by a person primarily engaged, as determined by the
22 department, in commercial printing, not including screen printing or book printing,
23 without publishing, except for gray goods; printing, or printing and binding, books
24 or pamphlets without publishing the books or pamphlets; or performing prepress
25 and postpress services in support of printing activities book printing, or support

1 activities for printing described under 323111, 323117, and 323120 of the North
2 American Industry Classification System:

3 (a) Computers and servers ~~that are used~~ primarily to store copies of the product
4 that are sent to a digital printer, a platemaking machine, or a printing press or used
5 primarily in prepress or postpress activities.

6 (b) Tangible personal property purchased from out-of-state sellers that are
7 temporarily stored, remain idle, and not used in this state ~~for not more than 180 days~~
8 and that are then delivered and used solely outside of this state.

9 **SECTION 43.** 77.54 (61) (c) of the statutes is created to read:

10 77.54 **(61)** (c) In this subsection:

11 1. "Postpress activities" include paper bronzing, die-cutting, edging,
12 embossing, folding, gilding, gluing, and indexing.

13 2. "Prepress activities" include making print-ready plates, typesetting, trade
14 binding, and sample mounting.

15 3. "Temporarily" means not more than 180 days.

16 **SECTION 44.** 238.16 (3) (intro.) of the statutes, as affected by 2013 Wisconsin
17 Act 20, is amended to read:

18 238.16 **(3)** ELIGIBILITY FOR TAX BENEFITS. (intro.) A person certified under sub.
19 (2) may receive tax benefits under this section if, in each year for which the person
20 claims tax benefits under this section, the person increases net employment in this
21 state in the person's business above the net employment in this state in the person's
22 business during the year before the person was certified under sub. (2), as
23 determined by the corporation under its policies and procedures, and one of the
24 following applies:

25 **SECTION 9143. Nonstatutory provisions; Technical College System.**

1 (1) AID NOTIFICATION. By October 15, 2014, the state technical college system
2 board shall notify each technical college district board of the amount of aid it will
3 receive under section 38.16 (4) of the statutes, as created by this act, on February 20,
4 2015.

5 **SECTION 9337. Initial applicability; Revenue.**

6 (1) COMMERCIAL PRINTING. The treatment of section 77.54 (61) (intro.), (a), (b),
7 and (c) of the statutes first applies retroactively to sales made on October 1, 2013.

8 (1m) BUILDING MATERIALS. The treatment of section 77.54 (9d) of the statutes
9 first applies to contracts entered into on July 1, 2015.

10 (2) RESEARCH AND REHABILITATION CREDITS. The treatment of sections 71.07 (4k)
11 (b) 1., (5m) (a) 4., and (9r) (a), 71.08 (1) (intro.) (as it relates to the state historic
12 rehabilitation credit and the research credit), and 71.10 (4) (dr) and (er) of the
13 statutes first applies to taxable years beginning on January 1, 2014.

14 (3) CARRY-BACKS.

15 (a) The renumbering of section 71.05 (8) (b) of the statutes and the creation of
16 section 71.05 (8) (b) 2. of the statutes first apply to taxable years beginning on
17 January 1, 2014.

18 (am) The treatment of section 71.52 (6) of the statutes first applies retroactively
19 to taxable years beginning on January 1, 2012.

20 (4) OVERPAYMENTS. The treatment of section 71.05 (8) (c) of the statutes first
21 applies to refunds paid on January 1, 2014.

22 (5) MANUFACTURING AND AGRICULTURE CREDITS. The treatment of sections 71.07
23 (5n) (b) (intro.), 71.08 (1) (intro.) (as it relates to the manufacturing and agriculture
24 credit), and 71.10 (4) (cr) of the statutes first applies retroactively to taxable years
25 beginning on January 1, 2013.

1 (5m) NET OPERATING LOSSES; DEPLETION. The treatment of sections 71.26 (4) (a),
2 71.45 (4) (a), and 71.98 (3) of the statutes first applies to taxable years beginning on
3 January 1, 2014.

4 **SECTION 9400. Effective dates; general.** Except as otherwise provided in
5 SECTIONS 9401 to 9452 of this act, this act takes effect on the day after publication.

6 **SECTION 9437. Effective dates; Revenue.**

7 (1) COMMERCIAL PRINTING. The treatment of section 77.54 (61) (intro.), (a), (b),
8 and (c) of the statutes takes effect retroactively to October 1, 2013.

9 (1m) BUILDING MATERIALS. The treatment of section 77.54 (9d) of the statutes
10 takes effect on July 1, 2015.

11 (2) MANUFACTURING AND AGRICULTURE CREDITS. The treatment of sections 71.07
12 (5n) (b) (intro.), 71.08 (1) (intro.) (by SECTION 32), and 71.10 (4) (cr) of the statutes
13 takes effect retroactively on January 1, 2013.

14 (3) RESEARCH AND REHABILITATION CREDITS. The treatment of sections 71.07 (4k)
15 (b) 1., (5m) (a) 4., and (9r) (a), 71.08 (1) (intro.) (by SECTION 33), and 71.10 (4) (dr) and
16 (er) of the statutes takes effect on January 1, 2014.

17 (3d) CARRY-BACKS. The treatment of section 71.52 (6) of the statutes takes effect
18 retroactively to January 1, 2012.

19 (END)