



2025 SENATE BILL 21

February 5, 2025 - Introduced by Senators JAMES, LARSON and TOMCZYK, cosponsored by Representatives SORTWELL, FRANKLIN, KAUFERT, MADISON, ANDERSON, CLANCY, CRUZ, DESMIDT, GOEBEN, GOODWIN, GUNDRUM, HONG, HYSELL, KREIBICH, MAXEY, MIRESSÉ, NOVAK, PIWOWARCZYK, PRADO, STROUD, TUSLER, UDELL and WICHGERS. Referred to Committee on Agriculture and Revenue.

1 **AN ACT to amend** 71.05 (6) (a) 15., 71.21 (4) (a), 71.26 (2) (a) 4., 71.34 (1k) (g)
2 and 71.45 (2) (a) 10.; **to create** 71.05 (6) (b) 57., 71.07 (12), 71.10 (4) (em),
3 71.26 (2) (a) 13., 71.28 (12), 71.30 (3) (am), 71.45 (2) (a) 25., 71.47 (12), 71.49
4 (1) (am), 73.03 (78) and 73.03 (79) of the statutes; **relating to:** creating an
5 employee ownership conversion costs tax credit, a deduction for capital gains
6 from the transfer of a business to employee ownership, and an employee
7 ownership education and outreach program.

Analysis by the Legislative Reference Bureau

This bill creates tax incentives related to businesses in this state converting to an employee ownership business structure and requires the Department of Revenue to establish an outreach and education program to promote employee ownership business structures.

Employee ownership conversion costs tax credit

Under the bill, DOR may certify a business to claim a nonrefundable income tax credit for an amount equal to 70 percent of costs related to converting the business to a worker-owned cooperative or 50 percent of the costs related to

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converting the business to an employee stock ownership plan. The credit is limited to a maximum amount of \$100,000. A business is qualified to receive the credit if the business is subject to income and franchise taxes in this state and, at the time the business receives the credit, does not have an employee stock ownership plan and is not, in whole or in part, a worker-owned cooperative.

Capital gain deduction

The bill also creates an individual income tax subtraction and a corporate income and franchise tax deduction for the amount of the capital gain realized from the transfer of ownership of a business in this state to an employee stock ownership plan or worker-owned cooperative.

Employee ownership outreach and education

Finally, the bill directs DOR to establish an economic development program for the purpose of promoting employee ownership business structures, including the business structures of employee stock ownership plans and worker-owned cooperatives, through education, outreach, technical assistance, and training related to converting existing businesses to an employee ownership business structure or starting new businesses with an employee ownership business structure. The bill directs DOR to submit an application to the U.S. secretary of labor for a grant under 29 USC 3228 for use in administering the program created in the bill.

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 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:

- 1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:
- 2 71.05 **(6)** (a) 15. The amount of the credits computed under s. 71.07 (2dm),
- 3 (2dx), (2dy), (3g), (3h), (3n), (3q), (3s), (3t), (3w), (3wm), (3y), (4k), (4n), (5i), (5j), (5k),
- 4 (5r), (5rm), (6n), ~~and (10)~~, and (12) and not passed through by a partnership, limited
- 5 liability company, or tax-option corporation that has added that amount to the
- 6 partnership's, company's, or tax-option corporation's income under s. 71.21 (4) or
- 7 71.34 (1k) (g).

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1 **SECTION 2.** 71.05 (6) (b) 57. of the statutes is created to read:

2 71.05 (6) (b) 57. a. For taxable years beginning after December 31, 2024, to
3 the extent otherwise included in Wisconsin taxable income if not for this
4 subdivision, the amount of the capital gain as computed under the Internal
5 Revenue Code from the transfer of ownership of a business in this state to an
6 employee stock ownership plan or a worker-owned cooperative.

7 b. No modification may be claimed under this subdivision unless an employee
8 stock ownership plan or worker-owned cooperative owns more than 50 percent of the
9 business whose transfer results in a capital gain described in subd. 57. a.

10 c. In this subdivision, “employee stock ownership plan” has the meaning given
11 in 26 USC 4975 (e) (7).

12 d. In this subdivision, “worker-owned cooperative” has the meaning given for
13 “eligible worker-owned cooperative” in 26 USC 1042 (c) (2).

14 **SECTION 3.** 71.07 (12) of the statutes is created to read:

15 71.07 (12) EMPLOYEE OWNERSHIP CONVERSION COSTS CREDIT. (a) *Definitions.*

16 In this subsection:

17 1. “Claimant” means a person that owns an interest in a qualified business
18 prior to its conversion to an employee stock ownership plan or worker-owned
19 cooperative and that files a claim under this subsection.

20 2. “Conversion costs” has the meaning given in s. 73.03 (79) (b) 1.

21 3. “Employee stock ownership plan” has the meaning given in 26 USC 4975 (e)
22 (7).

23 4. “Qualified business” has the meaning given in s. 73.03 (79) (b) 3.

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1 5. “Worker-owned cooperative” has the meaning given for “eligible worker-
2 owned cooperative” in 26 USC 1042 (c) (2).

3 (b) *Filing claims.* For taxable years beginning after December 31, 2024, and
4 subject to the limitations provided in this subsection, a claimant may claim as a
5 credit against the tax imposed under s. 71.02 for the taxable year during which a
6 conversion to an employee stock ownership plan or a worker-owned cooperative is
7 complete, up to the amount of those taxes, all of the following:

8 1. An amount equal to 70 percent of the conversion costs, up to \$100,000,
9 incurred by a qualified business for converting to a worker-owned cooperative.

10 2. An amount equal to 50 percent of the conversion costs, up to \$100,000,
11 incurred by a qualified business for converting to an employee stock ownership
12 plan.

13 (c) *Limitations.* 1. No credit may be allowed under this subsection unless the
14 claimant files an application with the department, at the time and in the manner
15 prescribed by the department, and the department approves the application. The
16 claimant shall submit a copy of the certification under s. 73.03 (79) (a) 3. with the
17 claimant’s return.

18 2. Partnerships, limited liability companies, and tax-option corporations may
19 not claim the credit under this subsection, but the eligibility for and the amount of
20 the credit are based on the amounts paid by the entities under par. (b). A
21 partnership, limited liability company, or tax-option corporation shall compute the
22 amount of the credit that each of its partners, members, or shareholders may claim

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1 and shall provide that information to each of them. Partners, members, and
2 shareholders may claim the credit in proportion to their ownership interests.

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

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

6 71.10 (4) (em) Employee ownership conversion costs credit under s. 71.07 (12).

7 **SECTION 5.** 71.21 (4) (a) of the statutes is amended to read:

8 71.21 (4) (a) The amount of the credits computed by a partnership under s.
9 71.07 (2dm), (2dx), (2dy), (3g), (3h), (3n), (3q), (3s), (3t), (3w), (3wm), (3y), (4k), (4n),
10 (5g), (5i), (5j), (5k), (5r), (5rm), (6n), ~~and (10), and (12)~~ and passed through to
11 partners shall be added to the partnership's income.

12 **SECTION 6.** 71.26 (2) (a) 4. of the statutes is amended to read:

13 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dm),
14 (1dx), (1dy), (3g), (3h), (3n), (3q), (3t), (3w), (3wm), (3y), (5g), (5i), (5j), (5k), (5r),
15 (5rm), (6n), ~~and (10), and (12)~~ and not passed through by a partnership, limited
16 liability company, or tax-option corporation that has added that amount to the
17 partnership's, limited liability company's, or tax-option corporation's income under
18 s. 71.21 (4) or 71.34 (1k) (g).

19 **SECTION 7.** 71.26 (2) (a) 13. of the statutes is created to read:

20 71.26 (2) (a) 13. a. Minus the amount of the capital gain as computed under
21 the Internal Revenue Code, to the extent included in federal taxable income, from
22 the transfer of ownership of a business in this state to an employee stock ownership
23 plan or a worker-owned cooperative.

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1 b. The deduction under this subdivision does not apply unless an employee
2 stock ownership plan or worker-owned cooperative owns more than 50 percent of the
3 business whose transfer results in a capital gain described in subd. 13. a.

4 c. In this subdivision, “employee stock ownership plan” has the meaning given
5 in 26 USC 4975 (e) (7).

6 d. In this subdivision, “worker-owned cooperative” has the meaning given for
7 “eligible worker-owned cooperative” in 26 USC 1042 (c) (2).

8 **SECTION 8.** 71.28 (12) of the statutes is created to read:

9 71.28 (12) EMPLOYEE OWNERSHIP CONVERSION COSTS CREDIT. (a) *Definitions.*
10 In this subsection:

11 1. “Claimant” means a person that owns an interest in a qualified business
12 prior to its conversion to an employee stock ownership plan or worker-owned
13 cooperative and that files a claim under this subsection.

14 2. “Conversion costs” has the meaning given in s. 73.03 (79) (b) 1.

15 3. “Employee stock ownership plan” has the meaning given in 26 USC 4975 (e)
16 (7).

17 4. “Qualified business” has the meaning given in s. 73.03 (79) (b) 3.

18 5. “Worker-owned cooperative” has the meaning given for “eligible worker-
19 owned cooperative” in 26 USC 1042 (c) (2).

20 (b) *Filing claims.* For taxable years beginning after December 31, 2024, and
21 subject to the limitations provided in this subsection, a claimant may claim as a
22 credit against the tax imposed under s. 71.23 for the taxable year during which a

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1 conversion to an employee stock ownership plan or worker-owned cooperative is
2 complete, up to the amount of those taxes, all of the following:

3 1. An amount equal to 70 percent of the conversion costs, up to \$100,000,
4 incurred by a qualified business for converting to a worker-owned cooperative.

5 2. An amount equal to 50 percent of the conversion costs, up to \$100,000,
6 incurred by a qualified business for converting to an employee stock ownership
7 plan.

8 (c) *Limitations.* 1. No credit may be allowed under this subsection unless the
9 claimant files an application with the department, at the time and in the manner
10 prescribed by the department, and the department approves the application. The
11 claimant shall submit a copy of the certification under s. 73.03 (79) (a) 3. with the
12 claimant's return.

13 2. Partnerships, limited liability companies, and tax-option corporations may
14 not claim the credit under this subsection, but the eligibility for and the amount of
15 the credit are based on the amounts paid by the entities under par. (b). A
16 partnership, limited liability company, or tax-option corporation shall compute the
17 amount of the credit that each of its partners, members, or shareholders may claim
18 and shall provide that information to each of them. Partners, members, and
19 shareholders may claim the credit in proportion to their ownership interests.

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

22 **SECTION 9.** 71.30 (3) (am) of the statutes is created to read:

23 71.30 (3) (am) Employee ownership conversion costs credit under s. 71.28 (12).

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1 **SECTION 10.** 71.34 (1k) (g) of the statutes is amended to read:

2 71.34 **(1k)** (g) An addition shall be made for credits computed by a tax-option
3 corporation under s. 71.28 (1dm), (1dx), (1dy), (3), (3g), (3h), (3n), (3q), (3t), (3w),
4 (3wm), (3y), (4), (5), (5g), (5i), (5j), (5k), (5r), (5rm), (6n), ~~and (10)~~, and (12) and
5 passed through to shareholders.

6 **SECTION 11.** 71.45 (2) (a) 10. of the statutes is amended to read:

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

14 **SECTION 12.** 71.45 (2) (a) 25. of the statutes is created to read:

15 71.45 **(2)** (a) 25. a. By subtracting from federal taxable income, to the extent
16 included in federal taxable income, the amount of the capital gain as computed
17 under the Internal Revenue Code from the transfer of ownership of a business in
18 this state to an employee stock ownership plan or a worker-owned cooperative.

19 b. The deduction under this subdivision does not apply unless an employee
20 stock ownership plan or worker-owned cooperative owns more than 50 percent of the
21 business whose transfer results in a capital gain described in subd. 25. a.

22 c. In this subdivision, "employee stock ownership plan" has the meaning given
23 in 26 USC 4975 (e) (7).

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1 d. In this subdivision, “worker-owned cooperative” has the meaning given for
2 “eligible worker-owned cooperative” in 26 USC 1042 (c) (2).

3 **SECTION 13.** 71.47 (12) of the statutes is created to read:

4 **71.47 (12) EMPLOYEE OWNERSHIP CONVERSION COSTS CREDIT.** (a) *Definitions.*
5 In this subsection:

6 1. “Claimant” means a person that owns an interest in a qualified business
7 prior to its conversion to an employee stock ownership plan or worker-owned
8 cooperative and that files a claim under this subsection.

9 2. “Conversion costs” has the meaning given in s. 73.03 (79) (b) 1.

10 3. “Employee stock ownership plan” has the meaning given in 26 USC 4975 (e)
11 (7).

12 4. “Qualified business” has the meaning given in s. 73.03 (79) (b) 3.

13 5. “Worker-owned cooperative” has the meaning given for “eligible worker-
14 owned cooperative” in 26 USC 1042 (c) (2).

15 (b) *Filing claims.* For taxable years beginning after December 31, 2024, and
16 subject to the limitations provided in this subsection, a claimant may claim as a
17 credit against the tax imposed under s. 71.43 for the taxable year during which a
18 conversion to an employee stock ownership plan or worker-owned cooperative is
19 complete, up to the amount of those taxes, all of the following:

20 1. An amount equal to 70 percent of the conversion costs, up to \$100,000,
21 incurred by a qualified business for converting to a worker-owned cooperative.

22 2. An amount equal to 50 percent of the conversion costs, up to \$100,000,

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1 incurred by a qualified business for converting to an employee stock ownership
2 plan.

3 (c) *Limitations.* 1. No credit may be allowed under this subsection unless the
4 claimant files an application with the department, at the time and in the manner
5 prescribed by the department, and the department approves the application. The
6 claimant shall submit a copy of the certification under s. 73.03 (79) (a) 3. with the
7 claimant's return.

8 2. Partnerships, limited liability companies, and tax-option corporations may
9 not claim the credit under this subsection, but the eligibility for and the amount of
10 the credit are based on the amounts paid by the entities under par. (b). A
11 partnership, limited liability company, or tax-option corporation shall compute the
12 amount of the credit that each of its partners, members, or shareholders may claim
13 and shall provide that information to each of them. Partners, members, and
14 shareholders may claim the credit in proportion to their ownership interests.

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

17 **SECTION 14.** 71.49 (1) (am) of the statutes is created to read:

18 71.49 (1) (am) Employee ownership conversion costs credit under s. 71.47 (12).

19 **SECTION 15.** 73.03 (78) of the statutes is created to read:

20 73.03 (78) (a) To establish and administer an economic development program
21 for the purpose of doing all of the following:

22 1. Providing education and outreach to inform employees and employers about
23 the possibilities and benefits of employee ownership business structures and
24 succession planning, including providing information about financial education,

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1 employee teams, open-book management, and other tools that enable employees to
2 share ideas and information about how their businesses can succeed.

3 2. Providing technical assistance to assist employee efforts to become business
4 owners, to enable employers and employees to explore and assess the feasibility of
5 transferring full or partial ownership to employees, and to encourage employees
6 and employers to start new businesses with an employee ownership business
7 structure.

8 3. Training employees and employers with respect to methods of employee
9 participation in open-book management, work teams, committees, and other
10 approaches for seeking greater employee input.

11 4. Training other entities to establish programs and carry out program
12 activities designed to promote employee ownership business structures.

13 (b) The department may contract with a 3rd party to operate the program
14 under this subsection.

15 (c) Within one year after the effective date of this paragraph [LRB inserts
16 date], the department shall submit an application to the U.S. secretary of labor for
17 a grant under 29 USC 3228 for use in connection with the program under this
18 section.

19 (d) In this subsection:

20 1. "Employee ownership business structure" includes the business structures
21 for employee stock ownership plans and worker-owned cooperatives.

22 2. "Employee stock ownership plan" has the same meaning as in 26 USC 4975

23 (e) (7).

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1 3. “Worker-owned cooperative” has the meaning given for “eligible worker-
2 owned cooperative” in 26 USC 1042 (c) (2).

3 **SECTION 16.** 73.03 (79) of the statutes is created to read:

4 73.03 (79) (a) 1. To implement a program to approve applications for purposes
5 of ss. 71.07 (12), 71.28 (12), and 71.47 (12).

6 2. An applicant for a tax credit under s. 71.07 (12), 71.28 (12), or 71.47 (12) is
7 eligible for certification under subd. 3. if all of the following apply:

8 a. The applicant is a business subject to taxes under ch. 71.

9 b. The applicant does not have an employee stock ownership plan and is not,
10 in whole or in part, a worker-owned cooperative.

11 3. The department may certify a qualified business to claim a tax credit under
12 s. 71.07 (12), 71.28 (12), or 71.47 (12) as follows:

13 a. An amount, not to exceed \$100,000, equal to up to 70 percent of conversion
14 costs related to converting a qualified business to a worker cooperation.

15 b. An amount, not to exceed \$100,000, equal to up to 50 percent of conversion
16 costs related to converting a qualified business to an employee stock ownership
17 plan.

18 4. The department may allocate up to \$5,000,000 in total credits under ss.
19 71.07 (12), 71.28 (12), and 71.47 (12) each year. Any unused allocation may be
20 carried forward.

21 (b) In this subsection:

22 1. “Conversion costs” means professional services, including accounting,
23 legal, and business advisory services, for any of the following:

