



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBs0481/1
JK:jlg:km

**SENATE SUBSTITUTE AMENDMENT 1,
TO 1999 SENATE BILL 482**

March 28, 2000 - Offered by COMMITTEE ON EDUCATION.

1 **AN ACT** *to amend* 71.05 (6) (a) 15. and 71.26 (2) (a); and *to create* 71.07 (5d),
2 71.10 (4) (cp), 71.28 (5d), 71.30 (3) (dm), 71.47 (5d) and 71.49 (1) (dm) of the
3 statutes; **relating to:** an income tax and franchise tax credit for expenses paid
4 on behalf of an undergraduate student.

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

5 **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:
6 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
7 (2di), (2dj), (2dL), (2dr), (2ds), (2dx) and, (3s) and (5d) and not passed through by a
8 partnership, limited liability company or tax-option corporation that has added that
9 amount to the partnership's, company's or tax-option corporation's income under s.
10 71.21 (4) or 71.34 (1) (g).

11 **SECTION 2.** 71.07 (5d) of the statutes is created to read:
12 71.07 (5d) STUDENT SPONSORSHIP CREDIT. (a) In this subsection:

1 1. “Claimant” means a sole proprietor, a partner, a member of a limited liability
2 company or a shareholder of a tax-option corporation who files a claim under this
3 subsection.

4 2. “Degree-granting program” means an educational program for which an
5 associate or a bachelor’s degree is awarded upon completion.

6 3. “Family member” has the meaning given in s. 157.061 (7).

7 4. “Managing employe” means an individual who wholly or partially exercises
8 operational or managerial control over, or who directly or indirectly conducts, the
9 operation of the claimant’s business.

10 5. “Qualified expenses” means expenses related to attending school including
11 room and board, books and tuition.

12 6. “Qualified student” means any of the following:

13 a. A student who is a full-time undergraduate student enrolled in the
14 University of Wisconsin System or technical college system institution and who is
15 eligible for a Wisconsin higher education grant under s. 39.435 for at least 2
16 semesters that the student is enrolled.

17 b. A student who is a full-time undergraduate student enrolled in a regionally
18 accredited 4-year private college or university in this state and who is eligible for a
19 Wisconsin tuition grant under s. 39.435 (2) for at least 2 semesters that the student
20 is enrolled.

21 (b) Subject to the limitations provided in this subsection, a claimant may claim
22 as a credit against the tax imposed under s. 71.02 an amount equal to \$1,000 for each
23 student on whose behalf the claimant pays at least \$3,000 of qualified expenses in
24 the taxable year or \$2,000 for each student on whose behalf the claimant pays at least
25 \$6,000 of qualified expenses in the taxable year.

1 (c) A claimant may claim credits under par. (b) for qualified expenses that are
2 paid for no more than 10 semesters that the qualified student is enrolled as an
3 undergraduate.

4 (d) A claimant may not claim the credit under par. (b) for any tuition amounts
5 that the claimant excluded under s. 71.05 (6) (b) 28. or under section 127 of the
6 Internal Revenue Code.

7 (dm) A claimant may not claim the credit under par. (b) for any expenses that
8 the claimant paid for a family member of the claimant or of a managing employe
9 unless all of the following apply:

10 1. The family member was employed an average of at least 20 hours a week as
11 an employe of the claimant, or the claimant's business, during the one-year period
12 prior to enrolling as an undergraduate student.

13 2. The family member is enrolled in a degree-granting program that is
14 substantially related to the claimant's business.

15 3. The family member is making satisfactory progress towards completing the
16 degree-granting program under subd. 2.

17 (e) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
18 under s. 71.28 (4), apply to the credit under this subsection.

19 (f) Partnerships, limited liability companies and tax-option corporations may
20 not claim the credit under this subsection, but the eligibility for, and the amount of,
21 the credit are based on their payment of qualified expenses under par. (b). A
22 partnership, limited liability company or tax-option corporation shall compute the
23 amount of credit that each of its partners, members or shareholders may claim and
24 shall provide that information to each of them. Partners, members of limited liability

1 companies and shareholders of tax-option corporations may claim the credit in
2 proportion to their ownership interest.

3 (g) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
4 applies to the credit under this subsection.

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

6 71.10 (4) (cp) The student sponsorship credit under s. 71.07 (5d).

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

8 71.26 (2) (a) *Corporations in general.* The “net income” of a corporation means
9 the gross income as computed under the internal revenue code as modified under
10 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
11 computed under s. 71.28 (1) and (3) to (5) plus the amount of the credit computed
12 under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds) and (1dx) and (5d) and not passed
13 through by a partnership, limited liability company or tax-option corporation that
14 has added that amount to the partnership’s, limited liability company’s or tax-option
15 corporation’s income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from
16 the sale or other disposition of assets the gain from which would be wholly exempt
17 income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at
18 a gain and minus deductions, as computed under the internal revenue code as
19 modified under sub. (3), plus or minus, as appropriate, an amount equal to the
20 difference between the federal basis and Wisconsin basis of any asset sold,
21 exchanged, abandoned or otherwise disposed of in a taxable transaction during the
22 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

23 **SECTION 5.** 71.28 (5d) of the statutes is created to read:

24 71.28 (5d) STUDENT SPONSORSHIP CREDIT. (a) In this subsection:

25 1. “Claimant” means a corporation that files a claim under this subsection.

1 2. “Degree-granting program” means an educational program for which an
2 associate or a bachelor’s degree is awarded upon completion.

3 3. “Family member” has the meaning given in s. 157.061 (7).

4 4. “Managing employe” means an individual who wholly or partially exercises
5 operational or managerial control over, or who directly or indirectly conducts, the
6 operation of the claimant’s business.

7 5. “Qualified expenses” means expenses related to attending school including
8 room and board, books and tuition.

9 6. “Qualified student” means any of the following:

10 a. A student who is a full-time undergraduate student enrolled in the
11 University of Wisconsin System or technical college system institution and who is
12 eligible for a Wisconsin higher education grant under s. 39.435 for at least 2
13 semesters that the student is enrolled.

14 b. A student who is a full-time undergraduate student enrolled in a regionally
15 accredited 4-year private college or university in this state and who is eligible for a
16 Wisconsin tuition grant under s. 39.435 (2) for at least 2 semesters that the student
17 is enrolled.

18 (b) Subject to the limitations provided in this subsection, a claimant may claim
19 as a credit against the tax imposed under s. 71.23 an amount equal to \$1,000 for each
20 student on whose behalf the claimant pays at least \$3,000 of qualified expenses in
21 the taxable year or \$2,000 for each student on whose behalf the claimant pays at least
22 \$6,000 of qualified expenses in the taxable year.

23 (c) A claimant may claim credits under par. (b) for qualified expenses that are
24 paid for no more than 10 semesters that the qualified student is enrolled as an
25 undergraduate.

1 (d) A claimant may not claim the credit under par. (b) for any expenses that the
2 claimant paid for a family member of a managing employe unless all of the following
3 apply:

4 1. The family member was employed an average of at least 20 hours a week as
5 an employe of the claimant, or the claimant's business, during the one-year period
6 prior to enrolling as an undergraduate student.

7 2. The family member is enrolled in a degree-granting program that is
8 substantially related to the claimant's business.

9 3. The family member is making satisfactory progress towards completing the
10 degree-granting program under subd. 2.

11 (e) The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit
12 under sub. (4), apply to the credit under this subsection.

13 (f) 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 their payment of qualified expenses under par. (b). A
16 partnership, limited liability company or tax-option corporation shall compute the
17 amount of credit that each of its partners, members or shareholders may claim and
18 shall provide that information to each of them. Partners, members of limited liability
19 companies and shareholders of tax-option corporations may claim the credit in
20 proportion to their ownership interest.

21 (g) Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies
22 to the credit under this subsection.

23 **SECTION 6.** 71.30 (3) (dm) of the statutes is created to read:

24 71.30 (3) (dm) The student sponsorship credit under s. 71.28 (5d).

25 **SECTION 7.** 71.47 (5d) of the statutes is created to read:

1 71.47 (5d) STUDENT SPONSORSHIP CREDIT. (a) In this subsection:

2 1. "Claimant" means a corporation that files a claim under this subsection.

3 2. "Degree-granting program" means an educational program for which an
4 associate or a bachelor's degree is awarded upon completion.

5 3. "Family member" has the meaning given in s. 157.061 (7).

6 4. "Managing employe" means an individual who wholly or partially exercises
7 operational or managerial control over, or who directly or indirectly conducts, the
8 operation of the claimant's business.

9 5. "Qualified expenses" means expenses related to attending school including
10 room and board, books and tuition.

11 6. "Qualified student" means any of the following:

12 a. A student who is a full-time undergraduate student enrolled in the
13 University of Wisconsin System or technical college system institution and who is
14 eligible for a Wisconsin higher education grant under s. 39.435 for at least 2
15 semesters that the student is enrolled.

16 b. A student who is a full-time undergraduate student enrolled in a regionally
17 accredited 4-year private college or university in this state and who is eligible for a
18 Wisconsin tuition grant under s. 39.435 (2) for at least 2 semesters that the student
19 is enrolled.

20 (b) Subject to the limitations provided in this subsection, a claimant may claim
21 as a credit against the tax imposed under s. 71.43 an amount equal to \$1,000 for each
22 student on whose behalf the claimant pays at least \$3,000 of qualified expenses in
23 the taxable year or \$2,000 for each student on whose behalf the claimant pays at least
24 \$6,000 of qualified expenses in the taxable year.

1 (c) A claimant may claim credits under par. (b) for qualified expenses that are
2 paid for no more than 10 semesters that the qualified student is enrolled as an
3 undergraduate.

4 (d) A claimant may not claim the credit under par. (b) for any expenses that the
5 claimant paid for a family member of a managing employe unless all of the following
6 apply:

7 1. The family member was employed an average of at least 20 hours a week as
8 an employe of the claimant, or the claimant's business, during the one-year period
9 prior to enrolling as an undergraduate student.

10 2. The family member is enrolled in a degree-granting program that is
11 substantially related to the claimant's business.

12 3. The family member is making satisfactory progress towards completing the
13 degree-granting program under subd. 2.

14 (e) The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
15 under s. 71.28 (4), apply to the credit under this subsection.

16 (f) Partnerships, limited liability companies and tax-option corporations may
17 not claim the credit under this subsection, but the eligibility for, and the amount of,
18 the credit are based on their payment of qualified expenses under par. (b). A
19 partnership, limited liability company or tax-option corporation shall compute the
20 amount of credit that each of its partners, members or shareholders may claim and
21 shall provide that information to each of them. Partners, members of limited liability
22 companies and shareholders of tax-option corporations may claim the credit in
23 proportion to their ownership interest.

24 (g) Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4),
25 applies to the credit under this subsection.

