



State of Wisconsin
2021 - 2022 LEGISLATURE

LRB-1040/P1
EKL:cdc

DOA:.....Quinn, BB0370 - Work opportunity tax credit

FOR 2021-2023 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Work opportunity tax credit

This bill creates a state income and franchise tax credit to supplement the federal Work Opportunity Tax Credit. The federal tax credit is available to employers who hire individuals from specified targeted groups. The targeted groups are veterans, ex-felons, Temporary Assistance for Needy Families recipients, designated community residents, vocational rehabilitation referrals, summer youth employees, Supplemental Nutrition Assistance Program recipients, Supplemental Security Income recipients, long-term family assistance recipients, and long-term unemployment recipients. In general, the federal credit equals 40 percent of the wages, limited to \$6,000, paid to the individual during the first year of employment if the individual works at least 400 hours and 20 percent of such wages if the individual works between 120 and 400 hours. Different limitations and rules exist for members of certain targeted groups. The federal tax credit is scheduled to expire on January 1, 2026.

Under the bill, an employer may claim a state tax credit for wages paid to individuals who are members of a targeted group, as determined under federal law, for services performed in Wisconsin. The state credit is equal to 50 percent of the

amount that the claimant could claim under the federal credit for those wages and must be claimed at the same time as the federal credit. The bill applies to taxable years beginning after December 31, 2020.

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. 71.07 (4t) of the statutes is created to read:

71.07 (4t) WORK OPPORTUNITY TAX CREDIT. (a) *Definitions.* In this subsection:

1. “Claimant” means a person who is an employer of a targeted group member and who files a claim under this subsection.

2. “Targeted group member” means an individual who performs services for the claimant in this state and who is a member of a targeted group under [26 USC 51](#) (d).

(b) *Filing claims.* For taxable years beginning after December 31, 2020, a claimant may claim as a credit against the taxes imposed under s. 71.02, up to the amount of the tax, the following amounts:

1. An amount equal to 20 percent of the qualified first-year wages, as defined in [26 USC 51](#) (b) (2), paid during the taxable year to a targeted group member who has performed at least 400 hours of services for the claimant in this state.

2. An amount equal to 12.5 percent of the qualified first-year wages, as defined in [26 USC 51](#) (b) (2), paid during the taxable year to a targeted group member who has performed at least 120 hours, but less than 400 hours, of services for the claimant in this state.

3. An amount equal to 25 percent of the qualified 2nd-year wages, as defined in [26 USC 51](#) (e) (2), paid during the taxable year to a long-term family assistance

recipient, as defined in [26 USC 51](#) (d) (10), who has performed at least 400 hours of services for the claimant in this state.

(c) *Limitations.* 1. The wages for which a credit may be claimed under par. (b) may not exceed the applicable threshold in [26 USC 51](#) (b) (3), (d) (7) (B) (ii), or (e) (1) (B) and may not be paid for services performed outside this state.

2. A credit under this subsection shall be claimed at the same time as the credit under [26 USC 51](#).

3. The requirements and limitations in [26 USC 51](#) (d) (13), (f), (i), and (k) shall apply to the credit under this subsection.

4. 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 the wages 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. The partners, members, and shareholders 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 2. 71.10 (4) (ct) of the statutes is created to read:

71.10 (4) (ct) Work opportunity tax credit under s. 71.07 (4t).

SECTION 3. 71.28 (4t) of the statutes is created to read:

71.28 (4t) WORK OPPORTUNITY TAX CREDIT. (a) *Definitions.* In this subsection:

1. “Claimant” means a person who is an employer of a targeted group member and who files a claim under this subsection.

2. “Targeted group member” means an individual who performs services for the claimant in this state and who is a member of a targeted group under [26 USC 51](#) (d).

(b) *Filing claims.* For taxable years beginning after December 31, 2020, a claimant may claim as a credit against the taxes imposed under s. 71.23, up to the amount of the tax, the following amounts:

1. An amount equal to 20 percent of the qualified first-year wages, as defined in [26 USC 51](#) (b) (2), paid during the taxable year to a targeted group member who has performed at least 400 hours of services for the claimant in this state.

2. An amount equal to 12.5 percent of the qualified first-year wages, as defined in [26 USC 51](#) (b) (2), paid during the taxable year to a targeted group member who has performed at least 120 hours, but less than 400 hours, of services for the claimant in this state.

3. An amount equal to 25 percent of the qualified 2nd-year wages, as defined in [26 USC 51](#) (e) (2), paid during the taxable year to a long-term family assistance recipient, as defined in [26 USC 51](#) (d) (10), who has performed at least 400 hours of services for the claimant in this state.

(c) *Limitations.* 1. The wages for which a credit may be claimed under par. (b) may not exceed the applicable threshold in [26 USC 51](#) (b) (3), (d) (7) (B) (ii), or (e) (1) (B) and may not be paid for services performed outside this state.

2. A credit under this subsection shall be claimed at the same time as the credit under [26 USC 51](#).

3. The requirements and limitations in [26 USC 51](#) (d) (13), (f), (i), and (k) shall apply to the credit under this subsection.

4. 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 the wages 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. The partners, members, and shareholders 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 4. 71.30 (3) (ct) of the statutes is created to read:

71.30 (3) (ct) Work opportunity tax credit under s. 71.28 (4t).

SECTION 5. 71.47 (4t) of the statutes is created to read:

71.47 (4t) WORK OPPORTUNITY TAX CREDIT. (a) *Definitions.* In this subsection:

1. “Claimant” means a person who is an employer of a targeted group member and who files a claim under this subsection.

2. “Targeted group member” means an individual who performs services for the claimant in this state and who is a member of a targeted group under [26 USC 51](#) (d).

(b) *Filing claims.* For taxable years beginning after December 31, 2020, a claimant may claim as a credit against the taxes imposed under s. 71.43, up to the amount of the tax, the following amounts:

1. An amount equal to 20 percent of the qualified first-year wages, as defined in [26 USC 51](#) (b) (2), paid during the taxable year to a targeted group member who has performed at least 400 hours of services for the claimant in this state.

2. An amount equal to 12.5 percent of the qualified first-year wages, as defined in [26 USC 51](#) (b) (2), paid during the taxable year to a targeted group member who has performed at least 120 hours, but less than 400 hours, of services for the claimant in this state.

3. An amount equal to 25 percent of the qualified second-year wages, as defined in [26 USC 51](#) (e) (2), paid during the taxable year to a long-term family assistance recipient, as defined in [26 USC 51](#) (d) (10), who has performed at least 400 hours of services for the claimant in this state.

(c) *Limitations.* 1. The wages for which a credit may be claimed under par. (b) may not exceed the applicable threshold in [26 USC 51](#) (b) (3), (d) (7) (B) (ii), or (e) (1) (B) and may not be paid for services performed outside this state.

2. A credit under this subsection shall be claimed at the same time as the credit under [26 USC 51](#).

3. The requirements and limitations in [26 USC 51](#) (d) (13), (f), (i), and (k) shall apply to the credit under this subsection.

4. 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 the wages 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. The partners, members, and shareholders 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 6. 71.49 (1) (ct) of the statutes is created to read:

71.49 (1) (ct) Work opportunity tax credit under s. 71.47 (4t).

(END)