



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-1523/P1
KP:klm

DOA:.....Quinn, BB0354 - Dividends received deduction limitation

FOR 2023-2025 BUDGET -- NOT READY FOR INTRODUCTION

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

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Dividends received deduction limitation

Current law allows corporations to deduct, for income and franchise tax purposes, the dividends received from related corporations. The dividends must be paid on common stock, and the corporation receiving the dividends must own at least 70 percent of the total combined voting stock of the other corporation. Current law also allows businesses to carry forward net business losses to future taxable years in order to offset income in those years. Under this bill, a business may not take the dividends received deduction into account when determining if it has a net business loss that can be carried forward.

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:

SECTION 1. 71.26 (3) (j) of the statutes is amended to read:

71.26 (3) (j) Sections 243, 244, 245, 245A, 246 and 246A are excluded and replaced by the rule that corporations may deduct from income dividends received from a corporation with respect to its common stock if the corporation receiving the dividends owns, directly or indirectly, during the entire taxable year at least 70 percent of the total combined voting stock of the payor corporation. In this paragraph, “dividends received” means gross dividends minus taxes on those dividends paid to a foreign nation and claimed as a deduction under this chapter. The same dividends may not be deducted more than once and may not be used in the determination of a net business loss under ss. 71.26 (4) and 71.45 (4).

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

71.26 (4) (a) Except as provided in par. (b) and s. 71.80 (25), a corporation, except a tax-option corporation or an insurer to which s. 71.45 (4) applies, may offset against its Wisconsin net business income any Wisconsin net business loss incurred in any of the 20 immediately preceding taxable years, if the corporation was subject to taxation under this chapter in the taxable year in which the loss was incurred, to the extent not offset by other items of Wisconsin income in the loss year and by Wisconsin net business income of any year between the loss year and the taxable year for which an offset is claimed. For purposes of this subsection, Wisconsin net business income or loss shall consist of all the income attributable to the operation of a trade or business in this state, less the business expenses allowed as deductions in computing net income, except that the dividends received deduction under sub. (3) (j) may not be used in the determination of a net business loss. The Wisconsin net business income or loss of corporations engaged in business within and without the state shall be determined under s. 71.25 (6) and (10) to (12). Nonapportionable losses

having a Wisconsin situs under s. 71.25 (5) (b) shall be included in Wisconsin net business loss; and nonapportionable income having a Wisconsin situs under s. 71.25 (5) (b), whether taxable or exempt, shall be included in other items of Wisconsin income and Wisconsin net business income for purposes of this subsection.

SECTION 3. 71.45 (4) (a) of the statutes is amended to read:

71.45 (4) (a) Except as provided in par. (b) and s. 71.80 (25), insurers computing tax under this subchapter may subtract from Wisconsin net income any Wisconsin net business loss incurred in any of the 20 immediately preceding taxable years, if the insurer was subject to taxation under this chapter in the taxable year in which the loss was incurred, to the extent not offset by Wisconsin net business income of any year between the loss year and the taxable year for which an offset is claimed and computed without regard to sub. (2) (a) 8. and 9. and this subsection and limited to the amount of net income, but no loss incurred for a taxable year before taxable year 1987 by a nonprofit service plan of sickness care under ch. 148, or dental care under s. 447.13 may be treated as a net business loss of the successor service insurer under ch. 613 operating by virtue of s. 148.03 or 447.13. For purposes of this paragraph, the dividends received deduction under s. 71.26 (3) (j) may not be used in the determination of a net business loss.

SECTION 9337. Initial applicability; Revenue.

(1) DIVIDENDS RECEIVED DEDUCTION. The treatment of ss. 71.26 (3) (j) and (4) (a) and 71.45 (4) (a) first applies to taxable years beginning after December 31, 2022.

(END)