



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2003 Wisconsin Act 99 [2003 Assembly Bill 507]	Tax Exemption for Fuel and Electricity Used in Manufacturing
2003 Acts: www.legis.state.wi.us/2003/data/acts/	Act Memos: www.legis.state.wi.us/lc/act_memo/act_memo.htm

Under current law, a manufacturer may claim an income or franchise tax credit in an amount that is equal to the sales tax and the use tax that the manufacturer paid on fuel and electricity used for manufacturing tangible personal property in this state.

Under Act 99, a manufacturer may not claim the credit for taxable years beginning after December 31, 2005. However, unused credits may be carried forward for 15 years. The existing credit carryforwards for manufacturers with \$25,000 or more of total unused credit carryforwards for the first two years after the repeal of the credit would be disallowed. However, these manufacturers would be provided an income and franchise tax deduction over two years for the amount that was added back to income when the credit was first claimed. The existing credit carryforwards that manufacturers with less than \$25,000 of total unused credit carryforwards could claim would be 50% of the credits for tax year 2006 and 50% of the credits for tax year 2007.

Under Act 99, for taxable years beginning on or after January 1, 2008, a new individual and corporate income tax credit for fuel and electricity used in manufacturing will become effective. The credit is nonrefundable and is equal to 100% of total unused manufacturers' sales tax credit carryforwards for fuel and electricity held before the credit was repealed. The credit is amortized over 15 years, and any unused credit amounts in any one year may be carried forward to subsequent years.

A manufacturer would have to be certified by the Department of Commerce that it met one of the following four criteria in order to claim the new income tax credit: (1) it retained 100% of full-time jobs that it employed in Wisconsin as of the effective date of the bill; (2) had average annual investments in Wisconsin beginning on January 1, 2003, equal to 2% of the book value of the manufacturer's depreciable assets in Wisconsin plants and facilities; (3) had average annual investments in Wisconsin beginning on January 1, 2003 of \$5 million; or (4) satisfied other criteria developed by the Department of Commerce, in consultation with the Department of Revenue, and promulgated by administrative rule.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents.

Finally, under Act 99, beginning on January 1, 2006, fuel and electricity sold for use in manufacturing tangible personal property in this state is *exempt* from the sales tax and the use tax.

Effective Date: December 23, 2003

Prepared by: Laura Rose, Deputy Director

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