



## 2007 ASSEMBLY BILL 837

February 21, 2008 - Introduced by Representatives FIELDS, TURNER, MOLEPSKE and GRIGSBY. Referred to Committee on Ways and Means.

1     **AN ACT** *to amend* 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2)  
2           (a) 10. and 77.92 (4); and *to create* 71.07 (5c), 71.10 (4) (cn), 71.28 (5c), 71.30  
3           (3) (cn), 71.47 (5c) and 71.49 (1) (cn) of the statutes; **relating to:** an income and  
4           franchise tax credit for hiring high school students for summer employment.

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### *Analysis by the Legislative Reference Bureau*

This bill creates an income and franchise tax credit for businesses that hire high school students for summer employment. The credit is equal to the wages paid to an employee who is a high school student, or who has just graduated from high school and intends to go to college, during the period beginning on July 1 and ending on the first Monday in September. For each student who works full time, the employer may claim a credit not to exceed the lesser of \$600 per month or 70 percent of the student's monthly wage. For each student who works part time, the employer may claim a credit not to exceed the lesser of \$300 per month or 70 percent of the student's monthly wage. The employer, however, may only claim the credit for wages paid to a student whose most recent cumulative grade point average is at least 3.0 or the equivalent. The maximum amount of the credits that an employer may claim in any taxable year is \$10,000. If the credit claimed by an employer exceeds the employer's tax liability, the state will not issue a refund check, but the employer may carry forward any remaining credit to subsequent taxable years.

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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*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 (2dd), (2de),  
3           (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), (5c), (5d),  
4           and (5e), (5f), and (5h) and not passed through by a partnership, limited liability  
5           company, or tax-option corporation that has added that amount to the partnership's,  
6           company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

7           **SECTION 2.** 71.07 (5c) of the statutes is created to read:

8           71.07 **(5c)** YOUTH SUMMER EMPLOYMENT CREDIT. (a) *Definitions.* In this  
9           subsection:

- 10           1. "Claimant" means a person who files a claim under this subsection.  
11           2. "Full time" means at least 35 hours a week.  
12           3. "Part time" means less than 35 hours a week.

13           (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
14           claimant may claim as a credit against the taxes imposed under s. 71.02, up to the  
15           amount of those taxes, an amount that is equal to the amount of the wages that the  
16           claimant paid in the taxable year to an employee, if all of the following apply:

- 17           1. The claimant paid the wages for work performed during the period beginning  
18           on July 1 and ending on the first Monday in September of the taxable year.  
19           2. The employee is at least 15 years of age, but no more than 18 years of age.  
20           3. The employee is either a high school student or graduates from high school  
21           during the taxable year prior to the first Monday in September and provides proof

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1 to the claimant that he or she is enrolled in a university or college located in this state  
2 and intends to begin instruction at the university or college in that taxable year.

3 4. The employee receives an hourly wage that is at least 20 percent more than  
4 the federal minimum hourly wage.

5 5. The student's most recent cumulative high school grade point average is at  
6 least 3.0 or the equivalent.

7 (c) *Limitations.* 1. The maximum amount that a claimant may claim under this  
8 subsection in any taxable year for any single employee who works full time is an  
9 amount that is equal to the lesser of \$600 for each month that the employee is  
10 employed during the period described under par. (b) or 70 percent of the employee's  
11 monthly wages during that period.

12 2. The maximum amount that a claimant may claim under this subsection in  
13 any taxable year for any single employee who works part time is an amount that is  
14 equal to the lesser of \$300 for each month that the employee is employed during the  
15 period described under par. (b) or 70 percent of the employee's monthly wages during  
16 that period.

17 3. The maximum amount that a claimant may claim under this subsection in  
18 any taxable year is \$10,000.

19 4. 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 amounts under par. (b). A partnership,  
22 limited liability company, or tax-option corporation shall compute the amount of  
23 credit that each of its partners, members, or shareholders may claim and shall  
24 provide that information to each of them. Partners, members of limited liability

**ASSEMBLY BILL 837****SECTION 2**

1 companies, and shareholders of tax-option corporations may claim the credit in  
2 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 3.** 71.10 (4) (cn) of the statutes is created to read:

6 71.10 (4) (cn) Youth summer employment credit under s. 71.07 (5c).

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

8 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
9 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), (5c), (5e), (5f), (5g), and  
10 (5h) and passed through to partners shall be added to the partnership's income.

11 **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

12 71.26 (2) (a) *Corporations in general.* The “net income” of a corporation means  
13 the gross income as computed under the Internal Revenue Code as modified under  
14 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
15 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
16 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
17 under this paragraph at the time that the taxpayer first claimed the credit plus the  
18 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
19 (1ds), (1dx), (3g), (3n), (3t), (3w), (5b), (5c), (5e), (5f), (5g), and (5h) and not passed  
20 through by a partnership, limited liability company, or tax-option corporation that  
21 has added that amount to the partnership's, limited liability company's, or  
22 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus the amount  
23 of losses from the sale or other disposition of assets the gain from which would be  
24 wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise  
25 disposed of at a gain and minus deductions, as computed under the Internal Revenue

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1 Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to  
2 the difference between the federal basis and Wisconsin basis of any asset sold,  
3 exchanged, abandoned, or otherwise disposed of in a taxable transaction during the  
4 taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

5 **SECTION 6.** 71.28 (5c) of the statutes is created to read:

6 71.28 (5c) YOUTH SUMMER EMPLOYMENT CREDIT. (a) *Definitions.* In this  
7 subsection:

- 8 1. "Claimant" means a person who files a claim under this subsection.
- 9 2. "Full time" means at least 35 hours a week.
- 10 3. "Part time" means less than 35 hours a week.

11 (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
12 claimant may claim as a credit against the taxes imposed under s. 71.23, up to the  
13 amount of those taxes, an amount that is equal to the amount of the wages that the  
14 claimant paid in the taxable year to an employee, if all of the following apply:

- 15 1. The claimant paid the wages for work performed during the period beginning  
16 on July 1 and ending on the first Monday in September of the taxable year.
- 17 2. The employee is at least 15 years of age, but no more than 18 years of age.
- 18 3. The employee is either a high school student or graduates from high school  
19 during the taxable year prior to the first Monday in September and provides proof  
20 to the claimant that he or she is enrolled in a university or college located in this state  
21 and intends to begin instruction at the university or college in that taxable year.
- 22 4. The employee receives an hourly wage that is at least 20 percent more than  
23 the federal minimum hourly wage.
- 24 5. The student's most recent cumulative high school grade point average is at  
25 least 3.0 or the equivalent.

**ASSEMBLY BILL 837****SECTION 6**

1           (c) *Limitations.* 1. The maximum amount that a claimant may claim under this  
2 subsection in any taxable year for any single employee who works full time is an  
3 amount that is equal to the lesser of \$600 for each month that the employee is  
4 employed during the period described under par. (b) or 70 percent of the employee's  
5 monthly wages during that period.

6           2. The maximum amount that a claimant may claim under this subsection in  
7 any taxable year for any single employee who works part time is an amount that is  
8 equal to the lesser of \$300 for each month that the employee is employed during the  
9 period described under par. (b) or 70 percent of the employee's monthly wages during  
10 that period.

11           3. The maximum amount that a claimant may claim under this subsection in  
12 any taxable year is \$10,000.

13           4. 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 amounts under par. (b). A partnership,  
16 limited liability company, or tax-option corporation shall compute the amount of  
17 credit that each of its partners, members, or shareholders may claim and shall  
18 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 interests.

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

23           **SECTION 7.** 71.30 (3) (cn) of the statutes is created to read:

24           71.30 (3) (cn) Youth summer employment credit under s. 71.28 (5c).

25           **SECTION 8.** 71.34 (1) (g) of the statutes is amended to read:

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1           71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
2 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),  
3 (3n), (3t), (3w), (5b), (5c), (5e), (5f), (5g), and (5h) and passed through to shareholders.

4           **SECTION 9.** 71.45 (2) (a) 10. of the statutes is amended to read:

5           71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
6 computed under s. 71.47 (1dd) to (1dx), (3n), (3w), (5b), (5c), (5e), (5f), (5g), and (5h)  
7 and not passed through by a partnership, limited liability company, or tax-option  
8 corporation that has added that amount to the partnership's, limited liability  
9 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g) and  
10 the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

11           **SECTION 10.** 71.47 (5c) of the statutes is created to read:

12           71.47 (5c) YOUTH SUMMER EMPLOYMENT CREDIT. (a) *Definitions.* In this  
13 subsection:

- 14           1. "Claimant" means a person who files a claim under this subsection.
- 15           2. "Full time" means at least 35 hours a week.
- 16           3. "Part time" means less than 35 hours a week.

17           (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
18 claimant may claim as a credit against the taxes imposed under s. 71.43, up to the  
19 amount of those taxes, an amount that is equal to the amount of the wages that the  
20 claimant paid in the taxable year to an employee, if all of the following apply:

- 21           1. The claimant paid the wages for work performed during the period beginning  
22 on July 1 and ending on the first Monday in September of the taxable year.
- 23           2. The employee is at least 15 years of age, but no more than 18 years of age.
- 24           3. The employee is either a high school student or graduates from high school  
25 during the taxable year prior to the first Monday in September and provides proof

**ASSEMBLY BILL 837****SECTION 10**

1 to the claimant that he or she is enrolled in a university or college located in this state  
2 and intends to begin instruction at the university or college in that taxable year.

3 4. The employee receives an hourly wage that is at least 20 percent more than  
4 the federal minimum hourly wage.

5 5. The student's most recent cumulative high school grade point average is at  
6 least 3.0 or the equivalent.

7 (c) *Limitations.* 1. The maximum amount that a claimant may claim under this  
8 subsection in any taxable year for any single employee who works full time is an  
9 amount that is equal to the lesser of \$600 for each month that the employee is  
10 employed during the period described under par. (b) or 70 percent of the employee's  
11 monthly wages during that period.

12 2. The maximum amount that a claimant may claim under this subsection in  
13 any taxable year for any single employee who works part time is an amount that is  
14 equal to the lesser of \$600 for each month that the employee is employed during the  
15 period described under par. (b) or 70 percent of the employee's monthly wages during  
16 that period.

17 3. The maximum amount that a claimant may claim under this subsection in  
18 any taxable year is \$10,000.

19 4. 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 amounts under par. (b). A partnership,  
22 limited liability company, or tax-option corporation shall compute the amount of  
23 credit that each of its partners, members, or shareholders may claim and shall  
24 provide that information to each of them. Partners, members of limited liability



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1 companies, and shareholders of tax-option corporations may claim the credit in  
2 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 11.** 71.49 (1) (cn) of the statutes is created to read:

6 71.49 (1) (cn) Youth summer employment credit under s. 71.47 (5c).

7 **SECTION 12.** 77.92 (4) of the statutes is amended to read:

8 77.92 (4) “Net business income,” with respect to a partnership, means taxable  
9 income as calculated under section 703 of the Internal Revenue Code; plus the items  
10 of income and gain under section 702 of the Internal Revenue Code, including taxable  
11 state and municipal bond interest and excluding nontaxable interest income or  
12 dividend income from federal government obligations; minus the items of loss and  
13 deduction under section 702 of the Internal Revenue Code, except items that are not  
14 deductible under s. 71.21; plus guaranteed payments to partners under section 707  
15 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
16 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), (3w), (5b), (5c), (5e),  
17 (5f), (5g), and (5h); and plus or minus, as appropriate, transitional adjustments,  
18 depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and  
19 (19); but excluding income, gain, loss, and deductions from farming. “Net business  
20 income,” with respect to a natural person, estate, or trust, means profit from a trade  
21 or business for federal income tax purposes and includes net income derived as an  
22 employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

23 **SECTION 13. Initial applicability.**

24 (1) This act first applies to taxable years beginning on January 1, 2008.

25

(END)