



State of Wisconsin
2005 - 2006 LEGISLATURE

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2005 SENATE BILL 281

August 10, 2005 - Introduced by Senators STEPP, HARSDORF, ROESSLER, LEIBHAM, ERPENBACH, A. LASEE and HANSEN, cosponsored by Representatives VOS, PETTIS, DAVIS, FREESE, KRAWCZYK, VAN ROY, ALBERS, OTT, TOWNSEND, MCCORMICK, LEHMAN, GUNDERSON, VRAKAS, SHERIDAN, MUSSER, PARISI, STRACHOTA and LOEFFELHOLZ, by request of Careers Industries in Racine and Diversified Services, Inc. in Siren. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

1 **AN ACT to amend** 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.21 (4), 71.26 (2) (a), 71.34
2 (1) (g), 71.45 (2) (a) 10. and 77.92 (4); and **to create** 71.07 (3w), 71.10 (4) (gbn),
3 71.28 (3w), 71.30 (3) (bn), 71.47 (3w) and 71.49 (1) (bn) of the statutes; **relating**
4 **to:** creating an income and franchise tax credit for work provided by community
5 rehabilitation programs and granting rule-making authority.

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax credit for work provided by a community rehabilitation program to a business. The amount of the credit equals 5 percent of the amount the taxpayer paid in the taxable year to a community rehabilitation program to perform work for the taxpayer's business, pursuant to a contract. The maximum amount that a taxpayer may claim in a taxable year is \$25,000 for each community rehabilitation program for which the taxpayer enters into a contract to perform work. If the credit claimed by a taxpayer exceeds the taxpayer's tax liability, the state will not issue a refund check, but the taxpayer may carry forward any remaining credit to subsequent taxable years.

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:

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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), and (5d)
4 and not passed through by a partnership, limited liability company, or tax-option
5 corporation that has added that amount to the partnership's, company's, or
6 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

7 **SECTION 2.** 71.07 (3w) of the statutes is created to read:

8 71.07 **(3w)** COMMUNITY REHABILITATION PROGRAM CREDIT. (a) *Definitions.* In this
9 subsection:

10 1. "Claimant" means a person who files a claim under this subsection.

11 2. "Community rehabilitation program" means a nonprofit entity, county,
12 municipality, or federal agency that directly provides, or facilitates the provision of,
13 vocational rehabilitation services to individuals who have disabilities to maximize
14 the employment opportunities, including career advancement, of such individuals.

15 3. "Vocational rehabilitation services" include education, training,
16 employment, counseling, therapy, placement, and case management.

17 4. "Work" includes production, packaging, assembly, food service, custodial
18 service, clerical service, and other commercial activities that improve employment
19 opportunities for individuals who have disabilities.

20 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
21 claimant may claim as a credit against the tax imposed under ss. 71.02 and 71.08,
22 up to the amount of those taxes, an amount equal to 5 percent of the amount the
23 claimant paid in the taxable year to a community rehabilitation program to perform
24 work for the claimant's business, pursuant to a contract.

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1 (c) *Limitations.* 1. The maximum amount that any claimant may claim under
2 this subsection in a taxable year is \$25,000 for each community rehabilitation
3 program for which the claimant enters into a contract to have the community
4 rehabilitation program perform work for the claimant's business.

5 2. No credit may be claimed under this subsection unless the claimant submits
6 with the claimant's return a form, as prescribed by the department of revenue, that
7 verifies that the claimant has entered into a contract with a community
8 rehabilitation program and that the program has received payment from the
9 claimant for work provided by the program, consistent with par. (b).

10 3. Partnerships, limited liability companies, and tax-option corporations may
11 not claim the credit under this subsection, but the eligibility for, and the amount of,
12 the credit are based on their payment of amounts under par. (b). A partnership,
13 limited liability company, or tax-option corporation shall compute the amount of
14 credit that each of its partners, members, or shareholders may claim and shall
15 provide that information to each of them. Partners, members of limited liability
16 companies, and shareholders of tax-option corporations may claim the credit in
17 proportion to their ownership interests.

18 (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under
19 s. 71.28 (4), applies to the credit under this subsection.

20 **SECTION 3.** 71.08 (1) (intro.) of the statutes is amended to read:

21 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
22 couple filing jointly, trust, or estate under s. 71.02, not considering the credits under
23 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3n), (3s),
24 (3t), (3w), (5b), (5d), (6), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx),
25 (1fd), (2m), (3), (3n), ~~and (3t)~~, and (3w), and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds),

SENATE BILL 281**SECTION 3**

1 (1dx), (1fd), (2m), (3), (3n), ~~and (3t), and (3w)~~, and subchs. VIII and IX and payments
2 to other states under s. 71.07 (7), is less than the tax under this section, there is
3 imposed on that natural person, married couple filing jointly, trust, or estate, instead
4 of the tax under s. 71.02, an alternative minimum tax computed as follows:

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

6 71.10 (4) (gbn) Community rehabilitation program credit under s. 71.07 (3w).

7 **SECTION 5.** 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)~~, and (5b) and passed through
10 to partners shall be added to the partnership's income.

11 **SECTION 6.** 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)~~, and (5b) and not passed through by a partnership,
20 limited liability company, or tax-option corporation that has added that amount to
21 the partnership's, limited liability company's, or tax-option corporation's income
22 under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or other
23 disposition of assets the gain from which would be wholly exempt income, as defined
24 in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus
25 deductions, as computed under the Internal Revenue Code as modified under sub.

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

5 **SECTION 7.** 71.28 (3w) of the statutes is created to read:

6 71.28 (3w) COMMUNITY REHABILITATION PROGRAM CREDIT. (a) *Definitions.* In this
7 subsection:

8 1. "Claimant" means a person who files a claim under this subsection.

9 2. "Community rehabilitation program" means a nonprofit entity, county,
10 municipality, or federal agency that directly provides, or facilitates the provision of,
11 vocational rehabilitation services to individuals who have disabilities to maximize
12 the employment opportunities, including career advancement, of such individuals.

13 3. "Vocational rehabilitation services" include education, training,
14 employment, counseling, therapy, placement, and case management.

15 4. "Work" includes production, packaging, assembly, food service, custodial
16 service, clerical service, and other commercial activities that improve employment
17 opportunities for individuals who have disabilities.

18 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
19 claimant may claim as a credit against the tax imposed under s. 71.23, up to the
20 amount of those taxes, an amount equal to 5 percent of the amount the claimant paid
21 in the taxable year to a community rehabilitation program to perform work for the
22 claimant's business, pursuant to a contract.

23 (c) *Limitations.* 1. The maximum amount that any claimant may claim under
24 this subsection in a taxable year is \$25,000 for each community rehabilitation

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1 program for which the claimant enters into a contract to have the community
2 rehabilitation program perform work for the claimant's business.

3 2. No credit may be claimed under this subsection unless the claimant submits
4 with the claimant's return a form, as prescribed by the department of revenue, that
5 verifies that the claimant has entered into a contract with a community
6 rehabilitation program and that the program has received payment from the
7 claimant for work provided by the program, consistent with par. (b).

8 3. Partnerships, limited liability companies, and tax-option corporations may
9 not claim the credit under this subsection, but the eligibility for, and the amount of,
10 the credit are based on their payment of amounts under par. (b). A partnership,
11 limited liability company, or tax-option corporation shall compute the amount of
12 credit that each of its partners, members, or shareholders may claim and shall
13 provide that information to each of them. Partners, members of limited liability
14 companies, and shareholders of tax-option corporations may claim the credit in
15 proportion to their ownership interests.

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

18 **SECTION 8.** 71.30 (3) (bn) of the statutes is created to read:

19 71.30 (3) (bn) Community rehabilitation program credit under s. 71.28 (3w).

20 **SECTION 9.** 71.34 (1) (g) of the statutes is amended to read:

21 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
22 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),
23 (3n), (3t), (3w), and (5b) and passed through to shareholders.

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

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

7 **SECTION 11.** 71.47 (3w) of the statutes is created to read:

8 71.47 (3w) COMMUNITY REHABILITATION PROGRAM CREDIT. (a) *Definitions.* In this
9 subsection:

10 1. "Claimant" means a person who files a claim under this subsection.

11 2. "Community rehabilitation program" means a nonprofit entity, county,
12 municipality, or federal agency that directly provides, or facilitates the provision of,
13 vocational rehabilitation services to individuals who have disabilities to maximize
14 the employment opportunities, including career advancement, of such individuals.

15 3. "Vocational rehabilitation services" include education, training,
16 employment, counseling, therapy, placement, and case management.

17 4. "Work" includes production, packaging, assembly, food service, custodial
18 service, clerical service, and other commercial activities that improve employment
19 opportunities for individuals who have disabilities.

20 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
21 claimant may claim as a credit against the tax imposed under s. 71.43, up to the
22 amount of those taxes, an amount equal to 5 percent of the amount the claimant paid
23 in the taxable year to a community rehabilitation program to perform work for the
24 claimant's business, pursuant to a contract.

SENATE BILL 281**SECTION 11**

1 (c) *Limitations.* 1. The maximum amount that any claimant may claim under
2 this subsection in a taxable year is \$25,000 for each community rehabilitation
3 program for which the claimant enters into a contract to have the community
4 rehabilitation program perform work for the claimant's business.

5 2. No credit may be claimed under this subsection unless the claimant submits
6 with the claimant's return a form, as prescribed by the department of revenue, that
7 verifies that the claimant has entered into a contract with a community
8 rehabilitation program and that the program has received payment from the
9 claimant for work provided by the program, consistent with par. (b).

10 3. Partnerships, limited liability companies, and tax-option corporations may
11 not claim the credit under this subsection, but the eligibility for, and the amount of,
12 the credit are based on their payment of amounts under par. (b). A partnership,
13 limited liability company, or tax-option corporation shall compute the amount of
14 credit that each of its partners, members, or shareholders may claim and shall
15 provide that information to each of them. Partners, members of limited liability
16 companies, and shareholders of tax-option corporations may claim the credit in
17 proportion to their ownership interests.

18 (d) *Administration.* Section 71.28 (4) (e) to (h), as it applies to the credit under
19 s. 71.28 (4), applies to the credit under this subsection.

20 **SECTION 12.** 71.49 (1) (bn) of the statutes is created to read:

21 71.49 (1) (bn) Community rehabilitation program credit under s. 71.47 (3w).

22 **SECTION 13.** 77.92 (4) of the statutes is amended to read:

23 77.92 (4) "Net business income," with respect to a partnership, means taxable
24 income as calculated under section 703 of the Internal Revenue Code; plus the items
25 of income and gain under section 702 of the Internal Revenue Code, including taxable

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1 state and municipal bond interest and excluding nontaxable interest income or
2 dividend income from federal government obligations; minus the items of loss and
3 deduction under section 702 of the Internal Revenue Code, except items that are not
4 deductible under s. 71.21; plus guaranteed payments to partners under section 707
5 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
6 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), (3w), and (5b); and
7 plus or minus, as appropriate, transitional adjustments, depreciation differences,
8 and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding
9 income, gain, loss, and deductions from farming. "Net business income," with respect
10 to a natural person, estate, or trust, means profit from a trade or business for federal
11 income tax purposes and includes net income derived as an employee as defined in
12 section 3121 (d) (3) of the Internal Revenue Code.

SECTION 14. Initial applicability.

13
14 (1) This act first applies to taxable years beginning on January 1 of the year
15 in which this subsection takes effect, except that if this subsection takes effect after
16 July 31 this act first applies to taxable years beginning on January 1 of the year
17 following the year in which this subsection takes effect.

18 (END)