



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #300

Assessments to Recover Revoked WEDC Credits (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2017-19 Budget Summary: Page 185, #23]

CURRENT LAW

With respect to assessments of a tax or an assessment to recover all or part of any income or franchise tax credit as a result of an office audit or field investigation conducted by the Department of Revenue (DOR), DOR must give notice to the taxpayer within four years of the date the income or franchise tax return was filed.

GOVERNOR

Permit DOR to make an assessment to recover all or a part of any tax credit allocated by the Wisconsin Economic Development Corporation (WEDC), provided WEDC has revoked the tax credit allocation and provided DOR notice of the revocation within one year of providing notice of the revocation to the taxpayer. This provision would provide an exception to the current law four-year statute of limitations for when DOR may recover all or part of a tax credit as a result of an audit.

MODIFICATION

Modify the provision to, instead, permit DOR to make an assessment to recover all or a part of any tax credit claimed by the taxpayer that was revoked by WEDC within one year of receiving notice of the revocation from WEDC.

Explanation: On March 31, 2017, the Department of Administration submitted a letter requesting a number of modifications to the Governor's budget bill. This modification would permit DOR to make an assessment to recover a revoked credit within one year of receiving

notice of the revocation from WEDC, regardless of when WEDC sent the notice of revocation to either DOR or the claimant. Under the language in the Governor's bill, there would not be a one-year deadline for DOR to make the assessment, but the assessment could only be made if WEDC provided notification of the revocation to DOR within one year of notifying the claimant of the revocation. The modification would also clarify that the provision would only apply to tax credits that have actually been claimed by the taxpayer.

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