



2011 ASSEMBLY BILL 732

March 15, 2012 – Introduced by Representatives ENDSLEY, PETRYK, SPANBAUER and THIESFELDT, cosponsored by Senators ZIPPERER and SCHULTZ. Referred to Committee on Jobs, Economy and Small Business.

1 **AN ACT** *to repeal* 71.28 (4) (ab) 2., 71.28 (5) (ab) 2., 71.365 (3), 71.47 (4) (ab) 2.
2 and 71.47 (5) (ab) 2.; *to renumber and amend* 71.28 (4) (i) and 71.47 (4) (i);
3 **to amend** 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a) 4., 71.28 (4) (ab) 3., 71.28 (4)
4 (ad) 1., 71.28 (4) (ad) 2., 71.28 (4) (af), 71.28 (4m) (c), 71.28 (5) (ab) 3., 71.28 (5)
5 (ad) 1., 71.28 (5) (ad) 2., 71.34 (1k) (g), 71.45 (2) (a) 10., 71.47 (4) (ab) 3., 71.47
6 (4) (ad) 1., 71.47 (4) (ad) 2., 71.47 (4) (af), 71.47 (4m) (c), 71.47 (5) (ab) 3., 71.47
7 (5) (ad) 1., 71.47 (5) (ad) 2. and 77.92 (4); and **to create** 71.07 (5a), 71.10 (4) (ds),
8 71.28 (4) (ad) 2m., 71.28 (4) (i) 2., 71.28 (5) (ad) 2m., 71.28 (5) (c), 71.47 (4) (ad)
9 2m., 71.47 (4) (i) 2., 71.47 (5) (ad) 2m. and 71.47 (5) (c) of the statutes; **relating**
10 **to:** research and research facilities tax credits related to internal combustion
11 engines.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may claim income and franchise tax credits based on its qualified research expenses. A corporation may claim 5 percent of its increase in qualified research expenses over a base year, except that a corporation may claim 10 percent of the increase in qualified research expenses over the base

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year for qualified research expenses related to designing internal combustion engines for vehicles or designing and manufacturing certain energy efficient equipment. A corporation may also claim 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, except that a corporation may claim 10 percent of such amounts if the research is related to designing internal combustion engines for vehicles or designing and manufacturing certain energy efficient equipment.

Under current law, partnerships, limited liability companies, tax-option corporations, partners of a partnership, members of a limited liability company, and shareholders of a tax-option corporation may not claim the credits.

Under this bill, a taxpayer may claim an income and franchise tax credit equal to 15 percent of the taxpayer's qualified research expenses paid in the taxable year that are directly or indirectly related to designing internal combustion engines for vehicles and an amount equal to 15 percent of the amount paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research directly or indirectly related to designing internal combustion engines for vehicles. Under the bill, partnerships, limited liability companies, and tax-option corporations may not claim the credit, but may compute the credit based on amounts paid by the entity and pass the credit on to the partners, members, or shareholders who may claim the credit.

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 and local* 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:

1 **SECTION 1.** 71.05 (6) (a) 15. of the statutes, as affected by 2011 Wisconsin Act
2 32, is amended to read:

3 71.05 **(6)** (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
4 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),
5 (3rm), (3rn), (3s), (3t), (3w), (5a), (5e), (5f), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and
6 (8r) and not passed through by a partnership, limited liability company, or
7 tax-option corporation that has added that amount to the partnership's, company's,
8 or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

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

2 71.07 **(5a)** RESEARCH AND RESEARCH FACILITIES CREDIT. (a) *Definitions.* In this
3 subsection:

4 1. “Claimant” means any of the following who file a claim under this subsection:

5 a. A partner of a partnership.

6 b. A member of a limited liability company.

7 c. A member of a tax-option corporation.

8 2. “Frame” includes:

9 a. Every part of a motorcycle, except the tires.

10 b. In the case of a truck, the control system and the fuel and drive train,
11 excluding any comfort features located in the cab or the tires.

12 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
13 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
14 components.

15 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
16 component technologies, in which or on which an engine is mounted for use in mobile
17 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
18 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
19 equipment, mechanical drive for a stationary engine, lawn and garden maintenance
20 equipment, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

21 (b) *Filing claims.* Subject to the limitations provided in this subsection, for
22 taxable years beginning after December 31, 2011, a claimant may claim as a credit
23 against the taxes imposed under s. 71.02 any of the following:

24 1. An amount equal to 15 percent of qualified research expenses, as defined in
25 section 41 of the Internal Revenue Code, that the claimant’s partnership, limited

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1 liability company, or tax-option corporation paid during the taxable year, except that
2 “qualified research expenses” includes only expenses paid by the entity for research
3 directly or indirectly related to designing internal combustion engines for vehicles,
4 including expenses related to designing vehicles that are powered by such engines
5 and improving production processes for such engines and vehicles, incurred for
6 research conducted in this state for the taxable year, except that the entity may elect
7 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
8 and that election applies until the department permits its revocation, except as
9 provided in s. 71.28 (4) (af), and except that “qualified research expenses” does not
10 include compensation used in computing the credit under s. 71.28 (1dj) and (1dx).
11 Section 41 (h) of the Internal Revenue Code does not apply to the credit under this
12 subdivision.

13 2. An amount equal to 15 percent of the amount paid or incurred by the
14 claimant’s partnership, limited liability company, or tax-option corporation during
15 the taxable year to construct and equip new facilities or expand existing facilities
16 used in this state for qualified research, as defined in section 41 of the Internal
17 Revenue Code, except that “qualified research expenses” includes only expenses paid
18 or incurred by the claimant for research directly or indirectly related to designing
19 internal combustion engines for vehicles, including expenses related to designing
20 vehicles that are powered by such engines and improving production processes for
21 such engines and vehicles. Eligible amounts include only amounts paid or incurred
22 for tangible, depreciable property but do not include amounts paid or incurred for
23 replacement property.

24 (c) *Limitations.* Partnerships, limited liability companies, and tax-option
25 corporations may not claim the credit under this subsection, but the eligibility for,

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1 and the amount of, the credit are based on their payment of amounts under par. (b).
2 A partnership, limited liability company, or tax-option corporation shall compute
3 the amount of credit that each of its partners, members, or shareholders may claim
4 and shall provide that information to each of them. Partners, members of limited
5 liability companies, and shareholders of tax-option corporations may claim the
6 credit in proportion to their allocation of the deductions of the qualified research
7 expenses used to determine the credit.

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

10 **SECTION 3.** 71.10 (4) (ds) of the statutes is created to read:

11 71.10 (4) (ds) Research and research facilities credit under s. 71.07 (5a).

12 **SECTION 4.** 71.21 (4) of the statutes, as affected by 2011 Wisconsin Act 32, is
13 amended to read:

14 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
15 (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s),
16 (3t), (3w), (5a), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and passed
17 through to partners shall be added to the partnership's income.

18 **SECTION 5.** 71.26 (2) (a) 4. of the statutes, as affected by 2011 Wisconsin Act 32,
19 is amended to read:

20 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd),
21 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3q), (3r),
22 (3rm), (3rn), (3t), (3w), (4) (ad) 2m., (5) (ad) 2m., (5e), (5f), (5g), (5h), (5i), (5j), (5k),
23 (5n), (5r), (5rm), (8r), and (9s) and not passed through by a partnership, limited
24 liability company, or tax-option corporation that has added that amount to the

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1 partnership's, limited liability company's, or tax-option corporation's income under
2 s. 71.21 (4) or 71.34 (1k) (g).

3 **SECTION 6.** 71.28 (4) (ab) 2. of the statutes is repealed.

4 **SECTION 7.** 71.28 (4) (ab) 3. of the statutes is amended to read:

5 71.28 (4) (ab) 3. "Vehicle" means any vehicle or frame, including parts,
6 accessories, and component technologies, in which or on which an engine is mounted
7 for use in mobile or stationary applications. "Vehicle" includes any truck, tractor,
8 motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator,
9 construction equipment, mechanical drive for a stationary engine, lawn and garden
10 maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or
11 aircraft.

12 **SECTION 8.** 71.28 (4) (ad) 1. of the statutes is amended to read:

13 71.28 (4) (ad) 1. Except as provided in subs. 2., 2m., and 3., any corporation
14 may credit against taxes otherwise due under this chapter an amount equal to 5
15 percent of the amount obtained by subtracting from the corporation's qualified
16 research expenses, as defined in section 41 of the Internal Revenue Code, except that
17 "qualified research expenses" includes only expenses incurred by the claimant,
18 incurred for research conducted in this state for the taxable year, except that a
19 taxpayer may elect the alternative computation under section 41 (c) (4) of the
20 Internal Revenue Code and that election applies until the department permits its
21 revocation, except as provided in par. (af), and except that "qualified research
22 expenses" does not include compensation used in computing the credit under subs.
23 (1dj) and (1dx), the corporation's base amount, as defined in section 41 (c) of the
24 Internal Revenue Code, except that gross receipts used in calculating the base
25 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)

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1 (b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the
2 Internal Revenue Code does not apply to the credit under this paragraph.

3 **SECTION 9.** 71.28 (4) (ad) 2. of the statutes is amended to read:

4 71.28 (4) (ad) 2. For taxable years beginning after June 30, 2007, and before
5 January 1, 2012, any corporation may credit against taxes otherwise due under this
6 chapter an amount equal to 10 percent of the amount obtained by subtracting from
7 the corporation's qualified research expenses, as defined in section 41 of the Internal
8 Revenue Code, except that "qualified research expenses" includes only expenses
9 incurred by the claimant for research related to designing internal combustion
10 engines for vehicles, including expenses related to designing vehicles that are
11 powered by such engines and improving production processes for such engines and
12 vehicles, incurred for research conducted in this state for the taxable year, except
13 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
14 Internal Revenue Code and that election applies until the department permits its
15 revocation, except as provided in par. (af), and except that "qualified research
16 expenses" does not include compensation used in computing the credit under subs.
17 (1dj) and (1dx), the corporation's base amount, as defined in section 41 (c) of the
18 Internal Revenue Code, except that gross receipts used in calculating the base
19 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
20 (b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the
21 Internal Revenue Code does not apply to the credit under this paragraph.

22 **SECTION 10.** 71.28 (4) (ad) 2m. of the statutes is created to read:

23 71.28 (4) (ad) 2m. For taxable years beginning after December 31, 2011, any
24 corporation may claim as a credit against taxes otherwise due under s. 71.23 an
25 amount equal to 15 percent of the corporation's qualified research expenses, as

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1 defined in section 41 of the Internal Revenue Code, that the corporation paid during
2 the taxable year, except that “qualified research expenses” includes only expenses
3 paid by the claimant for research directly or indirectly related to designing internal
4 combustion engines for vehicles, including expenses related to designing vehicles
5 that are powered by such engines and improving production processes for such
6 engines and vehicles, incurred for research conducted in this state for the taxable
7 year, except that a taxpayer may elect the alternative computation under section 41
8 (c) (4) of the Internal Revenue Code and that election applies until the department
9 permits its revocation, except as provided in par. (af), and except that “qualified
10 research expenses” does not include compensation used in computing the credit
11 under subs. (1dj) and (1dx). Section 41 (h) of the Internal Revenue Code does not
12 apply to the credit under this paragraph.

13 **SECTION 11.** 71.28 (4) (af) of the statutes is amended to read:

14 71.28 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
15 under par. (ad) 1., 2., 2m., or 3., or any combination of those credits, the corporation
16 may use a different computation method to calculate each of the credits and may
17 choose to change the computation method once for each credit without the
18 department’s approval.

19 **SECTION 12.** 71.28 (4) (i) of the statutes is renumbered 71.28 (4) (i) 1. and
20 amended to read:

21 71.28 (4) (i) *Nonclaimants Limitations.* 1. The credits under this subsection
22 par. (ad) 1., 2., and 3. may not be claimed by a partnership, except a publicly traded
23 partnership treated as a corporation under s. 71.22 (1k), limited liability company,
24 except a limited liability company treated as a corporation under s. 71.22 (1k), or
25 tax-option corporation or by partners, including partners of a publicly traded

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1 partnership, members of a limited liability company or shareholders of a tax-option
2 corporation.

3 **SECTION 13.** 71.28 (4) (i) 2. of the statutes is created to read:

4 71.28 (4) (i) 2. Partnerships, limited liability companies, and tax-option
5 corporations may not claim the credit under par. (ad) 2m., but the eligibility for, and
6 the amount of, the credit are based on their payment of amounts under par. (ad) 2m.
7 A partnership, limited liability company, or tax-option corporation shall compute
8 the amount of credit that each of its partners, members, or shareholders may claim
9 and shall provide that information to each of them. Partners, members of limited
10 liability companies, and shareholders of tax-option corporations may claim the
11 credit in proportion to their allocation of the deductions of the qualified research
12 expenses used to determine the credit.

13 **SECTION 14.** 71.28 (4m) (c) of the statutes is amended to read:

14 71.28 (4m) (c) *Limitations.* Subsection (4) (b) to (d) and (i) 1., as it applies to
15 the credit under sub. (4), applies to the credit under this subsection.

16 **SECTION 15.** 71.28 (5) (ab) 2. of the statutes is repealed.

17 **SECTION 16.** 71.28 (5) (ab) 3. of the statutes is amended to read:

18 71.28 (5) (ab) 3. "Vehicle" means any vehicle or frame, including parts,
19 accessories, and component technologies, in which or on which an engine is mounted
20 for use in mobile or stationary applications. "Vehicle" includes any truck, tractor,
21 motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator,
22 construction equipment, mechanical drive for a stationary engine, lawn and garden
23 maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or
24 aircraft.

25 **SECTION 17.** 71.28 (5) (ad) 1. of the statutes is amended to read:

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1 71.28 (5) (ad) 1. Except as provided in subds. 2., 2m., and 3., for taxable year
2 1986 and subsequent years, any corporation may credit against taxes otherwise due
3 under this chapter an amount equal to 5 percent of the amount paid or incurred by
4 that corporation during the taxable year to construct and equip new facilities or
5 expand existing facilities used in this state for qualified research, as defined in
6 section 41 of the Internal Revenue Code. Eligible amounts include only amounts
7 paid or incurred for tangible, depreciable property but do not include amounts paid
8 or incurred for replacement property.

9 **SECTION 18.** 71.28 (5) (ad) 2. of the statutes is amended to read:

10 71.28 (5) (ad) 2. For taxable years beginning after June 30, 2007, and before
11 January 1, 2012, any corporation may credit against taxes otherwise due under this
12 chapter an amount equal to 10 percent of the amount paid or incurred by that
13 corporation during the taxable year to construct and equip new facilities or expand
14 existing facilities used in this state for qualified research, as defined in section 41 of
15 the Internal Revenue Code, except that “qualified research expenses” includes only
16 expenses paid or incurred by the claimant for research related to designing internal
17 combustion engines for vehicles, including expenses related to designing vehicles
18 that are powered by such engines and improving production processes for such
19 engines and vehicles. Eligible amounts include only amounts paid or incurred for
20 tangible, depreciable property but do not include amounts paid or incurred for
21 replacement property.

22 **SECTION 19.** 71.28 (5) (ad) 2m. of the statutes is created to read:

23 71.28 (5) (ad) 2m. For taxable years beginning after December 31, 2011, any
24 corporation may claim as a credit against taxes otherwise due under s. 71.23 an
25 amount equal to 15 percent of the amount paid or incurred by that corporation during

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1 the taxable year to construct and equip new facilities or expand existing facilities
2 used in this state for qualified research, as defined in section 41 of the Internal
3 Revenue Code, except that “qualified research expenses” includes only expenses paid
4 or incurred by the claimant for research directly or indirectly related to designing
5 internal combustion engines for vehicles, including expenses related to designing
6 vehicles that are powered by such engines and improving production processes for
7 such engines and vehicles. Eligible amounts include only amounts paid or incurred
8 for tangible, depreciable property but do not include amounts paid or incurred for
9 replacement property.

10 **SECTION 20.** 71.28 (5) (c) of the statutes is created to read:

11 71.28 (5) (c) *Limitations.* 1. The credits under par. (ad) 1., 2., and 3. may not
12 be claimed by a partnership, except a publicly traded partnership treated as a
13 corporation under s. 71.22 (1k), limited liability company, except a limited liability
14 company treated as a corporation under s. 71.22 (1k), or tax-option corporation or
15 by partners, including partners of a publicly traded partnership, members of a
16 limited liability company, or shareholders of a tax-option corporation.

17 2. Partnerships, limited liability companies, and tax-option corporations may
18 not claim the credit under par. (ad) 2m., but the eligibility for, and the amount of, the
19 credit are based on their payment of amounts under par. (ad) 2m. A partnership,
20 limited liability company, or tax-option corporation shall compute the amount of
21 credit that each of its partners, members, or shareholders may claim and shall
22 provide that information to each of them. Partners, members of limited liability
23 companies, and shareholders of tax-option corporations may claim the credit in
24 proportion to their allocation of the deductions of the qualified research expenses
25 used to determine the credit.

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1 **SECTION 21.** 71.34 (1k) (g) of the statutes, as affected by 2011 Wisconsin Act 32,
2 is amended to read:

3 71.34 **(1k)** (g) An addition shall be made for credits computed by a tax-option
4 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),
5 (3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (4) (ad) 2m., (5) (ad) 2m.,
6 (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), and (8r) and passed through to
7 shareholders.

8 **SECTION 22.** 71.365 (3) of the statutes is repealed.

9 **SECTION 23.** 71.45 (2) (a) 10. of the statutes, as affected by 2011 Wisconsin Act
10 32, is amended to read:

11 71.45 **(2)** (a) 10. By adding to federal taxable income the amount of credit
12 computed under s. 71.47 (1dd) to (1dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn),
13 (3w), (4) (ad) 2m., (5) (ad) 2m., (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm), (8r),
14 and (9s) and not passed through by a partnership, limited liability company, or
15 tax-option corporation that has added that amount to the partnership's, limited
16 liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k)
17 (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4) (ad) 2m., (4m),
18 and (5) (ad) 2m.

19 **SECTION 24.** 71.47 (4) (ab) 2. of the statutes is repealed.

20 **SECTION 25.** 71.47 (4) (ab) 3. of the statutes is amended to read:

21 71.47 **(4)** (ab) 3. "Vehicle" means any vehicle or frame, including parts,
22 accessories, and component technologies, in which or on which an engine is mounted
23 for use in mobile or stationary applications. "Vehicle" includes any truck, tractor,
24 motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator,
25 construction equipment, mechanical drive for a stationary engine, lawn and garden

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1 maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or
2 aircraft.

3 **SECTION 26.** 71.47 (4) (ad) 1. of the statutes is amended to read:

4 71.47 (4) (ad) 1. Except as provided in subds. 2., 2m., and 3., any corporation
5 may credit against taxes otherwise due under this chapter an amount equal to 5
6 percent of the amount obtained by subtracting from the corporation's qualified
7 research expenses, as defined in section 41 of the Internal Revenue Code, except that
8 "qualified research expenses" includes only expenses incurred by the claimant,
9 incurred for research conducted in this state for the taxable year, except that a
10 taxpayer may elect the alternative computation under section 41 (c) (4) of the
11 Internal Revenue Code and that election applies until the department permits its
12 revocation, except as provided in par. (af), and except that "qualified research
13 expenses" does not include compensation used in computing the credit under subs.
14 (1dj) and (1dx), the corporation's base amount, as defined in section 41 (c) of the
15 Internal Revenue Code, except that gross receipts used in calculating the base
16 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
17 (b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the
18 Internal Revenue Code does not apply to the credit under this paragraph.

19 **SECTION 27.** 71.47 (4) (ad) 2. of the statutes is amended to read:

20 71.47 (4) (ad) 2. For taxable years beginning after June 30, 2007, and before
21 January 1, 2012, any corporation may credit against taxes otherwise due under this
22 chapter an amount equal to 10 percent of the amount obtained by subtracting from
23 the corporation's qualified research expenses, as defined in section 41 of the Internal
24 Revenue Code, except that "qualified research expenses" includes only expenses
25 incurred by the claimant for research related to designing internal combustion

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1 engines for vehicles, including expenses related to designing vehicles that are
2 powered by such engines and improving production processes for such engines and
3 vehicles, incurred for research conducted in this state for the taxable year, except
4 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
5 Internal Revenue Code and that election applies until the department permits its
6 revocation, except as provided in par. (af), and except that “qualified research
7 expenses” does not include compensation used in computing the credit under subs.
8 (1dj) and (1dx), the corporation’s base amount, as defined in section 41 (c) of the
9 Internal Revenue Code, except that gross receipts used in calculating the base
10 amount means gross receipts from sales attributable to Wisconsin under s. 71.25 (9)
11 (b) 1. and 2., (df) 1. and 2., (dh) 1., 2., and 3., (dj), and (dk). Section 41 (h) of the
12 Internal Revenue Code does not apply to the credit under this paragraph.

13 **SECTION 28.** 71.47 (4) (ad) 2m. of the statutes is created to read:

14 71.47 (4) (ad) 2m. For taxable years beginning after December 31, 2011, any
15 corporation may claim as a credit against taxes otherwise due under s. 71.43 an
16 amount equal to 15 percent of the corporation’s qualified research expenses, as
17 defined in section 41 of the Internal Revenue Code, that the corporation paid during
18 the taxable year, except that “qualified research expenses” includes only expenses
19 paid by the claimant for research directly or indirectly related to designing internal
20 combustion engines for vehicles, including expenses related to designing vehicles
21 that are powered by such engines and improving production processes for such
22 engines and vehicles, incurred for research conducted in this state for the taxable
23 year, except that a taxpayer may elect the alternative computation under section 41
24 (c) (4) of the Internal Revenue Code and that election applies until the department
25 permits its revocation, except as provided in par. (af), and except that “qualified

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1 research expenses” does not include compensation used in computing the credit
2 under subs. (1dj) and (1dx). Section 41 (h) of the Internal Revenue Code does not
3 apply to the credit under this paragraph.

4 **SECTION 29.** 71.47 (4) (af) of the statutes is amended to read:

5 71.47 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
6 under par. (ad) 1., 2., 2m., or 3., or any combination of those credits, the corporation
7 may use a different computation method to calculate each of the credits and may
8 choose to change the computation method once for each credit without the
9 department’s approval.

10 **SECTION 30.** 71.47 (4) (i) of the statutes is renumbered 71.47 (4) (i) 1. and
11 amended to read:

12 71.47 (4) (i) *Nonclaimants Limitations.* 1. The credits under this subsection
13 par. (ad) 1., 2., and 3. may not be claimed by a partnership, except a publicly traded
14 partnership treated as a corporation under s. 71.22 (1k), limited liability company,
15 except a limited liability company treated as a corporation under s. 71.22 (1k), or
16 tax-option corporation or by partners, including partners of a publicly traded
17 partnership, members of a limited liability company or shareholders of a tax-option
18 corporation.

19 **SECTION 31.** 71.47 (4) (i) 2. of the statutes is created to read:

20 71.47 (4) (i) 2. Partnerships, limited liability companies, and tax-option
21 corporations may not claim the credit under par. (ad) 2m., but the eligibility for, and
22 the amount of, the credit are based on their payment of amounts under par. (ad) 2m.
23 A partnership, limited liability company, or tax-option corporation shall compute
24 the amount of credit that each of its partners, members, or shareholders may claim
25 and shall provide that information to each of them. Partners, members of limited

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1 liability companies, and shareholders of tax-option corporations may claim the
2 credit in proportion to their allocation of the deductions of the qualified research
3 expenses used to determine the credit.

4 **SECTION 32.** 71.47 (4m) (c) of the statutes is amended to read:

5 71.47 (4m) (c) *Limitations.* Section 71.28 (4) (b) to (d) and (i) 1., as it applies
6 to the credit under s. 71.28 (4), applies to the credit under this subsection.

7 **SECTION 33.** 71.47 (5) (ab) 2. of the statutes is repealed.

8 **SECTION 34.** 71.47 (5) (ab) 3. of the statutes is amended to read:

9 71.47 (5) (ab) 3. "Vehicle" means any vehicle or frame, including parts,
10 accessories, and component technologies, in which or on which an engine is mounted
11 for use in mobile or stationary applications. "Vehicle" includes any truck, tractor,
12 motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft, generator,
13 construction equipment, mechanical drive for a stationary engine, lawn and garden
14 maintenance equipment, automobile, van, sports utility vehicle, motor home, bus, or
15 aircraft.

16 **SECTION 35.** 71.47 (5) (ad) 1. of the statutes is amended to read:

17 71.47 (5) (ad) 1. Except as provided in subds. 2., 2m., and 3., for taxable year
18 1986 and subsequent years, any corporation may credit against taxes otherwise due
19 under this chapter an amount equal to 5 percent of the amount paid or incurred by
20 that corporation during the taxable year to construct and equip new facilities or
21 expand existing facilities used in this state for qualified research, as defined in
22 section 41 of the Internal Revenue Code. Eligible amounts include only amounts
23 paid or incurred for tangible, depreciable property but do not include amounts paid
24 or incurred for replacement property.

25 **SECTION 36.** 71.47 (5) (ad) 2. of the statutes is amended to read:

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1 71.47 (5) (ad) 2. For taxable years beginning after June 30, 2007, and before
2 January 1, 2012, any corporation may credit against taxes otherwise due under this
3 chapter an amount equal to 10 percent of the amount paid or incurred by that
4 corporation during the taxable year to construct and equip new facilities or expand
5 existing facilities used in this state for qualified research, as defined in section 41 of
6 the Internal Revenue Code, except that “qualified research expenses” includes only
7 expenses paid or incurred by the claimant for research related to designing internal
8 combustion engines for vehicles, including expenses related to designing vehicles
9 that are powered by such engines and improving production processes for such
10 engines and vehicles. Eligible amounts include only amounts paid or incurred for
11 tangible, depreciable property but do not include amounts paid or incurred for
12 replacement property.

13 **SECTION 37.** 71.47 (5) (ad) 2m. of the statutes is created to read:

14 71.47 (5) (ad) 2m. For taxable years beginning after December 31, 2011, any
15 corporation may claim as a credit against taxes otherwise due under s. 71.43 an
16 amount equal to 15 percent of the amount paid or incurred by that corporation during
17 the taxable year to construct and equip new facilities or expand existing facilities
18 used in this state for qualified research, as defined in section 41 of the Internal
19 Revenue Code, except that “qualified research expenses” includes only expenses paid
20 or incurred by the claimant for research directly or indirectly related to designing
21 internal combustion engines for vehicles, including expenses related to designing
22 vehicles that are powered by such engines and improving production processes for
23 such engines and vehicles. Eligible amounts include only amounts paid or incurred
24 for tangible, depreciable property but do not include amounts paid or incurred for
25 replacement property.

ASSEMBLY BILL 732**SECTION 38**

1 **SECTION 38.** 71.47 (5) (c) of the statutes is created to read:

2 71.47 (5) (c) *Limitations.* 1. The credits under par. (ad) 1., 2., and 3. may not
3 be claimed by a partnership, except a publicly traded partnership treated as a
4 corporation under s. 71.22 (1k), limited liability company, except a limited liability
5 company treated as a corporation under s. 71.22 (1k), or tax-option corporation or
6 by partners, including partners of a publicly traded partnership, members of a
7 limited liability company, or shareholders of a tax-option corporation.

8 2. Partnerships, limited liability companies, and tax-option corporations may
9 not claim the credit under par. (ad) 2m., but the eligibility for, and the amount of, the
10 credit are based on their payment of amounts under par. (ad) 2m. 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 allocation of the deductions of the qualified research expenses
16 used to determine the credit.

17 **SECTION 39.** 77.92 (4) of the statutes, as affected by 2011 Wisconsin Act 32, is
18 amended to read:

19 77.92 (4) "Net business income," with respect to a partnership, means taxable
20 income as calculated under section 703 of the Internal Revenue Code; plus the items
21 of income and gain under section 702 of the Internal Revenue Code, including taxable
22 state and municipal bond interest and excluding nontaxable interest income or
23 dividend income from federal government obligations; minus the items of loss and
24 deduction under section 702 of the Internal Revenue Code, except items that are not
25 deductible under s. 71.21; plus guaranteed payments to partners under section 707

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1 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
2 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),
3 (3rm), (3rn), (3s), (3t), (3w), (5a), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5n), (5r), (5rm),
4 and (8r); and plus or minus, as appropriate, transitional adjustments, depreciation
5 differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but
6 excluding income, gain, loss, and deductions from farming. “Net business income,”
7 with respect to a natural person, estate, or trust, means profit from a trade or
8 business for federal income tax purposes and includes net income derived as an
9 employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

SECTION 40. Effective date.

(1) This act takes effect on January 1, 2012.

(END)