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CHAPTER 171.

AN ACT to amend 71.07 (2) (introductory paragraph) and (3) of the statutes, relating to situs of income under the income tax law.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

71.07 (2) (introductory paragraph) and (3) of the statutes are amended to read:

71.07 (2) (introductory paragraph) Persons engaged in business within and without the state shall be taxed only on such income as is derived from business transacted and property located within the state. The amount of such income * * * *attributable to Wisconsin may be determined by an allocation and separate accounting thereof, when * * * the business of such person within the state is not an integral part of a unitary business, provided, however, that the department of taxation may permit an allocation and separate accounting in any case in which it is satisfied that the use of such method will properly reflect the income taxable by this state. In all cases in which allocation and separate accounting is not permissible, the determination shall be made in the following manner:* There shall first be deducted from the total net income of the taxpayer such part thereof (less related expenses, if any) as follows the situs of the property or the residence of the recipient; provided, that in the case of income which follows the residence of the recipient, the amount of interest and dividends deductible under this provision shall be limited to the total interest and dividends received which are in excess of the total interest (or related expenses, if any) paid and allowable as a deduction under section 71.04 during the income year. The remaining net income shall be apportioned to Wisconsin on the basis of the ratio obtained by taking the arithmetical average of the following 3 ratios:

(3) Where, in the case of any person engaged in business within and without the state of Wisconsin and * * * *required to apportion* his income as herein provided, it shall be shown to the satisfaction of the department of taxation, that the use of any one of the 3 ratios above provided for gives an unreasonable or inequitable final average ratio because of the fact that such person does not employ, to any appreciable extent in his trade or business in producing the income taxed, the factors made use of in obtaining such ratio, this ratio may, with the approval of the department of taxation, be omitted in obtaining the final average ratio which is to be applied to the remaining net income.

Approved May 26, 1949.
