

No. 4, A.]

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AN ACT to repeal 71.04 (9) ; to renumber 71.07 (2) 1. and 3. ; to renumber and amend 71.07 (2) 2. ; to amend 71.07 (1) ; to repeal and recreate 71.04 (8) and to create 71.15 (5) of the statutes, relating to the state income tax; the deduction of write-offs ordered by regulatory authorities, the situs of income for the purposes of the taxation of income, and the cost of manufacturing factor of the statutory income apportionment formula.

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

SECTION 1. 71.04 (8) of the statutes is repealed and recreated to read:

71.04 (8) The amount any asset has been charged down or off by any corporation upon the demand or order of any state or federal regulatory authority, body, agency, or commission having power to make such demand or order, or by the examining committee of any state bank in accordance with s. 221.09, provided all the requirements of this subsection have been complied with: the corporation must elect to make deduction under this subsection by claiming a charge down or write-off of such asset, in an amount consistent with the terms of the demand or order, in its return covering the first income year in which the charge down or write-off is demanded or ordered. When a demand or order affects a charge down or write-off of more than one asset, an election to claim the charge down or write-off of one such asset shall be deemed an election to claim the charge down or write-off of all assets affected by such demand or order. An election to claim or not claim a deduction under this subsection with respect to any such order shall be irrevocable. No deduction allowed hereunder shall exceed the amount which would have been deductible had the asset been sold for an amount equal to the value to which it is written down. The amount of any deduction allowed hereunder shall reduce the cost or other basis of any such asset, and any amount recovered with respect to such an asset which exceeds the adjusted cost or basis shall be reported as income in the year in which received or accrued, depending on the method of accounting employed by the taxpayer.

SECTION 2. 71.04 (9) of the statutes is repealed.

SECTION 3. 71.07 (1) of the statutes is amended to read:

71.07 (1) For the purposes of taxation income from * * * business, not requiring apportionment under * * * subs. (2), (3) or (5), shall

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follow the situs of the business from which derived. Income derived from rentals and royalties from real estate or tangible personal property, or from the operation of any farm, mine or quarry, or from the sale of real property or tangible personal property shall follow the situs of the property from which derived. All other income, including royalties from patents, income derived from personal services, professions and vocations and from land contracts, mortgages, stocks, bonds and securities or from the sale of similar intangible personal property, shall follow the residence of the recipient, except as provided in s. 71.08.

SECTION 4. 71.07 (2) 1. of the statutes is renumbered 71.07 (2) (a).

SECTION 5. 71.07 (2) 2. of the statutes is renumbered 71.07 (2) (b) and amended to read:

71.07 (2) (b) In the case of persons engaged in manufacturing or in any form of collecting, assembling or processing goods and materials * * *, the ratio of the total cost of manufacturing, collecting, assembling or processing within this state to the total cost of manufacturing, or assembling or processing everywhere. The term "cost of manufacturing, collecting, assembling, or processing * * *", as used herein, shall be interpreted in a manner to conform as nearly as may be to the best accounting practice in the trade or business. Unless in the opinion of the department of taxation the peculiar circumstances in any case justifies a different treatment, this term shall be generally interpreted to include as elements of cost * * * the following:

1. The total cost of all goods, materials and supplies used in manufacturing, assembling or processing * * * regardless of where purchased.

2. The total wages and salaries paid or incurred during the income year * * * in such manufacturing, assembling or processing activities.

3. The total overhead or manufacturing burden properly assignable according to good accounting practice to such manufacturing, assembling, or processing activities * * *.

SECTION 6. 71.07 (2) 3. of the statutes is renumbered 71.07 (2) (c).

SECTION 7. 71.15 (5) of the statutes is created to read:

71.15 (5) Section 71.07 (1) as amended by this act (1955) shall, insofar as it affects the distribution of income taxes to counties, towns, cities and villages, be deemed operative retroactively so as to control distribution of all income taxes heretofore or hereafter collected, concerning which taxes the department of taxation or assessor of incomes has jurisdiction to approve claims under s. 71.14 (7).

Approved May 6, 1955.