



**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 1995 ASSEMBLY BILL 1033**

March 22, 1996 - Offered by JOINT COMMITTEE ON FINANCE.

1 **AN ACT to repeal** 71.07 (2dj) (d), 71.07 (2ds) (c), 71.28 (1dj) (d), 71.28 (1ds) (c),
2 71.47 (1dj) (d), 71.47 (1ds) (c), 560.71 (1) (cm), 560.72 (4), 560.723, 560.725 (1)
3 (a) to (h), 560.73 (1) (c) 6., 560.735 (3), 560.75 (3), 560.763 (1) (a), 560.763 (2),
4 560.763 (3) and 560.79; **to renumber and amend** 560.725 (1) (intro.); **to**
5 **amend** 20.835 (2) (cm), 20.835 (2) (cn), 71.05 (6) (a) 15., 71.07 (2dd) (a) 1., 71.07
6 (2dd) (a) 2., 71.07 (2dj) (am) 1., 71.07 (2dj) (am) 3., 71.07 (2dj) (am) 8m., 71.07
7 (2dj) (h), 71.07 (2dL) (ar), 71.07 (2ds) (h), 71.08 (1) (intro.), 71.10 (4) (gd), 71.10
8 (4) (ge), 71.10 (4) (i), 71.28 (1dd) (a) 1., 71.28 (1dd) (a) 2., 71.28 (1dj) (am) 1.,
9 71.28 (1dj) (am) 3., 71.28 (1dj) (am) 8m., 71.28 (1dj) (h), 71.28 (1dL) (ar), 71.28
10 (1ds) (h), 71.30 (3) (eb), 71.30 (3) (ec), 71.30 (3) (f), 71.47 (1dd) (a) 1., 71.47 (1dd)
11 (a) 2., 71.47 (1dj) (am) 1., 71.47 (1dj) (am) 3., 71.47 (1dj) (am) 8m., 71.47 (1dj)
12 (h), 71.47 (1dL) (ar), 71.47 (1ds) (h), 71.49 (1) (eb), 71.49 (1) (ec), 71.49 (1) (f),
13 73.03 (35), 77.92 (4), 560.70 (4), 560.70 (6), 560.70 (7), 560.71 (3) (a), 560.72 (2)
14 (c), 560.72 (3), 560.725 (2), 560.725 (3), 560.73 (1) (f), 560.73 (1) (g), 560.73 (3),
15 560.735 (1) (a), 560.735 (1) (b), 560.735 (1) (c), 560.735 (6) (a) (intro.), 560.735
16 (6) (a) 2., 560.735 (6) (a) 3., 560.735 (6) (b), 560.74 (2), 560.745 (2) (a), 560.763

1 (title) and 560.797 (1) (c); **to repeal and recreate** 560.71 (1) (e); and **to create**
2 71.07 (2dj) (am) 4h., 71.07 (2dj) (am) 4i., 71.07 (2dr), 71.10 (4) (gm), 71.28 (1dj)
3 (am) 4h., 71.28 (1dj) (am) 4i., 71.47 (1dj) (am) 4h., 71.47 (1dj) (am) 4i., 560.71
4 (1m), 560.71 (3) (c) 3., 560.735 (6) (c), 560.735 (6m) and 560.745 (2) (am) of the
5 statutes; **relating to:** the development zone program, development zones tax
6 credits and making an appropriation.

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

7 **SECTION 1.** 20.835 (2) (cm) of the statutes is amended to read:

8 20.835 (2) (cm) *Development zones jobs credit.* A sum sufficient to make the
9 payments under ss. 71.07 (2dj) (~~d~~) (h), 71.28 (1dj) (~~d~~) (h) and 71.47 (1dj) (~~d~~) (h).

10 **SECTION 2.** 20.835 (2) (cn) of the statutes is amended to read:

11 20.835 (2) (cn) *Development zones sales tax credit.* A sum sufficient to make
12 the payments under ss. 71.07 (2ds) (~~e~~) (h), 71.28 (1ds) (~~e~~) (h) and 71.47 (1ds) (~~e~~) (h).

13 **SECTION 3.** 71.05 (6) (a) 15. of the statutes, as affected by 1995 Wisconsin Act
14 27, is amended to read:

15 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
16 (2di), (2dj), (2dL), (~~2dr~~) and (2ds) and not passed through by a partnership, limited
17 liability company or tax-option corporation that has added that amount to the
18 partnership's, company's or tax-option corporation's income under s. 71.21 (4) or
19 71.34 (1) (g).

20 **SECTION 4.** 71.07 (2dd) (a) 1. of the statutes, as created by 1995 Wisconsin Act
21 27, is amended to read:

22 71.07 (2dd) (a) 1. "Day care center benefits" means benefits provided at a day
23 care facility that is licensed under s. 48.65 or 48.69 and that for compensation

1 provides care for at least 6 children or benefits provided at a facility for persons who
2 are physically or mentally incapable of caring for themselves.

3 **SECTION 5.** 71.07 (2dd) (a) 2. of the statutes, as created by 1995 Wisconsin Act
4 27, is amended to read:

5 71.07 (2dd) (a) 2. “Employment-related day care expenses” means amounts
6 paid or incurred by a claimant, during the 2-year period beginning with the day that
7 the member of the targeted group begins work for the claimant, for providing or
8 making day care center benefits available to a qualifying individual in order to
9 enable a member of a targeted group to be employed by the claimant.

10 **SECTION 6.** 71.07 (2dj) (am) 1. of the statutes is amended to read:

11 71.07 (2dj) (am) 1. Modify “member of a targeted group”, as defined in section
12 51 (d) of the internal revenue code as amended to December 31, 1995, to include
13 persons unemployed as a result of a business action subject to s. 109.07 (1m) and
14 persons specified under 29 USC 1651 (a) and to require a member of a targeted group
15 to be a resident of this state.

16 **SECTION 7.** 71.07 (2dj) (am) 3. of the statutes is amended to read:

17 71.07 (2dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A)
18 of the internal revenue code to allow certification within the ~~30-day~~ 90-day period
19 beginning with the first day of employment of the employe by the claimant.

20 **SECTION 8.** 71.07 (2dj) (am) 4h. of the statutes is created to read:

21 71.07 (2dj) (am) 4h. Modify section 51 (a) of the internal revenue code so that
22 the amount of the credit is 25% of the qualified first-year wages if the wages are paid
23 to an applicant for a Wisconsin works employment position for service either in an
24 unsubsidized position or in a trial job under s. 49.147 (3) and so that the amount of

1 the credit is 20% of the qualified first-year wages if the wages are not paid to such
2 an applicant.

3 **SECTION 9.** 71.07 (2dj) (am) 4i. of the statutes is created to read:

4 71.07 **(2dj)** (am) 4i. Modify section 51 (b) (3) of the internal revenue code so that
5 the amount of the qualified first-year wages that may be taken into account is
6 \$13,000.

7 **SECTION 10.** 71.07 (2dj) (am) 8m. of the statutes is amended to read:

8 71.07 **(2dj)** (am) 8m. For each person, whether or not he or she is a member of
9 a targeted group, who is determined by the department of development to be a
10 resident of the development zone in which he or she is employed, calculate a credit
11 equal to 10% of the wages earned by such person during the first year 1st and 2nd
12 years of the person's employment in the development zone, up to a maximum credit
13 of \$600 per year.

14 **SECTION 11.** 71.07 (2dj) (d) of the statutes, as affected by 1995 Wisconsin Act
15 27, is repealed.

16 **SECTION 12.** 71.07 (2dj) (h) of the statutes, as created by 1995 Wisconsin Act
17 27, is amended to read:

18 71.07 **(2dj)** (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The
19 rules under sub. (2di) (b) and (c) as they apply to the credit under that subsection
20 apply to the credit under this subsection.

21 **SECTION 13.** 71.07 (2dL) (ar) of the statutes is amended to read:

22 71.07 **(2dL)** (ar) If the credit under par. (a) is claimed for an amount expended
23 to acquire property, the property must have been acquired by the claimant after the
24 place where the property is located was designated a development zone under s.
25 560.71 and the completed project must be placed in service after the claimant is

1 certified for tax benefits under s. 560.765 (3) and the property must not have been
2 previously owned by the claimant or a related person ~~during the period the~~
3 ~~development zone is in existence or~~ during the 2 years prior to the designation of the
4 development zone under s. 560.71. No credit is allowed for an amount expended to
5 acquire property until the property, either in its original state as acquired by the
6 claimant or as subsequently constructed, rehabilitated, remodeled or repaired, is
7 placed in service.

8 **SECTION 14.** 71.07 (2dr) of the statutes is created to read:

9 71.07 (2dr) DEVELOPMENT ZONES RESEARCH CREDIT. (a) *Credit.* Any person may
10 credit against taxes otherwise due under this chapter an amount equal to 5% of the
11 amount obtained by subtracting from the person's qualified research expenses, as
12 defined in section 41 of the internal revenue code, except that "qualified research
13 expenses" include only expenses incurred by the claimant in a development zone
14 under subch. VI of ch. 560 and except that "qualified research expenses" do not
15 include compensation used in computing the credit under sub. (2dj) nor research
16 expenses incurred before the claimant is certified for tax benefits under s. 560.765
17 (3), the person's base amount, as defined in section 41 (c) of the internal revenue code,
18 in a development zone, except that gross receipts used in calculating the base amount
19 means gross receipts from sales attributable to Wisconsin under s. 71.04 (7) (b) 1. and
20 2. and (d) and research expenses used in calculating the base amount include
21 research expenses incurred before the claimant is certified for tax benefits under s.
22 560.765 (3), in a development zone, if the claimant submits with the claimant's
23 return a copy of the claimant's certification for tax benefits under s. 560.765 (3) and
24 a statement from the department of commerce verifying the claimant's qualified
25 research expenses for research conducted exclusively in a development zone. The

1 rules under s. 73.03 (35) apply to the credit under this paragraph. The rules under
2 sub. (2di) (f) and (g), as they apply to the credit under that subsection, apply to claims
3 under this paragraph. Section 41 (h) of the internal revenue code does not apply to
4 the credit under this paragraph.

5 (b) *Development opportunity zones.* The development zones research credit
6 under par. (a), as it applies to a person certified under s. 560.765 (3), applies to a
7 person that conducts economic activity in a development opportunity zone under s.
8 560.795 (1) and that is entitled to tax benefits under s. 560.795 (3), subject to the
9 limits under s. 560.795 (2). A development opportunity zone credit under this
10 paragraph may be calculated using expenses incurred by a claimant beginning on
11 the effective date under s. 560.795 (2) (a) of the development opportunity zone
12 designation of the area in which the claimant conducts economic activity.

13 (bm) *Adjustments.* Adjustments for acquisitions and dispositions of a major
14 portion of a trade or business shall be made under section 41 of the internal revenue
15 code as limited by this subsection.

16 (c) *Annualization.* In the case of any short taxable year, qualified research
17 expenses shall be annualized as prescribed by the department of revenue.

18 (d) *Proration.* If a portion of qualified research expenses is incurred partly
19 within and partly outside this state and the amount incurred in this state cannot be
20 accurately determined, a portion of the qualified expenses shall be reasonably
21 allocated to this state. Expenses incurred entirely outside this state for the benefit
22 of research in this state are not allocable to this state under this paragraph.

23 (e) *Change of business or ownership.* In the case of a change in ownership or
24 business of a person, section 383 of the internal revenue code, as limited by this
25 subsection, applies to the carry-over of unused credits.

1 (f) *Carry-over.* If a credit computed under this subsection is not entirely offset
2 against Wisconsin income or franchise taxes otherwise due, the unused balance may
3 be carried forward and credited against Wisconsin income or franchise taxes
4 otherwise due for the following 15 taxable years to the extent not offset by these taxes
5 otherwise due in all intervening years between the year in which the expense was
6 incurred and the year in which the carry-forward credit is claimed.

7 (g) *Administration.* The department of revenue has full power to administer
8 the credits provided in this subsection and may take any action, conduct any
9 proceeding and proceed as it is authorized in respect to income and franchise taxes
10 imposed in this chapter. The income and franchise tax provisions in this chapter
11 relating to assessments, refunds, appeals, collection, interest and penalties apply to
12 the credits under this subsection.

13 (h) *Timely claim.* No credit may be allowed under this subsection unless it is
14 claimed within the period specified in s. 71.75 (2).

15 (i) *Nonclaimants.* The credits under this subsection may not be claimed by a
16 partnership, except a publicly traded partnership treated as a corporation under s.
17 71.22 (1), limited liability company, except a limited liability company treated as a
18 corporation under s. 71.22 (1), or tax-option corporation or by partners, including
19 partners of a publicly traded partnership, members of a limited liability company or
20 shareholders of a tax-option corporation.

21 **SECTION 15.** 71.07 (2ds) (c) of the statutes, as affected by 1995 Wisconsin Act
22 27, is repealed.

23 **SECTION 16.** 71.07 (2ds) (h) of the statutes, as created by 1995 Wisconsin Act
24 27, is amended to read:

1 71.07 (2ds) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The
2 rules under sub. (2di) (b) and (c) as they apply to the credit under that subsection
3 apply to the credit under this subsection.

4 **SECTION 17.** 71.08 (1) (intro.) of the statutes, as affected by 1995 Wisconsin Act
5 27, is amended to read:

6 71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married
7 couple filing jointly, trust or estate under s. 71.02, not considering the credits under
8 ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), ~~(2dr)~~, (2ds), (2fd), (3m), (6) and (9e), 71.28
9 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1fd) and (2m) and 71.47 (1dd), (1de), (1di), (1dj),
10 (1dL), (1ds), (1fd) and (2m) and subchs. VIII and IX and payments to other states
11 under s. 71.07 (7), is less than the tax under this section, there is imposed on that
12 natural person, married couple filing jointly, trust or estate, instead of the tax under
13 s. 71.02, an alternative minimum tax computed as follows:

14 **SECTION 18.** 71.10 (4) (gd) of the statutes, as created by 1995 Wisconsin Act 27,
15 is amended to read:

16 71.10 (4) (gd) Development zones jobs credit under s. 71.07 (2dj) ~~if the credit~~
17 ~~is based on activity in a zone under s. 560.797.~~

18 **SECTION 19.** 71.10 (4) (ge) of the statutes, as created by 1995 Wisconsin Act 27,
19 is amended to read:

20 71.10 (4) (ge) Development zones sales tax credit under s. 71.07 (2ds) ~~if the~~
21 ~~credit is based on activity in a zone under s. 560.797.~~

22 **SECTION 20.** 71.10 (4) (gm) of the statutes is created to read:

23 71.10 (4) (gm) Development zones research credit under s. 71.07 (2dr).

24 **SECTION 21.** 71.10 (4) (i) of the statutes, as affected by 1995 Wisconsin Act 27,
25 is amended to read:

1 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
2 preservation credit under subch. IX, homestead credit under subch. VIII, farmland
3 tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s.
4 71.07 (2fd), ~~development zones sales tax credit under s. 71.07 (2ds) unless the credit~~
5 ~~is based on activity in a zone under s. 560.797, development zones jobs credit under~~
6 ~~s. 71.07 (2dj) unless the credit is based on activity in a zone under s. 560.797, earned~~
7 income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and
8 taxes withheld under subch. X.

9 **SECTION 22.** 71.28 (1dd) (a) 1. of the statutes, as created by 1995 Wisconsin Act
10 27, is amended to read:

11 71.28 (1dd) (a) 1. "Day care center benefits" means benefits provided at a day
12 care facility that is licensed under s. 48.65 or 48.69 and that for compensation
13 provides care for at least 6 children or benefits provided at a facility for persons who
14 are physically or mentally incapable of caring for themselves.

15 **SECTION 23.** 71.28 (1dd) (a) 2. of the statutes, as created by 1995 Wisconsin Act
16 27, is amended to read:

17 71.28 (1dd) (a) 2. "Employment-related day care expenses" means amounts
18 paid or incurred by a claimant, during the 2-year period beginning with the day that
19 the member of the targeted group begins work for the claimant, for providing or
20 making day care center benefits available to a qualifying individual in order to
21 enable a member of a targeted group to be employed by the claimant.

22 **SECTION 24.** 71.28 (1dj) (am) 1. of the statutes is amended to read:

23 71.28 (1dj) (am) 1. Modify "member of a targeted group", as defined in section
24 51 (d) of the internal revenue code as amended to December 31, 1995, to include
25 persons unemployed as a result of a business action subject to s. 109.07 (1m) and

1 persons specified under 29 USC 1651 (a) and to require a member of a targeted group
2 to be a resident of this state.

3 **SECTION 25.** 71.28 (1dj) (am) 3. of the statutes is amended to read:

4 71.28 (1dj) (am) 3. Modify the rule for certification under section 51 (d) (16) (A)
5 of the internal revenue code to allow certification within the ~~30-day~~ 90-day period
6 beginning with the first day of employment of the employe by the claimant.

7 **SECTION 26.** 71.28 (1dj) (am) 4h. of the statutes is created to read:

8 71.28 (1dj) (am) 4h. Modify section 51 (a) of the internal revenue code so that
9 the amount of the credit is 25% of the qualified first-year wages if the wages are paid
10 to an applicant for a Wisconsin works employment position for service either in an
11 unsubsidized position or in a trial job under s. 49.147 (3) and so that the amount of
12 the credit is 20% of the qualified first-year wages if the wages are not paid to such
13 an applicant.

14 **SECTION 27.** 71.28 (1dj) (am) 4i. of the statutes is created to read:

15 71.28 (1dj) (am) 4i. Modify section 51 (b) (3) of the internal revenue code so that
16 the amount of the qualified first-year wages that may be taken into account is
17 \$13,000.

18 **SECTION 28.** 71.28 (1dj) (am) 8m. of the statutes is amended to read:

19 71.28 (1dj) (am) 8m. For each person, whether or not he or she is a member of
20 a targeted group, who is determined by the department of development to be a
21 resident of the development zone in which he or she is employed, calculate a credit
22 equal to 10% of the wages earned by such person during the ~~first year~~ 1st and 2nd
23 years of the person's employment in the development zone, up to a maximum credit
24 of \$600 per year.

1 **SECTION 29.** 71.28 (1dj) (d) of the statutes, as affected by 1995 Wisconsin Act
2 27, is repealed.

3 **SECTION 30.** 71.28 (1dj) (h) of the statutes, as created by 1995 Wisconsin Act
4 27, is amended to read:

5 71.28 (1dj) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The
6 rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection
7 apply to the credit under this subsection.

8 **SECTION 31.** 71.28 (1dL) (ar) of the statutes is amended to read:

9 71.28 (1dL) (ar) If the credit under par. (a) is claimed for an amount expended
10 to acquire property, the property must have been acquired by the claimant after the
11 place where the property is located was designated a development zone under s.
12 560.71 and the completed project must be placed in service after the claimant is
13 certified for tax benefits under s. 560.765 (3) and the property must not have been
14 previously owned by the claimant or a related person ~~during the period the~~
15 ~~development zone is in existence or~~ during the 2 years prior to the designation of the
16 development zone under s. 560.71. No credit is allowed for an amount expended to
17 acquire property until the property, either in its original state as acquired by the
18 claimant or as subsequently constructed, rehabilitated, remodeled or repaired, is
19 placed in service.

20 **SECTION 32.** 71.28 (1ds) (c) of the statutes, as affected by 1995 Wisconsin Act
21 27, is repealed.

22 **SECTION 33.** 71.28 (1ds) (h) of the statutes, as created by 1995 Wisconsin Act
23 27, is amended to read:

1 71.28 (1ds) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The
2 rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection
3 apply to the credit under this subsection.

4 **SECTION 34.** 71.30 (3) (eb) of the statutes, as created by 1995 Wisconsin Act 27,
5 is amended to read:

6 71.30 (3) (eb) Development zones jobs credit under s. 71.28 (1dj) ~~if the credit~~
7 ~~is based on activity in a zone under s. 560.797.~~

8 **SECTION 35.** 71.30 (3) (ec) of the statutes, as created by 1995 Wisconsin Act 27,
9 is amended to read:

10 71.30 (3) (ec) Development zones sales tax credit under s. 71.28 (1ds) ~~if the~~
11 ~~credit is based on activity in a zone under s. 560.797.~~

12 **SECTION 36.** 71.30 (3) (f) of the statutes, as affected by 1995 Wisconsin Act 27,
13 is amended to read:

14 71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28
15 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
16 s. 71.28 (2m), ~~the development zones sales tax credit under s. 71.28 (1ds) unless the~~
17 ~~credit is based on activity in a zone under s. 560.797, the development zones job credit~~
18 ~~under s. 71.28 (1dj) unless the credit is based on activity in a zone under s. 560.797~~
19 and estimated tax payments under s. 71.29.

20 **SECTION 37.** 71.47 (1dd) (a) 1. of the statutes, as created by 1995 Wisconsin Act
21 27, is amended to read:

22 71.47 (1dd) (a) 1. "Day care center benefits" means benefits provided at a day
23 care facility that is licensed under s. 48.65 or 48.69 and that for compensation
24 provides care for at least 6 children or benefits provided at a facility for persons who
25 are physically incapable of caring for themselves.

1 **SECTION 38.** 71.47 (1dd) (a) 2. of the statutes, as created by 1995 Wisconsin Act
2 27, is amended to read:

3 71.47 **(1dd)** (a) 2. “Employment-related day care expenses” means amounts
4 paid or incurred by a claimant, during the 2-year period beginning with the day that
5 the member of the targeted group begins work for the claimants for providing or
6 making day care center benefits available to a qualifying individual in order to
7 enable a member of a targeted group to be employed by the claimant.

8 **SECTION 39.** 71.47 (1dj) (am) 1. of the statutes is amended to read:

9 71.47 **(1dj)** (am) 1. Modify “member of a targeted group”, as defined in section
10 51 (d) of the internal revenue code as amended to December 31, 1995, to include
11 persons unemployed as a result of a business action subject to s. 109.07 (1m) and
12 persons specified under 29 USC 1651 (a) and to require a member of a targeted group
13 to be a resident of this state.

14 **SECTION 40.** 71.47 (1dj) (am) 3. of the statutes is amended to read:

15 71.47 **(1dj)** (am) 3. Modify the rule for certification under section 51 (d) (16) (A)
16 of the internal revenue code to allow certification within the ~~30-day~~ 90-day period
17 beginning with the first day of employment of the employe by the claimant.

18 **SECTION 41.** 71.47 (1dj) (am) 4h. of the statutes is created to read:

19 71.47 **(1dj)** (am) 4h. Modify section 51 (a) of the internal revenue code so that
20 the amount of the credit is 25% of the qualified first-year wages if the wages are paid
21 to an applicant for a Wisconsin works employment position for service either in an
22 unsubsidized position or in a trial job under s. 49.147 (3) and so that the amount of
23 the credit is 20% of the qualified first-year wages if the wages are not paid to such
24 an applicant.

25 **SECTION 42.** 71.47 (1dj) (am) 4i. of the statutes is created to read:

1 71.47 (1dj) (am) 4i. Modify section 51 (b) (3) of the internal revenue code so that
2 the amount of the qualified first-year wages that may be taken into account is
3 \$13,000.

4 **SECTION 43.** 71.47 (1dj) (am) 8m. of the statutes is amended to read:

5 71.47 (1dj) (am) 8m. For each person, whether or not he or she is a member of
6 a targeted group, who is determined by the department of development to be a
7 resident of the development zone in which he or she is employed, calculate a credit
8 equal to 10% of the wages earned by such person during the first year 1st and 2nd
9 years of the person's employment in the development zone, up to a maximum credit
10 of \$600 per year.

11 **SECTION 44.** 71.47 (1dj) (d) of the statutes, as affected by 1995 Wisconsin Act
12 27, is repealed.

13 **SECTION 45.** 71.47 (1dj) (h) of the statutes, as created by 1995 Wisconsin Act
14 27, is amended to read:

15 71.47 (1dj) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The
16 rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection
17 apply to the credit under this subsection.

18 **SECTION 46.** 71.47 (1dL) (ar) of the statutes is amended to read:

19 71.47 (1dL) (ar) If the credit under par. (a) is claimed for an amount expended
20 to acquire property, the property must have been acquired by the claimant after the
21 place where the property is located was designated a development zone under s.
22 560.71 and the completed project must be placed in service after the claimant is
23 certified for tax benefits under s. 560.765 (3) and the property must not have been
24 previously owned by the claimant or a related person ~~during the period the~~
25 ~~development zone is in existence or during the 2 years prior to the designation of the~~

1 development zone under s. 560.71. No credit is allowed for an amount expended to
2 acquire property until the property, either in its original state as acquired by the
3 claimant or as subsequently constructed, rehabilitated, remodeled or repaired, is
4 placed in service.

5 **SECTION 47.** 71.47 (1ds) (c) of the statutes, as affected by 1995 Wisconsin Act
6 27, is repealed.

7 **SECTION 48.** 71.47 (1ds) (h) of the statutes, as created by 1995 Wisconsin Act
8 27, is amended to read:

9 71.47 (1ds) (h) ~~For claims based on activity in a zone under s. 560.797, the~~ The
10 rules under sub. (1di) (b) and (c) as they apply to the credit under that subsection
11 apply to the credit under this subsection.

12 **SECTION 49.** 71.49 (1) (eb) of the statutes, as created by 1995 Wisconsin Act 27,
13 is amended to read:

14 71.49 (1) (eb) Development zones jobs credit under s. 71.47 (1dj) ~~if the credit~~
15 ~~is based on activity in a zone under s. 560.797.~~

16 **SECTION 50.** 71.49 (1) (ec) of the statutes, as created by 1995 Wisconsin Act 27,
17 is amended to read:

18 71.49 (1) (ec) Development zones sales tax credit under s. ~~72.47~~ 71.47 (1ds) ~~if~~
19 ~~the credit is based on activity in a zone under s. 560.797.~~

20 **SECTION 51.** 71.49 (1) (f) of the statutes, as affected by 1995 Wisconsin Act 27,
21 is amended to read:

22 71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47
23 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under
24 s. 71.47 (2m), ~~development zones sales tax credit under s. 71.47 (1ds) unless the~~
25 ~~credit is based on activity in a zone under s. 560.797, development zones jobs credit~~

1 under s. 71.47 (1dj) unless the credit is based on activity in a zone under s. 560.797
2 and estimated tax payments under s. 71.48.

3 **SECTION 52.** 73.03 (35) of the statutes, as affected by 1995 Wisconsin Act 27,
4 is amended to read:

5 73.03 (35) To deny a portion of a credit claimed under s. 71.07 (2dd), (2de), (2di),
6 (2dj), (2dL), (2dr) or (2ds), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds) or (4) (am) or
7 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds) or (4) (am) if granting the full amount
8 claimed would violate the requirement under s. 560.75 (9) or 560.797 (4) (e) or would
9 bring the total of the credits granted to that claimant under s. 560.75 (9) or 560.797
10 (4) (e), or the total of the credits granted to that claimant under all of those
11 subsections, over the limit for that claimant under s. 560.768, 560.795 (2) (b) or
12 560.797 (5) (b).

13 **SECTION 53.** 77.92 (4) of the statutes, as affected by 1995 Wisconsin Act 27, is
14 amended to read:

15 77.92 (4) "Net business income", with respect to a partnership or limited
16 liability company, means taxable income as calculated under section 703 of the
17 internal revenue code; plus the items of income and gain under section 702 of the
18 internal revenue code; minus the items of loss and deduction under section 702 of the
19 internal revenue code; plus payments treated as not made to partners under section
20 707 (a) of the internal revenue code; plus the credits claimed under s. 71.07 (2dd),
21 (2de), (2di), (2dj), (2dL), (2dr) and (2ds); but excluding income, gain, loss and
22 deductions from farming. "Net business income", with respect to a natural person,
23 estate or trust, means profit from a trade or business for federal income tax purposes
24 and includes net income derived as an employee as defined in section 3121 (d) (3) of
25 the internal revenue code.

1 **SECTION 54.** 560.70 (4) of the statutes is amended to read:

2 560.70 (4) “Local governing body” means the governing body of one or more
3 cities, villages ~~or~~ towns or counties or the elected governing body of a federally
4 recognized American Indian tribe or band in this state.

5 **SECTION 55.** 560.70 (6) of the statutes is amended to read:

6 560.70 (6) “Target population” means ~~the residents of a development zone and~~
7 persons who are members of targeted groups for the purposes of the credit under ss.
8 71.07 (2dj), 71.28 (1dj) and 71.47 (1dj).

9 **SECTION 56.** 560.70 (7) of the statutes, as affected by 1995 Wisconsin Act 27,
10 is amended to read:

11 560.70 (7) “Tax benefits” means the development zones day care credit under
12 ss. 71.07 (2dd), 71.28 (1dd) and 71.47 (1dd), the development zones environmental
13 remediation credit under ss. 71.07 (2de), 71.28 (1de) and 71.47 (1de), the
14 development zones investment credit under ss. 71.07 (2di), 71.28 (1di) and 71.47
15 (1di), the development zones jobs credit under ss. 71.07 (2dj), 71.28 (1dj) and 71.47
16 (1dj), the development zones location credit under ss. 71.07 (2dL), 71.28 (1dL) and
17 71.47 (1dL), the development zones sales tax credit under ss. 71.07 (2ds), 71.28 (1ds)
18 and 71.47 (1ds), the development zones research credit under s. 71.07 (2dr) and the
19 additional 5% credit under ss. 71.28 (4) and 71.47 (4).

20 **SECTION 57.** 560.71 (1) (cm) of the statutes is repealed.

21 **SECTION 58.** 560.71 (1) (e) of the statutes is repealed and recreated to read:

22 560.71 (1) (e) The department determines all of the following:

23 1. That designation of the area as a development zone will serve a public
24 purpose.

1 2. That designation of the area as a development zone will likely retain or
2 increase employment in the area.

3 3. That economic development in the area is not likely to occur or continue
4 without the department's designation of the area as a development zone.

5 4. That the area meets at least 3 of the following criteria:

6 a. The unemployment rate in the area is higher than the state average for the
7 18 months immediately preceding the date on which the application under s. 560.72
8 (2) or (3) was submitted to the department.

9 b. The percentage of persons residing in the area who are members of
10 households with household income levels at or below 80% of the statewide median
11 household income is higher than the state average.

12 c. The percentage of households in the area receiving unemployment
13 compensation under ch. 108, relief funded by a relief block grant under ch. 49 or aid
14 to families with dependent children under s. 49.19 is higher than the state average.

15 d. In the 36 months immediately preceding the date on which the application
16 under s. 560.72 (2) or (3) was submitted to the department, a number of workers in
17 the area were permanently laid off by their employer or became unemployed as a
18 result of a business action subject to s. 109.07 (1m).

19 e. An employer in the vicinity of the area has given public notice under s. 109.07
20 (1m) of either a business closing or a mass layoff of at least 25 employes, or 25% of
21 the employes, of a business, whichever is greater, that will result in a number of
22 workers in the area being laid off permanently.

23 f. Property values in the area have been declining.

24 g. There has been a decline in the population in the area.

25 **SECTION 59.** 560.71 (1m) of the statutes is created to read:

1 560.71 **(1m)** In making a determination under sub. (1) (e), the department shall
2 consider all of the following:

3 (a) The extent of poverty, unemployment or other factors contributing to
4 general economic hardship in the area.

5 (b) The prospects for new investment and economic development in the area.

6 (c) The amount of investment that is likely to result from the designation of the
7 area as a development zone.

8 (d) The number of jobs that are likely to be created or retained in the area as
9 a result of its designation as a development zone.

10 (e) The number of jobs that are likely to be available to the target population
11 as a result of the designation of the area as a development zone.

12 (f) The competitive effect of designating the area as a development zone on
13 other businesses in the vicinity of the area.

14 (g) The needs of other areas of the state.

15 (h) Any other factors that the department considers relevant.

16 **SECTION 60.** 560.71 (3) (a) of the statutes is amended to read:

17 560.71 **(3)** (a) Determine the number of development zones designated under
18 sub. (1) but may not designate more than ~~14~~ 18 development zones over the life of the
19 program.

20 **SECTION 61.** 560.71 (3) (c) 3. of the statutes is created to read:

21 560.71 **(3)** (c) 3. Of the development zones that are designated after the
22 effective date of this subdivision [revisor inserts date], designate one that is in an
23 urban area.

24 **SECTION 62.** 560.72 (2) (c) of the statutes is amended to read:

1 560.72 (2) (c) Evidence that the area meets at least ~~2~~ 3 of the criteria under s.
2 560.71 (1) (e), ~~including data on the requirements the area does not meet~~ 4.

3 **SECTION 63.** 560.72 (3) of the statutes is amended to read:

4 560.72 (3) Two or more local governing bodies may submit a joint application
5 nominating a ~~single~~ an area as a development zone, subject to s. 560.735 (2), if each
6 local governing body complies with subs. (1) and (2).

7 **SECTION 64.** 560.72 (4) of the statutes is repealed.

8 **SECTION 65.** 560.723 of the statutes is repealed.

9 **SECTION 66.** 560.725 (1) (intro.) of the statutes is renumbered 560.725 (1) and
10 amended to read:

11 560.725 (1) The department shall evaluate applications received under s.
12 560.72 (2) ~~to (4)~~ and (3) and development zone plans received under s. 560.73 (1) and
13 (2) ~~according to the following criteria:~~

14 **SECTION 67.** 560.725 (1) (a) to (h) of the statutes are repealed.

15 **SECTION 68.** 560.725 (2) of the statutes is amended to read:

16 560.725 (2) Subject to s. 560.735 (5), the department may reduce the size of an
17 area nominated as a development zone, if the department determines the boundaries
18 as proposed by the local governing body in an application under s. 560.72 (2) ~~to (4)~~
19 or (3) are inconsistent with the purpose of the development zone program. Any
20 nominated area which is reduced under this subsection need not comply with s.
21 560.735 (1), ~~(3)~~ and (4).

22 **SECTION 69.** 560.725 (3) of the statutes is amended to read:

23 560.725 (3) After evaluating an application submitted under s. 560.72 (2) ~~to (4)~~
24 or (3), the department may approve the application, subject to any reduction in the
25 size of the nominated area under sub. (2). If the department approves the

1 application, the department shall notify the local governing body and request the
2 local governing body to submit a development zone plan under s. 560.73 (1) or (2),
3 whichever is applicable.

4 **SECTION 70.** 560.73 (1) (c) 6. of the statutes is repealed.

5 **SECTION 71.** 560.73 (1) (f) of the statutes is amended to read:

6 560.73 (1) (f) Any changes in ordinances, or expenditures of the city, village,
7 town, county or American Indian tribe or band to facilitate economic development.

8 **SECTION 72.** 560.73 (1) (g) of the statutes is amended to read:

9 560.73 (1) (g) How the local governing body intends to assess the effectiveness
10 of its development zone plan submitted under this subsection or sub. (2).

11 **SECTION 73.** 560.73 (3) of the statutes is amended to read:

12 560.73 (3) After review ~~based on the relevant criteria~~ under s. 560.725 (1), the
13 department may approve a development zone plan. If the department approves a
14 development zone plan, the department shall designate the area nominated by the
15 local governing body as a development zone, subject to s. 560.71, and notify the local
16 governing body.

17 **SECTION 74.** 560.735 (1) (a) of the statutes is amended to read:

18 560.735 (1) (a) The area contains less than 5% 10% of the valuation of the
19 property of the city, village or town, as determined under s. 70.57, in which the area
20 is located.

21 **SECTION 75.** 560.735 (1) (b) of the statutes is amended to read:

22 560.735 (1) (b) If the area is located within a 1st class city, the population of the
23 area as estimated under s. 16.96 is not less than 4,000 and not more than 5% 10%
24 of the city's population, as estimated under s. 16.96.

25 **SECTION 76.** 560.735 (1) (c) of the statutes is amended to read:

1 560.735 (1) (c) If the area is located within a village, town or city other than a
2 1st class city, the population of the area is not less than 4,000 1,000 nor more than
3 10,000, as estimated under s. 16.96.

4 **SECTION 77.** 560.735 (3) of the statutes is repealed.

5 **SECTION 78.** 560.735 (6) (a) (intro.) of the statutes is amended to read:

6 560.735 (6) (a) (intro.) ~~Except in a 1st class city~~ as provided in pars. (b) and (c),
7 2 separate areas may be nominated or designated as one development zone, if all of
8 the following apply:

9 **SECTION 79.** 560.735 (6) (a) 2. of the statutes is amended to read:

10 560.735 (6) (a) 2. Each area meets at least ~~2~~ 3 of the criteria listed in s. 560.71
11 (1) (e) ~~1. to 6~~ 4.

12 **SECTION 80.** 560.735 (6) (a) 3. of the statutes is amended to read:

13 560.735 (6) (a) 3. Considered together, the areas meet the requirements of ~~subs.~~
14 sub. (1) and (3).

15 **SECTION 81.** 560.735 (6) (b) of the statutes is amended to read:

16 560.735 (6) (b) ~~In~~ Except as provided in par. (c), in a 1st class city, ~~not more than~~
17 ~~4~~ up to 8 separate areas may be nominated or designated as one development zone,
18 if par. (a) 1. to 3. applies.

19 **SECTION 82.** 560.735 (6) (c) of the statutes is created to read:

20 560.735 (6) (c) If an application is submitted by the governing body of a county
21 under s. 560.72 (2) or (3), up to 4 separate areas may be nominated or designated as
22 one development zone, if par. (a) 1. to 3. applies.

23 **SECTION 83.** 560.735 (6m) of the statutes is created to read:

24 560.735 (6m) An area that is comprised of entire counties may be nominated
25 or designated as one development zone if the area is comprised of no more than 2

1 entire counties. An area that is comprised of 2 entire counties may be nominated or
2 designated as a development zone only if the population of the entire area does not
3 exceed 75,000.

4 **SECTION 84.** 560.74 (2) of the statutes is amended to read:

5 560.74 (2) The department may approve an application for a boundary change
6 if the development zone, as affected by the boundary changes, meets the applicable
7 requirements of s. 560.735 and 2 3 of the criteria under s. 560.71 (1) (e) ~~1. to 6~~ 4.

8 **SECTION 85.** 560.745 (2) (a) of the statutes is amended to read:

9 560.745 (2) (a) When the department designates a development zone under s.
10 560.71, it shall establish a limit for tax benefits for the development zone determined
11 by allocating to the development zone, ~~under rules promulgated by the department,~~
12 a portion of ~~\$21,155,000~~ \$28,155,000.

13 **SECTION 86.** 560.745 (2) (am) of the statutes is created to read:

14 560.745 (2) (am) Notwithstanding par. (a), the department may increase the
15 established limit for tax benefits for a development zone that was designated before
16 the effective date of this paragraph [revisor inserts date], by no more than
17 \$500,000.

18 **SECTION 87.** 560.75 (3) of the statutes is repealed.

19 **SECTION 88.** 560.763 (title) of the statutes is amended to read:

20 **560.763** (title) **Duties of local governing bodies; advisory boards.**

21 **SECTION 89.** 560.763 (1) (a) of the statutes is repealed.

22 **SECTION 90.** 560.763 (2) of the statutes is repealed.

23 **SECTION 91.** 560.763 (3) of the statutes is repealed.

24 **SECTION 92.** 560.79 of the statutes is repealed.

1 **SECTION 93.** 560.797 (1) (c) of the statutes, as created by 1995 Wisconsin Act
2 27, is amended to read:

3 560.797 (1) (c) “Target population” means ~~persons who are members of targeted~~
4 ~~groups for the purpose of the credit under ss. 71.07 (2dj), 71.28 (1dj) and 71.47 (1dj)~~
5 has the meaning given in s. 560.70 (6).

6 **SECTION 94. Initial applicability.**

7 (1) TAX CREDITS. (a) The treatment of sections 20.835 (2) (cm) and (cn), 71.05
8 (6) (a) 15., 71.07 (2dd) (a) 2., (2dj) (am) 4h., 4i. and 8m., (d) and (h), (2dr) and (2ds)
9 (c) and (h), 71.10 (4) (gd), (ge), (gm) and (i), 71.28 (1dd) (a) 2., (1dj) (am) 4h., 4i. and
10 8m., (d) and (h) and (1ds) (c) and (h), 71.30 (3) (eb), (ec) and (f), 71.47 (1dd) (a) 2., (1dj)
11 (am) 4h., 4i. and 8m., (d) and (h) and (1ds) (c) and (h), 71.49 (1) (eb), (ec) and (f), 73.03
12 (35), 77.92 (4) and 560.70 (7) of the statutes first applies to taxable years beginning
13 on January 1, 1997.

14 (b) The treatment of sections 71.07 (2dd) (a) 1., 71.28 (1dd) (a) 1. and 71.47 (1dd)
15 (a) 1. of the statutes applies retroactively to taxable years beginning on January 1,
16 1995.

17 (c) The treatment of sections 71.07 (2dj) (am) 1., 71.28 (1dj) (am) 1. and 71.47
18 (1dj) (am) 1. of the statutes first applies to taxable years beginning on January 1,
19 1996.

20 (2) DEVELOPMENT ZONE PROGRAM CHANGES. The treatment of sections 560.70 (4)
21 and (6), 560.71 (1) (cm) and (e) and (1m), 560.72 (2) (c), (3) and (4), 560.723, 560.725
22 (1) (intro.) and (a) to (h), (2) and (3), 560.73 (1) (f) and (g) and (3), 560.735 (6) (a)
23 (intro.) and 2. and (c) and (6m) and 560.74 (2) of the statutes first applies to areas
24 nominated for designation as development zones for which applications are
25 submitted on the effective date of this subsection.

