



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2005 Assembly Bill 623

**Assembly Substitute
Amendment 1**

Memo published: November 10, 2005

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Assembly Substitute Amendment 1 would exempt from the state and county sales tax electricity and fuel consumed in “qualified research” as defined in Section 41 (d) of the U.S. Internal Revenue Code.

This section of the Internal Revenue Code defines, in relevant part, “qualified research” as research undertaken for the purpose of discovering information which is technological in nature and the application of which is intended to be useful in the development of a new or improved business component of the taxpayer. In addition, substantially all of the activities of research must constitute elements of a process of experimentation relating to a new or improved function, performance, or reliability or quality.

Certain activities do not qualify as “qualified research,” including:

1. Any research conducted after the beginning of commercial production of the business component.
2. Any research related to the adaptation of an existing business component to a particular customer’s requirement or need.
3. Any research related to the reproduction of an existing business component.
4. Surveys and studies relating to efficiency or activity relating to management functions or technique
5. Market research, testing for development (including advertising or promotions).
6. Routine data collection or routine or ordinary testing or inspection for quality control.
7. Certain research with respect to computer software.

8. Any research in the social sciences, arts or humanities or any research to the extent funded by any grant, contract or otherwise by another person or governmental entity.

The substitute amendment would take effect on July 1, 2007.

Assembly Substitute Amendment 1 was offered by Representative Wieckert. On November 9, 2005 Assembly Substitute Amendment 1 was adopted and the bill, as amended was recommended for passage by the Assembly Committee on Ways and Means by a vote of Ayes, 13; Noes, 0.

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