



2007 ASSEMBLY BILL 635

December 21, 2007 - Introduced by Representatives MOULTON, MURTHA, STRACHOTA, WOOD, BALLWEG, ALBERS, TOWNSEND, NASS, VAN ROY and HRAYCHUCK, cosponsored by Senators KANAVAS, HARSDFORF, PLALE, ROESSLER, SCHULTZ, KREITLOW and LEIBHAM. Referred to Committee on Jobs and The Economy.

1 **AN ACT to amend** 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a), 71.34 (1) (g), 71.45 (2)
2 (a) 10. and 77.92 (4); and **to create** 71.07 (5m), 71.10 (4) (er), 71.28 (5m), 71.30
3 (3) (er), 71.47 (5i), 71.49 (1) (er) and 560.207 of the statutes; **relating to:**
4 creating an income and franchise tax credit for expenses related to
5 nanotechnology and providing an exemption from emergency rule-making
6 procedures.

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax credit for certain expenses related to nanotechnology. Under the bill, generally, a person may claim a credit that is equal to the amount of state sales and use taxes the person paid in the taxable year on the purchase of machines, equipment, and certain other tangible personal property that are used by a nanotechnology business in this state for research, development, and manufacturing. In addition, a person may claim as a credit the amount of any payments to a public or private institution of higher education, or to a consortium of such institutions, for research, equipment, or the use of research facilities, or other qualified expenses as determined by the Department of Commerce (Commerce), that are directly related to nanotechnology. The bill defines “nanotechnology” as the science and technology that enables a person to understand, measure, manipulate, and manufacture materials at the atomic, molecular, and supermolecular levels. A “nanotechnology business” is a business that is primarily engaged in applying

ASSEMBLY BILL 635

nanotechnologies to create new applications or processes, or modify existing applications or processes, in order to make useful processes and products related to health care, energy, food production, manufacturing, biotechnology, information technology, or the environment. A person who wishes to claim the credit must first apply to Commerce.

Under the bill, if a person claims a credit in an amount that exceeds the person's income and franchise tax liability, the person does not receive a tax refund for the excess amount, but, instead, may carry forward the amount of any unused credit to the ten subsequent taxable years. The maximum amount of the credits that taxpayers may claim in any state fiscal year is \$2,500,000, as allocated by Commerce.

For further information see the *state* 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 2007 Wisconsin Act
2 20, 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), (3g), (3h), (3n), (3p), (3s), (3t), (3w), (5e),
5 (5f), (5h), (5i), (5j), ~~and (5k)~~, and (5m) and not passed through by a partnership,
6 limited liability company, or tax-option corporation that has added that amount to
7 the partnership's, company's, or tax-option corporation's income under s. 71.21 (4)
8 or 71.34 (1) (g).

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

10 71.07 **(5m)** NANOTECHNOLOGY CREDIT. (a) *Definitions.* In this subsection:

11 1. "Claimant" means a person who files a claim under this subsection.

12 2. "Consortium" means 2 or more public institutions of higher education that
13 are conducting substantially similar qualified research or working on components
14 of the same qualified research.

15 3. "Manufacturing" has the meaning given in s. 77.54 (6m).

ASSEMBLY BILL 635

1 4. “Nanotechnology” means the science and technology that enables a person
2 to understand, measure, manipulate, and manufacture materials at the atomic,
3 molecular, and supermolecular levels.

4 5. “Nanotechnology business” means a business, as certified by the department
5 of commerce in the manner prescribed by the department of commerce, that is
6 primarily engaged in applying nanotechnologies to create new applications or
7 processes, or modify existing applications or processes, in order to make useful
8 processes and products related to health care, energy, food production,
9 manufacturing, biotechnology, information technology, or the environment.

10 6. “Qualified research” means qualified research as defined under section 41
11 (d) (1) of the Internal Revenue Code, except that research conducted by a public or
12 private institution of higher education or a consortium, or a combination thereof, is
13 “qualified research” if the research is intended to be useful in developing a new or
14 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and
15 (C) of the Internal Revenue Code.

16 7. “Used exclusively” means used to the exclusion of all other uses except for
17 use not exceeding 5 percent of total use.

18 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.
19 560.207, for taxable years beginning on or after July 1, 2008, a claimant may claim
20 as a credit against the taxes imposed under s. 71.02, up to the amount of the taxes,
21 any of the following amounts that the claimant paid in the taxable year:

22 1. The taxes imposed under subch. III of ch. 77 on the purchase of machines and
23 processing equipment, including accessories, attachments, and parts for the
24 machines or equipment, that are used exclusively and directly by the claimant in the

ASSEMBLY BILL 635**SECTION 2**

1 claimant's nanotechnology business for qualified research and manufacturing, if the
2 research and manufacturing occurs in this state.

3 2. Payments to a public or private institution of higher education, or to a
4 consortium, for research, equipment, or the use of research facilities, or other
5 qualified expenses as determined by the department of commerce, that are directly
6 related to nanotechnology.

7 3. The taxes imposed under subch. III of ch. 77 on the purchase of any of the
8 following that are used by the claimant's nanotechnology business for research and
9 development that occurs in this state:

10 a. Advanced computing devices, including computer hardware and software.

11 b. Data communications.

12 c. Information technology.

13 d. Laboratory materials used exclusively for nanotechnology research and
14 development.

15 (c) *Limitations.* 1. The maximum amount of the credits that may be allocated
16 to all claimants under this subsection and ss. 71.28 (5m) and 71.47 (5m) in each fiscal
17 year is \$2,500,000, as determined by the department of commerce under s. 560.207.

18 2. No credit may be allowed under this subsection unless the claimant submits
19 with the claimant's return a copy of the claimant's certification for and allocation of
20 credits under s. 560.207.

21 3. Partnerships, limited liability companies, and tax-option corporations may
22 not claim the credit under this subsection, but the eligibility for, and the amount of,
23 the credit are based on their payment of amounts under par. (b). A partnership,
24 limited liability company, or tax-option corporation shall compute the amount of
25 credit that each of its partners, members, or shareholders may claim and shall

ASSEMBLY BILL 635

1 provide that information to each of them. Partners, members of limited liability
2 companies, and shareholders of tax-option corporations may claim the credit in
3 proportion to their ownership interests.

4 (d) *Administration.* 1. Section 71.28 (4) (e), (g), and (h), as it applies to the
5 credit under s. 71.28 (4), applies to the credit under this subsection.

6 2. If a credit computed under this subsection is not entirely offset against
7 Wisconsin income or franchise taxes otherwise due, the unused balance may be
8 carried forward and credited against Wisconsin income or franchise taxes otherwise
9 due for the following 10 taxable years to the extent not offset by these taxes otherwise
10 due in all intervening years between the year in which the expense was incurred and
11 the year in which the carry-forward credit is claimed.

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

13 71.10 (4) (er) Nanotechnology credit under s. 71.07 (5m).

14 **SECTION 4.** 71.21 (4) of the statutes, as affected by 2007 Wisconsin Act 20, is
15 amended to read:

16 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
17 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3h), (3n), (3p), (3s), (3t), (3w), (5e), (5f), (5g),
18 (5h), (5i), (5j), and (5k), and (5m) and passed through to partners shall be added to
19 the partnership's income.

20 **SECTION 5.** 71.26 (2) (a) of the statutes, as affected by 2007 Wisconsin Act 20,
21 is amended to read:

22 71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means
23 the gross income as computed under the Internal Revenue Code as modified under
24 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
25 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)

ASSEMBLY BILL 635**SECTION 5**

1 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income
2 under this paragraph at the time that the taxpayer first claimed the credit plus the
3 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),
4 (1ds), (1dx), (3g), (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k), and
5 (5m) and not passed through by a partnership, limited liability company, or
6 tax-option corporation that has added that amount to the partnership's, limited
7 liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1)
8 (g) plus the amount of losses from the sale or other disposition of assets the gain from
9 which would be wholly exempt income, as defined in sub. (3) (L), if the assets were
10 sold or otherwise disposed of at a gain and minus deductions, as computed under the
11 Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an
12 amount equal to the difference between the federal basis and Wisconsin basis of any
13 asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction
14 during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

15 **SECTION 6.** 71.28 (5m) of the statutes is created to read:

16 71.28 **(5m)** NANOTECHNOLOGY CREDIT. (a) *Definitions.* In this subsection:

17 1. "Claimant" means a person who files a claim under this subsection.

18 2. "Consortium" means 2 or more public institutions of higher education that
19 are conducting substantially similar qualified research or working on components
20 of the same qualified research.

21 3. "Manufacturing" has the meaning given in s. 77.54 (6m).

22 4. "Nanotechnology" means the science and technology that enables a person
23 to understand, measure, manipulate, and manufacture materials at the atomic,
24 molecular, and supermolecular levels.

ASSEMBLY BILL 635

1 5. “Nanotechnology business” means a business, as certified by the department
2 of commerce in the manner prescribed by the department of commerce, that is
3 primarily engaged in applying nanotechnologies to create new applications or
4 processes, or modify existing applications or processes, in order to make useful
5 processes and products related to health care, energy, food production,
6 manufacturing, biotechnology, information technology, or the environment.

7 6. “Qualified research” means qualified research as defined under section 41
8 (d) (1) of the Internal Revenue Code, except that research conducted by a public or
9 private institution of higher education or a consortium, or a combination thereof, is
10 “qualified research” if the research is intended to be useful in developing a new or
11 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and
12 (C) of the Internal Revenue Code.

13 7. “Used exclusively” means used to the exclusion of all other uses except for
14 use not exceeding 5 percent of total use.

15 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.
16 560.207, for taxable years beginning on or after July 1, 2008, a claimant may claim
17 as a credit against the taxes imposed under s. 71.23, up to the amount of the taxes,
18 any of the following amounts that the claimant paid in the taxable year:

19 1. The taxes imposed under subch. III of ch. 77 on the purchase of machines and
20 processing equipment, including accessories, attachments, and parts for the
21 machines or equipment, that are used exclusively and directly by the claimant in the
22 claimant’s nanotechnology business for qualified research and manufacturing, if the
23 research and manufacturing occurs in this state.

24 2. Payments to a public or private institution of higher education, or to a
25 consortium, for research, equipment, or the use of research facilities, or other

ASSEMBLY BILL 635**SECTION 6**

1 qualified expenses as determined by the department of commerce, that are directly
2 related to nanotechnology.

3 3. The taxes imposed under subch. III of ch. 77 on the purchase of any of the
4 following that are used by the claimant's nanotechnology business for research and
5 development that occurs in this state:

6 a. Advanced computing devices, including computer hardware and software.

7 b. Data communications.

8 c. Information technology.

9 d. Laboratory materials used exclusively for nanotechnology research and
10 development.

11 (c) *Limitations.* 1. The maximum amount of the credits that may be allocated
12 to all claimants under this subsection and ss. 71.07 (5m) and 71.47 (5m) in each fiscal
13 year is \$2,500,000, as determined by the department of commerce under s. 560.207.

14 2. No credit may be allowed under this subsection unless the claimant submits
15 with the claimant's return a copy of the claimant's certification for and allocation of
16 credits under s. 560.207.

17 3. Partnerships, limited liability companies, and tax-option corporations may
18 not claim the credit under this subsection, but the eligibility for, and the amount of,
19 the credit are based on their payment of amounts under par. (b). 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 ownership interests.

ASSEMBLY BILL 635

1 (d) *Administration*. 1. Subsection (4) (e), (g), and (h), as it applies to the credit
2 under sub. (4), applies to the credit under this subsection.

3 2. If a credit computed under this subsection is not entirely offset against
4 Wisconsin income or franchise taxes otherwise due, the unused balance may be
5 carried forward and credited against Wisconsin income or franchise taxes otherwise
6 due for the following 10 taxable years to the extent not offset by these taxes otherwise
7 due in all intervening years between the year in which the expense was incurred and
8 the year in which the carry-forward credit is claimed.

9 **SECTION 7.** 71.30 (3) (er) of the statutes is created to read:

10 71.30 (3) (er) Nanotechnology credit under s. 71.28 (5m).

11 **SECTION 8.** 71.34 (1) (g) of the statutes, as affected by 2007 Wisconsin Act 20,
12 is amended to read:

13 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
14 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),
15 (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), ~~and (5k)~~, and (5m) and passed
16 through to shareholders.

17 **SECTION 9.** 71.45 (2) (a) 10. of the statutes, as affected by 2007 Wisconsin Act
18 20, is amended to read:

19 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit
20 computed under s. 71.47 (1dd) to (1dx), (3h), (3n), (3p), (3w), (5e), (5f), (5g), (5h), (5i),
21 (5j), ~~and (5k)~~, and (5m) and not passed through by a partnership, limited liability
22 company, or tax-option corporation that has added that amount to the partnership's,
23 limited liability company's, or tax-option corporation's income under s. 71.21 (4) or
24 71.34 (1) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and
25 (5).

ASSEMBLY BILL 635**SECTION 10**

1 **SECTION 10.** 71.47 (5i) of the statutes is created to read:

2 71.47 **(5i)** NANOTECHNOLOGY CREDIT. (a) *Definitions.* In this subsection:

3 1. “Claimant” means a person who files a claim under this subsection.

4 2. “Consortium” means 2 or more public institutions of higher education that
5 are conducting substantially similar qualified research or working on components
6 of the same qualified research.

7 3. “Manufacturing” has the meaning given in s. 77.54 (6m).

8 4. “Nanotechnology” means the science and technology that enables a person
9 to understand, measure, manipulate, and manufacture materials at the atomic,
10 molecular, and supermolecular levels.

11 5. “Nanotechnology business” means a business, as certified by the department
12 of commerce in the manner prescribed by the department of commerce, that is
13 primarily engaged in applying nanotechnologies to create new applications or
14 processes, or modify existing applications or processes, in order to make useful
15 processes and products related to health care, energy, food production,
16 manufacturing, biotechnology, information technology, or the environment.

17 6. “Qualified research” means qualified research as defined under section 41
18 (d) (1) of the Internal Revenue Code, except that research conducted by a public or
19 private institution of higher education or a consortium, or a combination thereof, is
20 “qualified research” if the research is intended to be useful in developing a new or
21 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and
22 (C) of the Internal Revenue Code.

23 7. “Used exclusively” means used to the exclusion of all other uses except for
24 use not exceeding 5 percent of total use.

ASSEMBLY BILL 635

1 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.
2 560.207, for taxable years beginning on or after July 1, 2008, a claimant may claim
3 as a credit against the taxes imposed under s. 71.43, up to the amount of the taxes,
4 any of the following amounts that the claimant paid in the taxable year:

5 1. The taxes imposed under subch. III of ch. 77 on the purchase of machines and
6 processing equipment, including accessories, attachments, and parts for the
7 machines or equipment, that are used exclusively and directly by the claimant in the
8 claimant's nanotechnology business for qualified research and manufacturing, if the
9 research and manufacturing occurs in this state.

10 2. Payments to a public or private institution of higher education, or to a
11 consortium, for research, equipment, or the use of research facilities, or other
12 qualified expenses as determined by the department of commerce, that are directly
13 related to nanotechnology.

14 3. The taxes imposed under subch. III of ch. 77 on the purchase of any of the
15 following that are used by the claimant's nanotechnology business for research and
16 development that occurs in this state:

17 a. Advanced computing devices, including computer hardware and software.

18 b. Data communications.

19 c. Information technology.

20 d. Laboratory materials used exclusively for nanotechnology research and
21 development.

22 (c) *Limitations.* 1. The maximum amount of the credits that may be allocated
23 to all claimants under this subsection and ss. 71.07 (5m) and 71.28 (5m) in each fiscal
24 year is \$2,500,000, as determined by the department of commerce under s. 560.207.

ASSEMBLY BILL 635**SECTION 10**

1 2. No credit may be allowed under this subsection unless the claimant submits
2 with the claimant's return a copy of the claimant's certification for and allocation of
3 credits under s. 560.207.

4 3. Partnerships, limited liability companies, and tax-option corporations may
5 not claim the credit under this subsection, but the eligibility for, and the amount of,
6 the credit are based on their payment of amounts under par. (b). A partnership,
7 limited liability company, or tax-option corporation shall compute the amount of
8 credit that each of its partners, members, or shareholders may claim and shall
9 provide that information to each of them. Partners, members of limited liability
10 companies, and shareholders of tax-option corporations may claim the credit in
11 proportion to their ownership interests.

12 (d) *Administration.* 1. Section 71.28 (4) (e), (g), and (h), as it applies to the
13 credit under s. 71.28 (4), applies to the credit under this subsection.

14 2. If a credit computed under this subsection is not entirely offset against
15 Wisconsin income or franchise taxes otherwise due, the unused balance may be
16 carried forward and credited against Wisconsin income or franchise taxes otherwise
17 due for the following 10 taxable years to the extent not offset by these taxes otherwise
18 due in all intervening years between the year in which the expense was incurred and
19 the year in which the carry-forward credit is claimed.

20 **SECTION 11.** 71.49 (1) (er) of the statutes is created to read:

21 71.49 (1) (er) Nanotechnology credit under s. 71.47 (5i).

22 **SECTION 12.** 77.92 (4) of the statutes, as affected by 2007 Wisconsin Act 20, is
23 amended to read:

24 77.92 (4) "Net business income," with respect to a partnership, means taxable
25 income as calculated under section 703 of the Internal Revenue Code; plus the items

ASSEMBLY BILL 635

1 of income and gain under section 702 of the Internal Revenue Code, including taxable
2 state and municipal bond interest and excluding nontaxable interest income or
3 dividend income from federal government obligations; minus the items of loss and
4 deduction under section 702 of the Internal Revenue Code, except items that are not
5 deductible under s. 71.21; plus guaranteed payments to partners under section 707
6 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),
7 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3h), (3s), (3n), (3p), (3t), (3w), (5e),
8 (5f), (5g), (5h), (5i), (5j), ~~and (5k)~~, and (5m); and plus or minus, as appropriate,
9 transitional adjustments, depreciation differences, and basis differences under s.
10 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions
11 from farming. "Net business income," with respect to a natural person, estate, or
12 trust, means profit from a trade or business for federal income tax purposes and
13 includes net income derived as an employee as defined in section 3121 (d) (3) of the
14 Internal Revenue Code.

15 **SECTION 13.** 560.207 of the statutes is created to read:

16 **560.207 Nanotechnology tax credits. (1)** The department shall implement
17 a program for certifying businesses as eligible for tax credits under ss. 71.07 (5m),
18 71.28 (5m), and 71.47 (5m).

19 **(2)** If the department certifies a business as eligible under sub. (1), the
20 department shall determine the amount of expenditures by the business that meet
21 the requirements of s. 71.07 (5m) (b) 1. to 3., 71.28 (5m) (b) 1. to 3., or 71.47 (5m) (b)
22 1. to 3. and shall determine the amount of tax credits to be allocated to the business.
23 The total amount of tax credits allocated to all eligible businesses may not exceed
24 \$2,500,000 per fiscal year.

