

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
100164	Manufacturing and Agriculture Credit - Credit as Income - Common Questions

State of Wisconsin
Department of Revenue

Manufacturing and Agriculture Credit - I. Credit as Income

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.

1. Is the credit includable in taxable income?
2. Should the MA credit be included in income in the year following the year of computation even though the credit is not used and is carried forward?
3. Is the MA credit reported as income on the 2019 return considered qualified production activities income?
4. Is the manufacturing credit added to income on the pass-through entity's return where the credit was originally calculated, or at the individual level where the credit was claimed?
5. The credit is income in the year following the year computed. If a partner leaves the partnership in the year following the computation of the credit, is the partner required to include the credit in his or her income?
6. If the partnership files a final return, do the partners' need to add the amount of credit computed on the final partnership return in their taxable income in the year after the credit is passed through to them?
7. If a partners' manufacturing and agriculture credit passed through from a partnership is recomputed because the partner uses qualified production activities income to claim the credit for net taxes paid to other states, is the partner required to include in income the subsequent year a) his or her share of the credit computed by the partnership in the previous year or b) the amount claimed by the partner on his or her tax return in the previous year?

1. Is the credit includable in taxable income?

The amount of credit **computed** (not claimed) is income and must be reported as income on the claimant's Wisconsin franchise or income tax return for the taxable year immediately after the taxable year in which the credit is computed. This is true even if you cannot use the full amount of the credit computed this year to offset tax liability for this year and must carry over part or all of it to future years.

2. Should the MA credit be included in income in the year following the year of computation even though the credit is not used and is carried forward?

Yes, the credit computed must be included in income following the year in which it is computed regardless of whether or not the taxpayer uses the credit.

3. Is the MA credit reported as income on the 2019 return considered qualified production activities income?

No. Qualified production activities income is only income that results from the sale of tangible personal property.

4. Is the manufacturing credit added to income on the pass-through entity's return where the credit was originally calculated, or at the individual level where the credit was claimed?

The entire credit must be added to the pass-through entity's income for the year following the year in which the credit was computed to the extent not included in federal ordinary business income, regardless of whether the partner, member, or shareholder was able to use the entire amount.

5. The credit is income in the year following the year computed. If a partner leaves the partnership in the year following the computation of the credit, is the partner required to include the credit in his or her income?

No. The amount of credit computed is added to the partnership's income. If the partner leaves the partnership following the year the credit is computed, the income from the computation of the credit will never be allocated to the former partner.

6. If the partnership files a final return, do the partners' need to add their share of the credit computed on the final partnership return in their taxable income in the following year?

Yes. Partners must include in income their share of the credit computed by the partnership in the prior taxable year.

7. If a partners' manufacturing and agriculture credit passed through from a partnership is recomputed because the partner uses qualified production activities income to claim the credit for net taxes paid to other states, is the partner required to include in income the subsequent year a) his or her share of the credit computed by the partnership in the previous year or b) the amount claimed by the partner on his or her tax return in the previous year?

The partnership is required to include in partnership income the amount of manufacturing and agriculture credit computed by the partnership in the previous year, regardless of the amount claimed by its partners. Therefore, the partner must include in his or her income the share of credit computed and included in income by the partnership in the previous year.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of December 27, 2019: Sections 71.05, 71.07, 71.21, 71.26, 71.28 and 71.34, Wis. Stats., and 26 U.S. CFR § 1.199-1.

Laws enacted and in effect after December 27, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to December 27, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

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Guidance Document Certification: <https://www.revenue.wi.gov/Pages/Certification-Statement.aspx>

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Related Links

Manufacturing and Agriculture Credits

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- [Schedule MA Questions](#)
- [Credit Computation](#)
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- [Manufacturing Property Assessment Questions](#)
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