

CR 11-023

ORDER OF THE DEPARTMENT OF REVENUE CREATING RULES

The Wisconsin Department of Revenue adopts an order to: **create** Tax 2.957; **relating to** income and franchise tax credits and deductions for businesses that relocate to Wisconsin.

Analysis by the Department of Revenue

Statutes interpreted: ss. 71.05 (6) (b) 47., 71.28 (9s), and 71.47 (9s), Stats.

Statutory authority: ss. 71.05 (6) (b) 47. e., 71.28 (9s) (d) 2., 71.47 (9s) (d) 2., and 227.24, Stats.

Explanation of agency authority: Sections 71.05 (6) (b) 47. e., 71.28 (9s) (d) 2., and 71.47 (9s) (d) 2., Stats., require the department to promulgate rules to administer the income and franchise tax credits and deductions created by 2011 Wisconsin Act 3 for businesses that relocate to Wisconsin.

Related statute or rule: There are no other applicable statutes or rules.

Plain language analysis: This rule prescribes the method by which the percentage of the workforce payroll of a business and the dollar amount of wages paid to such workforce moved to this state during a taxable year shall be determined for purposes of ss. 71.05 (6) (b) 47., 71.28 (9s), and 71.47 (9s), Stats. It also provides examples of actions that may indicate a business has relocated to this state from another state or country and limits the deduction provided for in s. 71.05 (6) (b) 47. am., b., and c., Stats.

Summary of, and comparison with, existing or proposed federal regulation:

There is no existing or proposed federal regulation that is intended to address the activities to be regulated by the rule.

Comparison with rules in adjacent states: The department has researched provisions in adjacent states and is not aware of the existence of a similar rule.

Summary of factual data and analytical methodologies: 2011 Wisconsin Act 3 created income and franchise tax credits and deductions for businesses that relocate to Wisconsin. Among the provisions created is a requirement for the department to promulgate rules to administer these credits and deductions. The department has created this rule order to comply with this statutory requirement.

Analysis and supporting documents used to determine effect on small business: As explained above, this rule is created to administer changes in Wisconsin's income and franchise tax laws. As the rule itself does not impose any significant financial or other compliance burden, the department has determined that it does not have a significant effect on small business.

Anticipated costs incurred by private sector: This rule does not have a significant fiscal effect on the private sector.

Effect on small business: This rule does not have a significant effect on small business.

Agency contact person: Please contact Dale Kleven at (608) 266-8253 or dale.kleven@revenue.wi.gov, if you have any questions regarding this rule.

SECTION 1. Tax 2.957 is created to read:

Tax 2.957 Relocated business credit or deduction. (1) PURPOSE. The purpose of this section is to prescribe the method by which the percentage of the workforce payroll of a business and the dollar amount of wages paid to such workforce moved to this state during a taxable year shall be determined for purposes of ss. 71.05 (6) (b) 47., 71.28 (9s), and 71.47 (9s), Stats.; provide examples of actions that may indicate a business has relocated to this state from another state or country; and limit the deduction provided for in s. 71.05 (6) (b) 47. am., b., and c., Stats.

(2) DEFINITIONS. In this section:

(a) “Business” means any organization or enterprise operated for profit, including a sole proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, limited liability company, or association.

(b) “Doing business in this state” has the meaning given in s. 71.22 (1r), Stats.

(c) “Employee” has the meaning given in section 3121 (d) of the Internal Revenue Code.

(d) “Taxable year” has the meaning given in ss. 71.01 (12), 71.22 (10), and 71.42 (5), Stats.

(e) “Wages” has the meaning given in section 3121 (a) of the Internal Revenue Code.

(3) RELOCATION TO THIS STATE. For purposes of ss. 71.05 (6) (b) 47., 71.28 (9s), and 71.47 (9s), Stats., actions that may indicate a business has relocated to this state from another state or country include the following:

(a) Registering with the department, as provided in s. 73.03 (50), Stats.

(b) Registering to do business in Wisconsin with the department of financial institutions.

(4) DOING BUSINESS IN THIS STATE. For purposes of ss. 71.05 (6) (b) 47., 71.28 (9s), and 71.47 (9s), Stats., doing business in this state for any portion of a taxable year means doing business in this state for the entire taxable year, as provided in s. 71.22 (1r), Stats.

(5) WORKFORCE PAYROLL. For purposes of ss. 71.05 (6) (b) 47. a., 71.28 (9s) (a) 2., and 71.47 (9s) (a) 2., Stats., the determination as to whether 51% or more of the workforce payroll of a business has moved to this state during a taxable year shall be made using a fraction, the numerator of which is the total amount of wages paid by the

business during the taxable year to employees of the business who are residents of this state, and the denominator of which is the total amount of wages paid by the business during the taxable year to all employees of the business.

Example: During the taxable year in which Business A begins doing business in Wisconsin, Business A pays \$6,000,000 of wages to employees of Business A who are residents of Wisconsin and \$10,000,000 of total wages to all employees of Business A. Sixty (60) percent of the workforce payroll of Business A moved to Wisconsin during the taxable year (6,000,000/10,000,000).

(6) WORKFORCE WAGES. For purposes of ss. 71.05 (6) (b) 47. a., 71.28 (9s) (a) 2., and 71.47 (9s) (a) 2., Stats., the determination as to whether at least \$200,000 of wages paid to the workforce of a business has moved to this state during a taxable year shall be made using the total amount of wages paid by the business during the taxable year to employees of the business who are residents of this state.

Example: During the taxable year in which Business B begins doing business in Wisconsin, Business B pays \$250,000 of wages to employees of Business B who are residents of Wisconsin. Wages of \$250,000 paid to the workforce of Business B moved to Wisconsin during the taxable year.

(7) LIMITATION ON DEDUCTION. No modification may be made under s. 71.05 (6) (b) 47. am., b., or c., Stats., if the amount otherwise eligible for the modification is less than zero.

Example: Partner B determines the amount otherwise eligible for the modification under s. 71.05 (6) (b) 47. b., Stats., is a loss of \$5,000. Partner B may not make a modification under s. 71.05 (6) (b) 47. b., Stats.

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22 (2) (intro.), Stats.

Final Regulatory Flexibility Analysis

This rule order does not have a significant economic impact on a substantial number of small businesses.

DEPARTMENT OF REVENUE

Dated: _____

By: _____

Richard G. Chandler
Secretary of Revenue