

WISCONSIN... KEEP MANUFACTURING

Federal tax law allows a special manufacturing deduction, which provides incentives to keep jobs and manufacturing activity in the United States. The State of Wisconsin has disallowed this special deduction for state tax purposes over the past several years; however, with the passage of the 2011 Wisconsin Budget, an income tax credit has been included in this State's budget to encourage and strengthen manufacturing in Wisconsin.

This credit is available to individuals and certain entities for taxable years commencing on or after January 1, 2013, for manufacturing and agricultural activities in the State of Wisconsin. The credit will be phased in over a 4 year period beginning next year, and when fully phased in, the credit will be equal to 7.5% of a company's qualified production activities income. Thus, the credit will effectively eliminate the rate of tax on Wisconsin manufacturing income.

Some of the differences in the new Wisconsin credit from the federal deduction include:

- The Wisconsin credit is only available for income from manufacturing and agricultural activities.
- The Wisconsin credit is not allowed for construction income or other activities that qualify for the federal deduction.
- Further, the Wisconsin credit only applies for manufacturing and agricultural income allocable to Wisconsin and is not applicable to income allocated to other states.

An individual, estate, trust, partnership, limited liability company, or corporation can claim the credit if the claimant owns or rents and uses in Wisconsin real property and improvements assessed as property under Wisconsin Statute § 70.32(2)(a)4, or owns or rents and uses in Wisconsin real and personal manufacturing property assessed under Wisconsin Statute § 70.995.

The credit can be taken against the entity's corporate income tax liability and for partnerships, LLCs or S corporations, against the personal tax liability of the entity's partners, members or shareholders in proportion to his or her ownership interests. It is important to note that any credit that is claimed is considered income and must be reported as income on the claimant's Wisconsin franchise or income tax return in the taxable year immediately after the taxable year in which the credit is computed. Further, a taxpayer may carry forward any unused credits against income or franchise taxes due for up to 15 years.

This tax credit is new and the benefits can be significant. If you have any questions about this

tax credit, or if you need assistance in determining whether you can benefit from this credit, please contact us.