

# Instructions for 1996 Schedule DC

## Items to Note

- Although the federal targeted jobs credit was terminated for employees who began work after December 31, 1994, and replaced by the work opportunity tax credit for employees who begin work after September 30, 1996, these changes do not apply for Wisconsin purposes.
- For taxable years beginning on or after January 1, 1996, the term "member of a targeted group," for purposes of the jobs credit, is defined in section 51(d) of the Internal Revenue Code (IRC) as amended to December 31, 1995, with certain exceptions. See Part I for a description of the Wisconsin definition of a member of a targeted group.
- Beginning April 25, 1996, an employer may qualify for the jobs credit if its employees are certified as members of a targeted group within 90 days after they begin employment.
- Effective April 25, 1996, to claim the location credit for an amount expended to acquire property, the claimant must have acquired the property after the place where the property is located was designated a development zone, and the completed property must be placed in service after the claimant is certified for development zone tax benefits.
- For taxable years beginning on or after January 1, 1995, "day care center benefits," for purposes of the day care credit, includes benefits provided at a facility for persons who are physically or mentally incapable of caring for themselves as well as benefits provided at a day care facility that is licensed under sec. 48.65 or 48.69, Wis. Stats., and that, for compensation, provides care for at least 6 children.

## Purpose of Schedule DC

Use Schedule DC to claim the special tax credits that may be available for persons doing business in Wisconsin development zones. The credits consist of a jobs credit, sales tax credit, investment credit, location credit (investment credit on real property), day care credit, environmental remediation credit, and, for corporate claimants other than tax-option (S) corporations, a research credit. The jobs credit and sales tax credit are refundable credits. The other five credits are non-refundable, but may be carried forward for up to 15 taxable years.

The Wisconsin Department of Commerce administers the development zone program. The designation of a geographical area as a development zone is dependent upon the degree of unemployment, average income level, average property value, number of job layoffs, and other criteria within the area. Once an area is designated as a development zone, persons conducting business in the zone may be eligible to claim the special tax credits.

To participate in the development zone program, businesses must first be certified by the Department of Commerce. For more information regarding eligibility in the Wisconsin development zone program, call (608) 267-2045 or write to the Division of Community Development, Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

## Who Is Eligible to Claim the Credits

Any individual, estate, trust, partnership, limited liability company (LLC), corporation, or tax-exempt organization that is conducting business in a development zone and has been certified by the Department of Commerce may be eligible for the credits.

Partnerships, limited liability companies treated as partnerships, and tax-option (S) corporations cannot claim the credits, but the credits attributable to the entity's business operations pass through to the partners, members, or shareholders. Partnerships, limited liability companies treated as partnerships, and tax-option (S) corporations use Schedule DC to figure the credits that pass through to the partners, members, or shareholders. Partners, LLC members, and tax-option (S) corporation shareholders use Schedule DC to claim their credits.

## How to Claim the Credits

You claim the credits by completing Schedule DC and entering the amounts on the Wisconsin franchise or income tax return that you file. You must attach Schedule DC to your tax return. In addition, you must attach a copy of your certification to claim tax benefits and the verification of your expenses, which you obtain from the Department of Commerce. Tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts attach a copy of the certification to claim tax benefits and verification of expenses to the return filed. Tax-option (S) corporation shareholders, partners, LLC members, and beneficiaries of estates and trusts attach a copy of Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the certification and verification from the Department of Commerce.

Individuals (including tax-option (S) corporation shareholders, partners, members of limited liability companies treated as partnerships, and beneficiaries of estates or trusts) should see the Wisconsin Form 1 or Form 1NPR instructions for special instructions for claiming the credits.

Estates or trusts share the credits among themselves and their beneficiaries in proportion to the income allocable to each. See the Wisconsin Form 2 instructions for special instructions for claiming the credits. In addition, the estate or trust must complete Schedules 2K-1 showing the credits for each beneficiary.

Partnerships and limited liability companies treated as partnerships should complete the appropriate lines of Schedule 3K on Form 3 and Schedules 3K-1 so that the partners or LLC members may claim their shares of the credits.

Corporations (other than tax-option (S) corporations) should complete the appropriate lines on the Wisconsin corporate franchise or income tax return, Form 4, 4I, or 5.

Tax-option (S) corporations should complete the appropriate lines of Schedule 5K on Form 5S and Schedules 5K-1 so that the individual shareholders may claim their shares of the credits.

Tax-exempt organizations that have unrelated business taxable income should complete the appropriate lines on Form 4T. Tax-exempt organizations that do not have unrelated business taxable income should complete a Form 5. Enter zero for net income, gross tax, and net tax. Complete Schedule C2 and the appropriate lines on Form 5 to claim the refundable development zone credits.

Special rules apply to certain American Indian businesses located in Indian reservation development zones. For more information, contact the Department of Revenue.

### Credits Are Income

The credits that you compute on Schedule DC are income and must be reported on your Wisconsin franchise or income tax return in the year computed. This is true even if you cannot take the full amount of a credit computed this year and must carry part of it forward to subsequent years.

### Information or Forms

For more information, call (608) 266-2772 or write to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906.

If you need forms, call (608) 266-1961 or write to the Forms Request Office, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. To receive tax forms by FAX, use your fax telephone to call the department's Fax-A-Form Retrieval System at (608) 261-6229. You may download forms and instructions from the department's Internet website at <http://www.dor.state.wi.us>.

### Carryover of Unused Credits

The development zone research credit, investment credit, location credit, day care credit, and environmental remediation credit are nonrefundable. Any unused credits may be carried forward for 15 years, with certain exceptions which are explained later.

If there is a reorganization of a corporation claiming a development zone credit, the limitations provided by Internal Revenue Code (IRC) section 383 may apply to the carryover of any unused Wisconsin development zone credits.

---

## Part I — Jobs Credit

---

### General Instructions

The jobs credit provides an incentive to hire persons from targeted groups that have a particularly high unemployment rate or other special employment needs. This credit is for qualified wages you incur or pay, **after** you are certified for tax benefits, to members of targeted groups who are Wisconsin residents and work for you in a development zone.

The amount of credit allowable for a taxable year is 40% of the qualified first-year and second-year wages for that year, limited to \$6,000 in wages for each certified employee (\$3,000 for each qualified summer youth employee).

An additional credit may be claimed for qualified wages paid to a person who is a resident of the development zone in which he or she is employed. This credit is available whether or not the employee is a member of a targeted group. The allowable credit is 10% of the qualified first-year wages, limited to \$6,000 in wages for each qualified employee.

To claim a jobs credit on an employee's wages, the following requirements must be met.

- A. The employee must be certified as belonging to a targeted group.

Certification is done by a local agency, generally a Jobs Service office of the Wisconsin Department of Workforce Development. The agency gives the employer a form certifying that the employee is in a targeted group. Beginning April 25, 1996, the employer must request, in writing, a certification from the certifying agency within 90 days (previously 30 days) after the employee begins work.

The certification of a youth in a cooperative education program is completed by the school administering the program. The school gives the employer a completed federal Form 6199, Certification of Youth Participating in a Qualified Cooperative Education Program.

Your credit is based on a percentage of the wages for each employee in the following targeted groups:

- Referrals by a vocational rehabilitation program.

A vocational rehabilitation referral is any certified employee who:

- (1) Has a physical or mental disability that either is a substantial handicap to or that results in a substantial handicap to employment, and
- (2) Is referred to you upon completing or while receiving rehabilitative services under:
  - (a) An individualized written rehabilitation plan under a state plan for vocational

rehabilitation services approved under the Rehabilitation Act of 1973, or

- (b) A program of vocational rehabilitation for veterans carried out under Chapter 31 of Title 38, United States Code.

- Economically disadvantaged Vietnam-era veterans.

An economically disadvantaged Vietnam-era veteran is any certified employe who:

- (1) Served on active duty in the United States Armed Forces for more than 180 days and at least one of those days occurred in the period from August 5, 1964, through May 7, 1975 (active duty does not include active duty for training), or

Was discharged or released from active duty because of a service-connected disability if some part of that active duty occurred from August 5, 1964, through May 7, 1975,

- (2) Was not on active duty (other than active duty for training) for more than a 90-day period on any day in the 60-day period that ends on the day you hire the employe, and

- (3) Is a member of an economically disadvantaged family.

A person is a **member of an economically disadvantaged family** if the designated local agency determines that the family's income was at a certain level during the 6 months before the earlier of either (a) the month the determination is made or (b) the month in which the hiring date falls. The family's income level during that period must have been no more than 70% of the Bureau of Labor Statistics lower living standard, figured on an annual basis.

- Economically disadvantaged youths.

An economically disadvantaged youth is any certified employe who is:

- (1) At least 18 years old but under 23 on the hiring date, and
- (2) A member of an economically disadvantaged family (defined earlier).

- Supplemental Security Income (SSI) recipients.

An SSI recipient is any certified employe who received supplemental security income benefits for any month ending in the 60-day period that ends on the day you hire the employe.

- General assistance recipients.

A general assistance recipient is any certified employe who received assistance under a qualified general assistance program for a period of at least 30 days ending within the 60-day period that ends on the day you hire the employe. A qualified general assistance program is any qualified state or local government program that provides general assistance or similar assistance that is based on need and that is given in money, voucher, or scrip.

- Youths in a cooperative education program, who belong to an economically disadvantaged family.

A youth participating in a qualified cooperative education program is any person who a qualified school certifies in writing:

- (1) Is at least 16 years old but under 20,
- (2) Did not graduate from a high school or a vocational school,
- (3) Is enrolled in and actively studying in a qualified cooperative education program, and
- (4) Is a member of an economically disadvantaged family (defined earlier).

Your employe's wages qualify for the credit under this targeted group even if requirement 4 is no longer met after the initial certification. A qualified cooperative education program is a vocational education program for people who receive instruction, including required academic instruction, by combining school study with a job in any occupational field. The school and employer together must plan the two experiences so that each contributes to the student's education and ability to be hired. The program must be directly related to preparing a person for employment or for additional preparation for a career that does not require a baccalaureate or advanced degree. The program must provide instruction related to the occupation for which the student is in training. The education program must be organized through written cooperative arrangements between one or more employers and a qualified school.

A qualified school is a specialized high school, high school department, or technical or vocational school used exclusively or principally to provide vocational education to students who are preparing to enter the job market. A technical or vocational school must provide this education to students who have either left or completed high school. A nonpublic school is treated as a qualified school only if it is exempt from federal income tax.

- Economically disadvantaged ex-convicts.

An economically disadvantaged ex-convict is any certified employe who:

- (1) Was convicted of a felony under any federal or state statute,
- (2) Is a member of an economically disadvantaged family (defined earlier), and
- (3) Is hired within 5 years of being convicted or released from prison, whichever is later.

- Eligible work incentive employees.

An eligible work incentive employee is a certified individual who:

- (1) Is eligible for dependent children payments under the Social Security Act and has continually received this financial assistance during the 90 days just before being hired, or
- (2) Is employed under a work incentive program that was set up under the Social Security Act.

- Qualified summer youth employees, age 16 or 17, who work for you between May 1 and September 15.

A qualified summer youth employee is a certified employee who:

- (1) Works for you between May 1 and September 15,
- (2) Is at least 16 but less than 18 years old when hired, or on May 1 if you hired the employee before that date,
- (3) Has not previously worked for you, and
- (4) Is certified as a member of an economically disadvantaged family (defined earlier).

The allowable credit for these employees is limited to 40% of the first \$3,000 of wages paid to each employee for work done in any 90-day period between May 1 and September 15 of the same calendar year.

- Persons unemployed as a result of a business closing or mass layoff, in situations where Wisconsin law requires the employer to provide notification of the closing or layoff.

A business closing is a permanent or temporary shutdown of an employment site or of one or more facilities within a single municipality that affects a specified number of employees. A mass layoff is a reduction in an employer's work force that is not the result of a business closing and that affects a specified number of employees at an employment site or within a single municipality.

- Dislocated workers.

A dislocated worker is any certified employee who:

- (1) Has been terminated or laid-off or has received a notice of termination or layoff, is eligible for or has exhausted entitlement to unemployment compensation, and is unlikely to return to the previous industry or occupation,
- (2) Has been terminated, or received a notice of termination of employment, as a result of any permanent closure of a plant or facility,
- (3) Is long-term unemployed and has limited opportunities for employment in the same or similar occupation in the area in which he or she resides, including an older person who may have substantial barriers to employment because of age, or
- (4) Was self-employed (including farmers) and is unemployed because of general economic conditions in the community where he or she resides or because of natural disasters.

B. The employee must be a Wisconsin resident.

C. The wages must not be paid or incurred to any employee during any period that you received federally or state funded payments for on-the-job training of that employee. In addition, wages paid or incurred to an employee must be reduced by the amount of any work supplementation payments under the Social Security Act which you received for that employee, including any state funded work subsidy payments.

D. The employee cannot be your relative or dependent. These rules apply to you if you are:

- An individual who is the employer,
- A shareholder who owns, directly or indirectly, more than 50% of the value of the outstanding stock of the employing corporation,
- A beneficiary, grantor, or fiduciary of the employing estate or trust,
- A member of the employing partnership, or
- A shareholder in a tax-option (S) corporation that is the employer.

In addition, an employee of an estate or trust is not eligible for the credit if he or she is a grantor, beneficiary, or fiduciary of the estate or trust.

E. The employee cannot have worked for you previously unless he or she was a targeted group member when employed earlier.

F. The employee must have worked for you for at least 90 days (14 days for a summer youth employee) or completed at least 120 hours of service (20 hours for a summer youth employee).

- G. The jobs credit is based on a percentage of an employee's qualified wages.

Qualified wages are those that you incur or pay to employees who are Wisconsin residents for work performed in your trade or business in a development zone **after** you are certified for tax benefits by the Department of Commerce. For determining whether an employee works in a development zone, a mobile employee works at the base of operations.

The treatment of employees who are leased or rented to other businesses depends on when you were certified for development zone tax benefits by the Department of Commerce. If you received certification prior to January 1, 1992, a leased or rented employee works at the location where he or she performs services. If you were certified for tax benefits on or after January 1, 1992, a leased or rented employee is considered to be working at his or her base of operations.

Qualified first-year wages are the qualified wages that your employee earns during the first one-year period of working for you. The first year begins on the day your employee starts work. Thus, the person must be hired **after** you have been certified for tax benefits. Qualified second-year wages are the qualified wages your employee earns during the second one-year period of working for you. The second year begins the day after the first year ends.

Wages generally are all amounts that are paid for employment, including the value of noncash items. However, wages do not include the value of meals and lodging you furnish your employees for your convenience if the value is excludable from the employees' incomes. To figure the credit, use the same wages that are subject to federal unemployment tax (FUTA), but without the FUTA dollar limitations. A different definition of wages applies to certain agricultural and railroad employees and to youths participating in cooperative education programs.

You can take a jobs credit for agricultural employees who meet the other tests if their services qualify under FUTA as agricultural labor during more than half of any pay period. Base your credit for each employee on the first \$6,000 in wages subject to social security (FICA) tax you paid or accrued for that person during the year.

You can take a credit for railroad employees who meet the other tests if their wages qualify under the Railroad Unemployment Insurance Act (RUIA). Base your credit for each employee on the first \$500 a month you paid or accrued for that person during the year in wages subject to RUIA tax.

Wages for youths in a cooperative education program are not subject to FUTA, but include their wages in the amount you use to figure your jobs credit. Base your jobs credit for each youth on the first \$3,000 in wages you paid or accrued for that person during the year.

The wages cannot be for services of replacement workers during a strike or walkout.

Tax-exempt organizations are eligible for the jobs credit.

To claim the additional 10% credit on an employee's wages, the following requirements must be met.

- A. The employee must be certified as residing in the development zone in which he or she works.

The Department of Commerce must certify that the employee is a resident of the development zone.

- B. The additional credit is based on 10% of an employee's qualified wages.

Qualified wages are those that you incur or pay to a resident of a development zone for work performed in your trade or business in that zone **after** you are certified for tax benefits by the Department of Commerce.

Qualified wages are the amount that your employee earns during the first one-year period of working for you. The first year begins on the day your employee starts work. Thus, the person must be hired **after** you have been certified for tax benefits. Base the credit on 10% of the first \$6,000 in wages paid or accrued for that person during the one-year period.

### Specific Instructions

**Line 1a.** Enter the number of employees (excluding summer youth employees), which a designated local agency has certified are members of targeted groups, for whom you have first-year wages.

**Line 1b.** Enter the first-year wages paid or incurred for the employees entered on line 1a. However, do not enter more than \$6,000 for any one employee.

**Line 1c.** Enter the number of employees (excluding summer youth employees), which a designated local agency has certified are members of targeted groups, for whom you have second-year wages.

**Line 1d.** Enter the second-year wages paid or incurred for the employees entered on line 1c. However, do not enter more than \$6,000 for any one employee.

**Line 1e.** Enter the number of qualified summer youth employees for whom you have first-year wages.

**Line 1f.** Enter the first-year wages paid or incurred for employees entered on line 1e. Wages are limited to those paid or incurred for any 90-day period between May 1 and September 15, up to \$3,000. You cannot claim a credit for an employee who was your employee in any prior year. Also, the summer youth employee must have worked for you at least 14 days, or completed at least 20 hours of service.

**Line 1g.** Enter the number of employees, which the Department of Commerce has certified are residents of the development zone, for whom you have first-year wages.

**Line 1h.** Enter the first-year wages paid or incurred for the employees entered on line 1g. However, do not enter more than \$6,000 for any one employee.

**Line 7.** Enter the amount of jobs credit passed through from tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts. The pass-through credits are shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates and trusts.

**Line 8.** Special instructions apply to pass-through entities.

**Tax-option (S) corporations, partnerships, and limited liability companies treated as partnerships:** Prorate the jobs credit on line 8 among the shareholders, partners, or members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

**Estates and trusts:** Prorate the jobs credit on line 8 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show the estate's or trust's portion of the jobs credit on the dotted line to the left of line 8. Label it "Form 2 portion" and claim this amount on the appropriate line of Form 2. Show the credit for each beneficiary on Schedule 2K-1.

## Required Attachments to Schedule DC

To claim the jobs credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying the amount of qualifying wages and verifying that the employees were hired for work only in a development zone or are mobile employees whose base of operations is in a development zone.

If the jobs credit is passed through from a tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, attach a copy of your Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the above information.

---

## Part II — Sales Tax Credit

---

### General Instructions

The sales tax credit is to encourage investment in assets for use in your business in a development zone. This credit is for the amount of Wisconsin state, county, and stadium sales or use taxes you pay directly, **after** you are certified for tax ben-

efits, for eligible property that is used in the conduct of business operations in a development zone.

Eligible property includes:

- A. Construction materials and supplies and other materials used to construct, rehabilitate, repair, or remodel real property that is eligible for the development zone location credit (see Part V),
- B. Depreciable, tangible personal property that is eligible for the development zone investment credit (see Part IV), and
- C. Leased or rented depreciable, tangible personal property used for at least 50% of its use in the conduct of business operations at a location in a development zone that would be eligible for the development zone investment credit if it were purchased.

To be eligible for the sales tax credit, the sales tax must be separately stated on the invoice.

If the property is used for less than 100% of its use in a development zone, the amount of sales tax paid that may be used in the computation of the credit is limited to the percentage of business use in a development zone. If materials are used to construct, repair, or rehabilitate real property, and that property is used for less than 100% of its use in the conduct of business in a development zone, the sales tax paid is also limited to the percentage of business use determined for purposes of the location credit.

### Specific Instructions

**Line 9.** Enter the total amount of purchases, lease payments, and rental payments made during the year for eligible property (include the amount of Wisconsin state, county, and stadium sales and use taxes paid). If the eligible property purchased is used for less than 100% of its use in the conduct of business operations in a development zone, enter the amount determined by multiplying the amount of the purchase by the percentage of use of the property in the conduct of business operations in a development zone.

**Line 10.** Enter the amount of Wisconsin state sales and use tax paid on the purchases, leases, and rentals of eligible property that is included in the amount entered on line 9.

**Line 11.** Enter the amount of Wisconsin county and stadium sales and use taxes paid on the purchases, leases, and rentals of eligible property that is included in the amount entered on line 9.

**Line 13.** Enter the amount of sales tax credit passed through from tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts. The pass-through credits are shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates and trusts.

**Line 14.** Special instructions apply to pass-through entities.

**Tax-option (S) corporations, partnerships, and limited liability companies treated as partnerships:** Prorate the sales tax credit on line 14 among the shareholders, partners, or members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

**Estates and trusts:** Prorate the sales tax credit on line 14 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show the estate's or trust's portion of the sales tax credit on the dotted line to the left of line 14. Label it "Form 2 portion" and claim this amount on the appropriate line of Form 2. Show the credit for each beneficiary on Schedule 2K-1.

### Required Attachments to Schedule DC

To claim the sales tax credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying the amount of Wisconsin state, county, and stadium sales and use taxes you paid for eligible property.

If the sales tax credit is passed through from a tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, attach a copy of your Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the above information.

---

## Part III — Research Credit

---

### General Instructions

The research credit is designed to encourage regular corporations to increase the amounts they spend on research and experimental activities in a development zone. The credit is equal to 5% of the increase in your research expenses for the year over the base amount.

Corporations, other than tax-option (S) corporations, may claim this credit. Individuals, trusts, estates, partnerships (including their partners), limited liability companies treated as partnerships (including their members), and tax-option (S) corporations (including their shareholders) are not eligible to claim this credit.

Not all research qualifies for the credit. In general, it must be the kind of research for which you are allowed to deduct your expenses under IRC section 174. That is, the credit applies only to research and development in the experimental or laboratory sense. The research must be technological and its application should be useful in developing a new or improved business component.

You can take the credit only for research you do or pay for in carrying on your trade or business in a development zone. This research must relate to a new or improved function, performance, reliability, or quality. This can include developing or improving a product, a formula, an invention, a plant process, an experimental or pilot model, or something similar.

You cannot take the credit for any of the following:

- Research conducted after commercial production begins.
- Research related to adapting an existing product, process, etc., to a customer's needs.
- Surveys and studies such as management studies and efficiency surveys; market research and testing; advertising and promotions; or quality control tests or inspections.
- Development of computer software for internal use (unless it is related to an activity or production process that qualifies for the research credit, or as provided by federal regulations).
- Research done outside the development zone.
- Research in the social sciences or humanities.
- Research funded or financed by someone else, whether under a contract, grant, or in some other way.
- Research to find and evaluate mineral deposits, including gas and oil.

When figuring the credit, you can include four kinds of research expenses:

A. Wages for the employees doing the research.

Only wages you pay employees for actually doing research work, or for directly supervising or directly supporting research work, qualify for the credit. Wages you pay for overhead, for general and administrative services, or for other work that is only indirectly connected to the research do not qualify.

In general, for figuring the research credit, "wages" means the same as it does for income tax withholding. However, you cannot include any wages you use to figure the Wisconsin development zone jobs credit. (You can include wages you use to figure the federal work opportunity tax credit, provided they do not also qualify for the Wisconsin development zone jobs credit.)

If an employee does some work for you that qualifies for the credit and some work that does not, you must divide the employee's wages between the two. Only the part of the wages that is for the work of doing, supervising, or supporting qualifying research can be included when figuring the credit. However, if at least 80% of the employee's work during your taxable year would qualify,

you can count 100% of the employe's wages when figuring the credit.

**B. Cost of supplies used in the research.**

All tangible property used in research is considered supplies, except for land and improvements to land and depreciable property.

You can never treat depreciable property as supplies. It does not matter whether you can take depreciation deductions on it or an expense deduction for it.

**C. Payments to others for the use of computer time (time sharing) to do research.**

**D. Research expenses under a contract; that is, the cost to you of research someone other than your employe does for you. However, only 65% of contract research expenses can be used to figure the credit. Payments to your employes are not contract research expenses.**

If an expense does not fall into one of these categories, or if it is not for qualified research, you cannot use it to figure the credit.

For any short taxable year, qualified research expenses and gross receipts must be annualized.

You must complete Wisconsin Schedule R, Wisconsin Research Credits, before completing Part III of Schedule DC.

**Specific Instructions**

**Line 15.** Enter the amount of Wisconsin development zone research expenses included on Schedule R, line 5.

**Line 16.** Enter any wages included in the amount on line 15 that qualify for the Wisconsin development zone jobs credit.

**Line 17.** Since qualified research expenses do not include wages that qualify for the development zone jobs credit, subtract the amount on line 16 from the amount on line 15.

**Line 18.** Enter average annual Wisconsin gross receipts for the 4 taxable years preceding the current taxable year from Schedule R, line 8.

**Line 19.** Compute the fixed-base percentage as follows.

**Existing firms** generally must complete the schedule in the next column and enter the fixed-base percentage from line 4 on Schedule DC, line 19. The fixed-base percentage is the ratio of the total qualified research expenses incurred in a Wisconsin development zone for at least 3 taxable years from 1984 to 1988 to the total Wisconsin gross receipts for those years. In this computation, include research expenses incurred in the development zone before you were certified for tax benefits by the Department of Commerce.

**Note:** The maximum percentage that can be entered on Schedule DC, line 19, is 16%.

**Computation of Fixed-Base Percentage**

<b>1</b>	Enter the amount of Wisconsin development zone research expenses included on line 10 of the worksheet on back of Schedule R, decreased by the amount of wages which qualify for the development zone jobs credit from line 11 of that worksheet, for each of the following years:	
<b>a</b>	1984 .....	_____
<b>b</b>	1985 .....	_____
<b>c</b>	1986 .....	_____
<b>d</b>	1987 .....	_____
<b>e</b>	1988 .....	_____
<b>2</b>	Add lines 1a through 1e .....	_____
<b>3</b>	Enter the average annual Wisconsin gross receipts for the period from 1984 through 1988 from line 17 of the worksheet on back of Schedule R ...	_____
<b>4</b>	Divide line 2 by line 3. This is the fixed-base percentage. Enter this amount, but not more than 16%, on Schedule DC, line 19 .....	=====

**Startup companies** having both gross receipts and qualified research expenses in fewer than 3 taxable years beginning after December 31, 1983, and before January 1, 1989, must enter 3% on Schedule DC, line 19.

**Line 25.** Enter any unused development zone research credit carried over from prior years.

**Required Attachments to Schedule DC**

To claim the research credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying your qualified research expenses for research conducted exclusively in a development zone.

**Carryover of Unused Credits**

The research credit is a nonrefundable credit. To the extent the credit is not offset by your tax liability for the current year, you may carry it forward for up to 15 years.

---

**Part IV — Investment Credit**

---

**General Instructions**

The investment credit is designed to encourage investment in certain kinds of assets for use in a development zone. If you purchased an asset for use in your business in a devel-



opment zone **after** being certified for tax benefits by the Department of Commerce, you may be able to claim a credit. The credit is equal to 2.5% of your qualified investment in depreciable, tangible personal property. However, if you elect to expense the cost of the asset under IRC section 179, rather than depreciating it, the credit is 1.75% of your qualified investment.

To claim a credit, the following requirements must be met.

- A. The credit may be claimed only by the purchaser of the property, except that partners may claim a credit based on purchases by a partnership, members may claim a credit based on purchases by a limited liability company treated as a partnership, shareholders may claim a credit based on purchases by a tax-option (S) corporation, and beneficiaries may claim a credit based on purchases by an estate or trust.
- B. You must purchase the property **after** you have been certified for tax benefits by the Department of Commerce. The date of purchase is the date on which ownership of the property transfers from the seller to the buyer; that is, the date on which the buyer receives legal title to the property.
- C. The property must be depreciable, tangible personal property.  
  
Tangible personal property is tangible property other than real property. Machinery and equipment are examples of tangible personal property. Land and land improvements, such as buildings and other permanent structures and their components, are real property and, therefore, do not qualify as tangible personal property.
- D. If the credit is claimed for used property, you may not have used the property for business purposes at a location outside the development zone. For used property acquired by a partnership, limited liability company treated as a partnership, tax-option (S) corporation, estate, or trust, the partnership, limited liability company, corporation, estate, or trust may not have used the property for business purposes at a location outside the development zone.
- E. You cannot claim an investment credit for property unless more than 50% of your use of it in the year you place it in service is use in your business in a development zone. If the property is mobile, the base of operations of the property must be at a location in a development zone.

Use of an automobile or other means of transportation is measured in miles. Measure use of other assets in terms of units of time, such as hours.

Property is placed in service in the earlier of the following taxable years:

- (1) The taxable year in which, under your depreciation practice, the period for depreciation of the property begins.

- (2) The taxable year in which you place the property in a condition or state of readiness and availability for a specifically assigned function.

- F. You cannot take an investment credit for property that qualifies for the location credit (see Part V).
- G. Property used by a tax-exempt organization does not qualify for investment credit unless it is used predominantly to produce unrelated business taxable income.

### Recapture of Investment Credit

At the end of each taxable year, you must determine whether, during the year, you disposed of or stopped using in your business in a development zone any property for which you claimed an investment credit in a prior year. If so, you may have to recapture all or part of the credit by adding the recapture amount to your tax. The recapture amount is calculated in Part X.

### Specific Instructions

**Line 27a.** Enter the purchase price of qualified property you purchased during the taxable year and expensed under IRC section 179. If the eligible property is used for less than 100% of its use in the conduct of business operations in a development zone, multiply the purchase price by the percentage of use of the property in the conduct of business operations in a development zone and enter the result on line 27a.

**Line 27b.** Enter the purchase price of qualified property you purchased during the taxable year and did not expense under IRC section 179. If the eligible property is used for less than 100% of its use in the conduct of business operations in a development zone, multiply the purchase price by the percentage of use of the property in the conduct of business operations in a development zone and enter the result on line 27b.

**Line 31.** Enter the amount of investment credit passed through from tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts. The pass-through credits are shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates and trusts.

**Line 32.** Special instructions apply to pass-through entities.

**Tax-option (S) corporations, partnerships, and limited liability companies treated as partnerships:** Prorate the investment credit on line 32 among the shareholders, partners, or members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

**Estates and trusts:** Prorate the investment credit on line 32 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show the estate's or trust's portion of the investment credit on the dotted line to the left of line 32. Label it "Form 2 portion" and use this amount

in Part VIII to figure the amount to claim on Form 2. Show the credit for each beneficiary on Schedule 2K-1.

**Line 33.** Enter any unused investment credit carried over from prior years.

**Line 34. Limitation on Investment Credit.** You may offset the investment credit only against the amount of tax otherwise due that is attributable to income from your business operations in the development zone and against the tax attributable to income from your business operations directly related to the business operations in the development zone.

Individuals, estates, and trusts determine the amount of investment credit currently allowable in Part VIII and corporations determine the allowable credit in Part IX.

### Required Attachments to Schedule DC

To claim the investment credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying the amount of the investment and verifying that the property is qualified property.

If the investment credit is passed through from a tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, attach a copy of your Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the above information.

### Carryover of Unused Credits

Unused investment credits may be carried forward for up to 15 years. However, if you cease business operations in the development zone during the taxable year, you may not carry over to future taxable years any unused credits from the taxable year during which operations cease or from previous taxable years. If your certification to claim tax benefits is revoked, you may not claim any credits for the taxable year in which your benefits are revoked nor may you carry over unused credits from previous years.

---

## Part V — Location Credit

---

### General Instructions

The location credit is designed to encourage investment in real property located in a development zone. If you are certified for tax benefits by the Department of Commerce, you may claim a credit of 2.5% of the amount expended to acquire, construct, rehabilitate, or repair real property that has been placed in service in a development zone. No location credit is allowed on property that is the basis for an investment credit (see Part IV).

In order to claim a location credit for improving property, you must have begun the physical work of construction, rehabilitation, remodeling, or repair, or any demolition or destruction in preparation for the physical work, **after** the place where the property is located was designated a development zone. The completed project must be placed in service **after** you are certified for tax benefits. Physical work does not include preliminary activities such as planning, designing, securing financing, researching, developing specifications, or stabilizing the property to prevent deterioration. No credit is allowed until you have placed the property in service.

Effective April 25, 1996, to claim a location credit for acquiring property, you must have acquired the property **after** the place where the property is located was designated a development zone, and the completed project must be placed in service **after** you are certified for tax benefits. In addition, you or a related person must not have previously owned the property during the 2 years prior to the designation of the development zone.

The acquisition date is the date on which ownership of the property transfers from the seller to the buyer.

Prior to April 25, 1996, to claim a location credit for acquiring property, you must have acquired the property **after** being certified for tax benefits. No credit is allowed until you have placed the property in service. In addition, you or a related person must not have previously owned the property during the period the development zone is in existence or during the two years prior to the designation of the development zone.

Related persons include the following:

- Members of the same immediate family, including brothers and sisters, half-brothers and half-sisters, spouse, ancestors (parents, grandparents, etc.), and lineal descendants (children, grandchildren, etc.).
- A corporation and an individual who owns directly or indirectly any of the outstanding stock of the corporation.
- Two corporations that are members of the same controlled group of corporations, determined without regard to the usual 80% ownership test.
- A trust fiduciary and a corporation, if any of the outstanding stock is owned directly or indirectly by or for the trust or by or for the grantor of the trust.
- A grantor and fiduciary, and the fiduciary and beneficiary, of any trust.
- The fiduciaries and beneficiaries of two different trusts, if the same person is the grantor of both trusts.
- Certain educational and charitable organizations and any person who directly or indirectly controls one of these organizations.
- A partnership and a partner who owns directly or indirectly any of the capital or profits of the partnership.

- Two partnerships, if the same persons directly or indirectly own any of the capital or profits of each.
- A corporation and a partnership, if the same persons own any of the outstanding stock of the corporation and the capital or profits of the partnership.
- Two tax-option (S) corporations, if the same persons own any of the outstanding stock of each corporation.
- A tax-option (S) corporation and a corporation other than a tax-option (S) corporation, if the same persons own any of the outstanding stock of each corporation.

To determine whether an individual indirectly owns any of the outstanding stock of a corporation, the following rules apply.

- A. Stock directly or indirectly owned by or for a corporation, partnership, estate, or trust is considered owned proportionately by or for its shareholders, partners, or beneficiaries.
- B. An individual is considered to own the stock owned directly or indirectly by or for that individual's family. For this purpose, family includes brothers and sisters, half-brothers and half-sisters, spouse, ancestors, and lineal descendants.
- C. An individual owning, except by applying rule B, any stock in a corporation is considered to own the stock owned directly or indirectly by or for his or her partner.
- D. For purposes of applying rule A, B, or C, stock constructively owned by a person under rule A is treated as actually owned by that person. But stock constructively owned by an individual under rule B or C is not treated as owned by the individual again for applying either rule B or C to make another person the constructive owner of the stock.

To determine if a person owns an interest in the capital or profits of a partnership, apply rules A and B listed above under indirect ownership of stock by using "capital or profits interest" instead of "stock."

If a location credit is claimed for the acquisition of property and you have used it for purposes other than those for which you are certified (such as nonbusiness use), you must reduce the amount expended by a percentage equal to the percentage of the area used for noncertified purposes.

If a location credit is claimed for improving property, you must figure your credit based only on the work done to the portion that is used for certified business purposes. Work done on the nonbusiness portion is excluded.

### Specific Instructions

**Line 35.** Enter the amount expended to acquire, construct, rehabilitate, remodel, or repair real property, placed in service during the taxable year, located in a development zone, and used for business purposes for which you are certified.

**Line 37.** Enter the amount of location credit passed through from tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts. The pass-through credits are shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates and trusts.

**Line 38.** Special instructions apply to pass-through entities.

**Tax-option (S) corporations, partnerships, and limited liability companies treated as partnerships:** Prorate the location credit on line 38 among the shareholders, partners, or members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

**Estates and trusts:** Prorate the location credit on line 38 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show the estate's or trust's portion of the location credit on the dotted line to the left of line 38. Label it "Form 2 portion" and use this amount in Part VIII to figure the amount to claim on Form 2. Show the credit for each beneficiary on Schedule 2K-1.

**Line 39.** Enter any unused location credit carried over from prior years.

**Line 40. Limitation on Location Credit.** You may offset the location credit only against the amount of tax otherwise due that is attributable to income from your business operations in the development zone and against the tax attributable to income from your business operations directly related to the business operations in the development zone.

Individuals, estates, and trusts determine the amount of the location credit currently allowable in Part VIII and corporations determine the allowable credit in Part IX.

### Required Attachments to Schedule DC

To claim a location credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying the amounts expended to acquire, construct, rehabilitate, remodel, or repair real property and verifying that the property is qualified property.

If the location credit is passed through from a tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, attach a copy of your Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the above information.

### Carryover of Unused Credits

Unused location credits may be carried forward for up to 15 years. However, if you cease business operations in the development zone during the taxable year, you may not carry

over to future taxable years any unused credits from the taxable year during which operations cease or from previous taxable years. If your certification to claim tax benefits is revoked, you may not claim any credits for the taxable year in which your benefits are revoked nor may you carry over unused credits from previous years.

---

## Part VI — Day Care Credit

---

### General Instructions

The day care credit is designed to encourage the provision of employment-related day care benefits to qualifying individuals in order to enable a member of a targeted group to be employed by the claimant in a development zone. If you are certified for tax benefits by the Department of Commerce and begin operations in a development zone after July 29, 1995, you may claim a credit of up to \$1,200 of employment-related day care expenses for each qualifying individual.

Employment-related day care expenses are amounts paid or incurred by a claimant for providing or making day care center benefits available to a qualifying individual.

For children under the age of 7, day care center benefits are benefits provided at a day care facility that is licensed by the Wisconsin Department of Health and Family Services and that, for compensation, provides care for at least 6 children.

For persons who are physically or mentally incapable of caring for themselves, day care center benefits are benefits provided at a facility that provides care for them.

Qualifying individuals include —

- A person who qualifies as a dependent for federal income tax purposes of a member of a targeted group who is employed by the claimant,
- A dependent of a member of a targeted group who is employed by the claimant, if the dependent is physically or mentally incapable of caring for himself or herself, and
- The spouse of a member of a targeted group who is employed by the claimant, if the spouse is physically or mentally incapable of caring for himself or herself.

A member of a targeted group is a person who qualifies as a member of a targeted group for purposes of the development zone jobs credit.

### Specific Instructions

**Line 41.** Enter the number of qualifying individuals for whom employment-related day care expenses were paid or incurred during the taxable year to enable employees who are certified as members of a targeted group to be employed in a development zone.

**Line 42.** Enter the total amount paid for employment-related day care for the qualifying individuals included on line 41, but not more than \$1,200 for each qualifying individual.

**Line 43.** Enter the amount of day care credit passed through from tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts. The pass-through credits are shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates and trusts.

**Line 44.** Special instructions apply to pass-through entities.

**Tax-option (S) corporations, partnerships, and limited liability companies treated as partnerships:** Prorate the day care credit on line 44 among the shareholders, partners, or members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

**Estates and trusts:** Prorate the day care credit on line 44 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show the estate's or trust's portion of the day care credit on the dotted line to the left of line 44. Label it "Form 2 portion" and use this amount in Part VIII to figure the amount to claim on Form 2. Show the credit for each beneficiary on Schedule 2K-1.

**Line 45.** Enter any unused day care credit carried over from prior years.

**Line 46. Limitation on Day Care Credit.** You may offset the day care credit only against the amount of tax otherwise due that is attributable to income from your business operations in the development zone and against the tax attributable to income from your business operations directly related to the business operations in the development zone.

Individuals, estates, and trusts determine the amount of the day care credit currently allowable in Part VIII and corporations determine the allowable credit in Part IX.

### Required Attachments to Schedule DC

To claim a day care credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying the amount of qualifying employment-related day care benefits.

If the day care credit is passed through from a tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, attach a copy of your Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the above information.

## Carryover of Unused Credits

Unused day care credits may be carried forward for up to 15 years. However, if you cease business operations in the development zone during the taxable year, you may not carry over to future taxable years any unused credits from the taxable year during which operations cease or from previous taxable years. If your certification to claim tax benefits is revoked, you may not claim any credits for the taxable year in which your benefits are revoked nor may you carry over unused credits from previous years.

---

## Part VII — Environmental Remediation Credit

---

### General Instructions

The environmental remediation credit is designed to encourage the clean-up of environmental pollution in a development zone. If you are certified for tax benefits by the Department of Commerce and begin operations in a development zone after July 29, 1995, you may claim a credit of 7.5% of the amount expended to remove or contain environmental pollution or to restore soil or groundwater that is affected by environmental pollution in a development zone.

Environmental pollution means the contaminating or rendering unclean or impure the air, land, or waters of the development zone site, or making it injurious to public health, harmful for commercial or recreational use, or deleterious to fish, bird, animal, or plant life.

In order to claim an environmental remediation credit, you must have begun the work, other than planning and investigating, **after** the area that includes the site where the work is done is designated a development zone. Expenses that qualify for the investment or location credit may qualify for the environmental remediation credit.

### Specific Instructions

**Line 47.** Enter the total amount expended to remove or contain environmental pollution or to restore soil or groundwater that is affected by environmental pollution in a development zone.

**Line 49.** Enter the amount of environmental remediation credit passed through from tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts. The pass-through credits are shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates and trusts.

**Line 50.** Special instructions apply to pass-through entities.

**Tax-option (S) corporations, partnerships, and limited liability companies treated as partnerships:** Prorate the environmental remediation credit on line 50 among the shareholders, partners, or members. Show the credit for each

shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

**Estates and trusts:** Prorate the environmental remediation credit on line 50 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show the estate's or trust's portion of the environmental remediation credit on the dotted line to the left of line 50. Label it "Form 2 portion" and use this amount in Part VIII to figure the amount to claim on Form 2. Show the credit for each beneficiary on Schedule 2K-1.

**Line 51.** Enter any unused environmental remediation credit carried over from prior years.

**Line 52. Limitation on Environmental Remediation Credit.** You may offset the environmental remediation credit only against the amount of tax otherwise due that is attributable to income from your business operations in the development zone and against the tax attributable to income from your business operations directly related to the business operations in the development zone.

Individuals, estates, and trusts determine the amount of the environmental remediation credit currently allowable in Part VIII and corporations determine the allowable credit in Part IX.

### Required Attachments to Schedule DC

To claim an environmental remediation credit, you must attach the following information to Schedule DC:

- A copy of your certification for tax benefits issued by the Department of Commerce.
- A statement from the Department of Commerce verifying the amount of the investment and that it meets all the requirements.

If the environmental remediation credit is passed through from a tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, attach a copy of your Schedule 5K-1, 3K-1, or 2K-1 to Schedule DC instead of the above information.

### Carryover of Unused Credits

Unused environmental remediation credits may be carried forward for up to 15 years. However, if you cease business operations in the development zone during the taxable year, you may not carry over to future taxable years any unused credits from the taxable year during which operations cease or from previous taxable years. If your certification to claim tax benefits is revoked, you may not claim any credits for the taxable year in which your benefits are revoked nor may you carry over unused credits from previous years.

---

**Part VIII — Individuals, Estates, and Trusts —  
Limitation on Investment, Location, Day Care, and  
Environmental Remediation Credits**

---

The investment, location, day care, and environmental remediation credits are nonrefundable credits and may be offset only against tax due that is attributable to income from business operations in a development zone and tax attributable to income from other business operations that are directly related to the business operations in a development zone.

For example, an individual operates a car repair business at two locations, one in a development zone and the other outside the zone. Income from the car repair activities conducted outside the development zone is income from directly related business operations.

Individuals (including partners, members of limited liability companies treated as partnerships, shareholders of tax-option (S) corporations, and beneficiaries of estates or trusts), estates, and trusts claiming an investment, location, day care, or environmental remediation credit must complete this part.

**Caution:** If you receive tax credits from more than one sole proprietorship, tax-option (S) corporation, partnership, limited liability company treated as a partnership, estate, or trust, you must compute the allowable credits from each entity separately. You may not offset credits from a business that incurred a loss against the tax owed on income from another business entity that operated at a profit. Attach a worksheet to Schedule DC showing your calculations.

**Line 53.** Enter the Wisconsin net income from Form 1, line 5; Form 1NPR, line 32; or Form 2, line 5.

**Line 54.** Enter the Wisconsin net income (loss) from the conduct of business operations in a Wisconsin development zone. Shareholders of tax-option (S) corporations, partners, members of limited liability companies treated as partnerships, and beneficiaries of estates and trusts should include their shares of the corporation, partnership, limited liability company, estate, or trust net development zone income if development zone credits flow through from the entity.

**Line 55.** Enter the Wisconsin net income (loss) from the conduct of other business operations that are directly related to the business operations conducted in a Wisconsin development zone.

**Line 56.** Add the amounts on lines 54 and 55. If the result is a net loss, enter zero on line 56. Also enter zero on lines 63, 65, 67, and 69 since none of the credits may be claimed for this year. The credits may be carried forward to future taxable years.

**Line 57.** Divide the amount on line 56 by the amount on line 53 and enter the resulting ratio. If the amount on line 56 is larger than the amount on line 53, enter 1.00.

**Line 58.** Enter the tax from Form 1, line 14; Form 1NPR, line 41; or Form 2, line 10.

**Line 59.** Enter the amount of married couple credit from Form 1, Schedule 4, or Form 1NPR, Schedule 2.

**Line 60.** Subtract the amount of credit on line 59 from the tax on line 58. If the result is zero or less, enter zero on line 60. Also enter zero on lines 63, 65, 67, and 69 since none of the credits may be claimed for this year. The credits may be carried forward to future taxable years.

**Line 63.** Enter the smaller of the amount on line 62 or the amount of investment credit from line 34. This is the allowable investment credit for the current year. Any excess credit may be carried forward to future taxable years.

**Line 65.** Enter the smaller of the amount on line 64 or the amount of location credit from line 40. This is the allowable location credit for the current year. Any excess credit may be carried forward to future taxable years.

**Line 67.** Enter the smaller of the amount on line 66 or the amount of day care credit from line 46. This is the allowable day care credit for the current year. Any excess credit may be carried forward to future taxable years.

**Line 69.** Enter the smaller of the amount on line 68 or the amount of environmental remediation credit from line 52. This is the allowable environmental remediation credit for the current year. Any excess credit may be carried forward to future taxable years.

---

**Part IX — Corporations — Limitation on  
Investment, Location, Day Care, and  
Environmental Remediation Credits**

---

The investment, location, day care, and environmental remediation credits are nonrefundable credits and may be offset only against tax due that is attributable to income from business operations in a development zone and tax attributable to income from other business operations directly related to the business operations in a development zone.

For example, a corporation operates a printing business at two locations, one in a development zone and the other outside the zone. Income from the printing activities conducted outside the development zone is income from directly related business operations.

Corporations, other than tax-option (S) corporations, claiming an investment, location, day care, or environmental remediation credit must complete this part.

**Caution:** If you receive tax credits from more than one corporation, partnership, or limited liability company treated as a partnership, you must compute the allowable credits from each entity separately. You may not offset credits from a business that incurred a loss against the tax owed on income from another business entity that operated at a profit.

Attach a worksheet to Schedule DC showing your calculations.

**Line 70.** Enter the amount of tax from Form 4, line 14; Form 5, line 8; Form 41, line 18; or Form 4T, line 8.

**Line 71.** Enter the amount of the manufacturer's sales tax credit from Form 4, 4I, 4T, or 5, Schedule Z.

**Line 72.** Enter the total of the research expense credit and research facilities credit from Schedule R.

**Line 73.** Enter the amount of the development zone research credit from Schedule DC, line 26.

**Line 74.** Enter the amount of community development finance credit available.

**Line 76.** Subtract the amount of credits on line 75 from the tax on line 70. If the result is zero or less, enter zero on line 76. Also enter zero on lines 82, 84, 86, and 88 since none of the credits may be claimed for this year. The credits may be carried forward to future taxable years.

**Line 77.** Enter the Wisconsin net income (loss) from the conduct of business operations in a Wisconsin development zone. Partners and members of limited liability companies treated as partnerships should include their shares of the partnership's or limited liability company's net development zone income if development zone credits flow through from the entity.

**Line 78.** Enter the Wisconsin net income (loss) from the conduct of other business operations that are directly related to the business operations conducted in a Wisconsin development zone.

**Line 79.** Add the amounts on lines 77 and 78. If the result is a net loss, enter zero on line 79. Also enter zero on lines 82, 84, 86, and 88.

**Line 80.** Enter 7.9% of the amount on line 79. This is the tax on the net income from the conduct of business operations in a development zone and the tax on the income from business operations outside a development zone directly related to the business operations conducted in a development zone.

**Line 82.** Enter the smaller of the amount on line 81 or the investment credit from line 34. This is the allowable investment credit for the current year. Any excess credit may be carried forward to future taxable years.

**Line 84.** Enter the smaller of the amount on line 83 or the location credit from line 40. This is the allowable location credit for the current year. Any excess credit may be carried forward to future taxable years.

**Line 86.** Enter the smaller of the amount on line 85 or the day care credit from line 46. This is the allowable day care credit for the current year. Any excess credit may be carried forward to future taxable years.

**Line 88.** Enter the smaller of the amount on line 87 or the environmental remediation credit from line 52. This is the allowable environmental remediation credit for the current year. Any excess credit may be carried forward to future taxable years.

---

## Part X — Recapture of Investment Credit

---

### General Instructions

At the end of each taxable year, you must determine whether, during the year, you disposed of or stopped using in a development zone any property for which you claimed investment credit in a prior year.

You must refigure the investment credit that you took in an earlier year if:

- A. You disposed of the property before the end of the recapture period or the useful life of the property.
- B. You moved the property out of the development zone or, if the property is mobile property, the base of operations is moved out of the zone before the end of the recapture period for the property.
- C. You changed the use of the property so that it no longer qualifies as investment credit property. For example, you must refigure the credit if you change the use of property from business use to personal use, or if the percentage of business use of the property decreases to 50% or less.

Tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts must give their shareholders, partners, members, or beneficiaries the information they need to refigure the credit.

### Specific Instructions

**Line 89.** Describe the property for which you must refigure the credit. Use a separate column for each item. If you need more columns, attach other schedules with all the information shown on this form. Include the total from the separate schedules on line 97.

**Line 90.** Enter the day, month, and year that the property was available for service.

**Line 91.** Enter the original estimated useful life or recovery period that you used to figure depreciation for the property.

**Line 92.** Enter the original credit computed.

**Line 93.** Enter the day, month, and year that the property ceased to be qualified investment credit property.

**Decrease in business use:** If you take investment credit for property and the percentage of business use in a later year falls to 50% or less, you are treated as having disposed of the property. Business use is computed on a taxable-year basis. A decrease in business use is deemed to take place on the first day of the taxable year.

**Line 94.** Enter the number of full years from the date the property was placed in service until the date it ceased to be qualified investment credit property. Do not enter partial years. If the property was held less than 12 months, enter zero.

**Line 95.** Enter the recapture percentage from the following table:

<b>Recovery Property</b>		
If number of full years on line 94 of Schedule DC is:	The recapture percentage for:	
	3-year property is:	Other than 3-year property is:
0	100	100
1	66	80
2	33	60
3	0	40
4	0	20

**Line 96.** Multiply the amount on line 92 by the percentage on line 95.

**Line 97.** If you used separate schedules to list additional items on which you figured an increase in tax, include that amount in the total on line 97.

**Line 98.** If you did not use all the credit you originally figured, either in the year you computed it or in a carryforward year, you do not have to recapture the amount of the credit you did not use. In refiguring the credit for the original credit year, be sure to take into account any carryforwards from previous years that are now allowed because the recapture and recomputation of the original credit made available some additional tax liability in that year. Figure the unused portion on a separate sheet and enter it on this line. Do not enter more than the recapture tax on line 97.

**Reminder:** Be sure to adjust your *current* unused credit to reflect any unused portion of the original credit that was recaptured on this form.

**Line 99.** See the instructions to your franchise or income tax return for reporting the increase in tax.