

Instructions for 2000 Schedule DC

Items to Note

For taxable years beginning on or after January 1, 1998, the following changes apply:

- The jobs credit, sales tax credit, investment credit, research credit, location credit, day care credit, and environmental remediation credit have been discontinued. Instead, persons doing business in development zones, development opportunity zones, or enterprise development zones may be eligible for the new Wisconsin development zones credit. This new credit is based on certain expenditures for environmental remediation and for job creation or retention.
- Generally, unused jobs, sales tax, investment, research, location, day care, and environmental remediation credits computed in taxable years that begin before January 1, 1998, may be carried forward to years that begin on or after January 1, 1998.

Purpose of Schedule DC

Use Schedule DC to claim the special tax credit that may be available for persons doing business in Wisconsin development, development opportunity, or enterprise development zones. The tax credit is nonrefundable, but may be carried forward for up to 15 taxable years.

The Wisconsin Department of Commerce administers the development zones programs. To participate in one of these programs, businesses must first be certified by the Department of Commerce.

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 tax credit.

The designation of a geographical area as an enterprise development zone is dependent upon the degree of unemployment, average income level, property values, number of job layoffs, and other criteria within the area. Once an area is designated as an enterprise development zone, the person conducting business in the zone may be eligible to claim the tax credit.

For more information regarding eligibility in the Wisconsin development zones programs, call (608) 266-3751 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 Credit

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 credit.

Partnerships, LLCs treated as partnerships, and tax-option (S) corporations cannot claim the credit, but the credit attributable to the entity's business operations passes through to the partners, members, or shareholders.

How to Claim the Credit

You claim the credit 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. Shareholders of tax-option (S) corporations, partners of partnerships, members of LLCs treated as partnerships, and beneficiaries of estates and trusts attach a copy of Schedule 5K-1, 3K-1, or 2K-1, as appropriate, to Schedule DC instead of the certification to claim tax benefits and verification of expenses.

Individuals (including tax-option (S) corporation shareholders, partners, members of LLCs 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 credit.

Estates or trusts share the credit 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 credit. In addition, the estate or trust must complete Schedules 2K-1 showing the credit for each beneficiary.

Partnerships and LLCs 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 share of the credit.

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

Tax-option (S) corporations should complete the appropriate line of Schedule 5K on Form 5S and Schedules 5K-1 so that the shareholders may claim their share of the credit.

Tax-exempt organizations that have unrelated business taxable income should complete the appropriate line on Form 4T.

Credit Is Income

The credit that you compute on Schedule DC is 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.

Additional Forms

If you need forms, you may:

- call (608) 266-1961
- write to the Forms Request Office, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903
- use your FAX telephone to call the department's Fax-A-Form Retrieval System at (608) 261-6229
- download forms and instructions from the department's Internet web site at <http://www.dor.state.wi.us>
- use the Tax Forms and Publications Request Form on the department's Internet web site

Additional Information

For more information, you may:

- call (608) 266-2772 [TTY (608) 267-1049]
- write to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906
- send a FAX to (608) 267-0834
- e-mail your question to corp@mail.state.wi.us

Carryover of Unused Credits

The development zones credit is 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 zones credit, the limitations provided by Internal Revenue Code (IRC) section 383 may apply to the carryover of any unused Wisconsin development zones credits.

Part I – Computation of Credit

General Instructions

The development zones credit is the total of the following amounts:

- A. 50% of the amount spent for environmental remediation in a development zone.

Environmental remediation means:

- removal or containment of environmental pollution,
- restoration of soil or groundwater that is affected by environmental pollution in a brownfield, and
- investigation, unless the investigation determines that remediation is required and that remediation is not undertaken.

The removal, containment, or restoration work, other than planning and investigating, must be begun after the area that includes the site where the work is being done is designated a development zone and after the claimant is certified for tax benefits.

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

Brownfield means an industrial or commercial facility the expansion or redevelopment of which is complicated by environmental contamination.

- B. The total of the following amounts allowed by the Department of Commerce for job creation or retention:

1. The dollar amount, up to \$8,000, multiplied by the number of full-time jobs created in a development zone and filled by a member of a targeted group.
2. The dollar amount, up to \$6,000, multiplied by the number of full-time jobs created in a development zone and not filled by a member of a targeted group.
3. The dollar amount, up to \$8,000, multiplied by the number of full-time jobs retained in an enterprise development zone under s. 560.797, Wis. Stats., excluding jobs for which the former Wisconsin jobs credit has been claimed, and for which a significant capital investment was made.
4. The dollar amount, up to \$6,000, multiplied by the number of full-time jobs retained in a development zone, excluding jobs for which the former Wisconsin jobs credit has been claimed, and not filled by a member of a targeted group.

The above dollar amounts must be reduced by wage subsidies the employer receives under the Wisconsin Works trial job program for those jobs.

Full-time job means a regular, nonseasonal full-time position in which an individual must work at least 2,080 hours per year, including paid leave and holidays. The

individual must receive pay that is equal to at least 150% of the federal minimum wage and benefits that are not required by federal or state law. A full-time job does not include training before an employment position begins.

Member of a targeted group means a Wisconsin resident who is certified as a member of one of the following groups by a Jobs Service office of the Wisconsin Department of Workforce Development:

- A vocational rehabilitation program referral. This is any certified employe 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.
- An economically disadvantaged Vietnam-era veteran. This 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.

- An economically disadvantaged youth. This 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).
- A Supplemental Security Income (SSI) recipient. This 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.
- A general assistance recipient. This 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.
- A youth in a cooperative education program, who belongs to an economically disadvantaged family. This 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.

- An economically disadvantaged ex-convict. This is any certified employee 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.

- An eligible work incentive employee. This 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.

- A qualified summer youth employe. This is a certified employe 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 employe before that date,
3. Has not previously worked for you, and
4. Is certified as a member of an economically disadvantaged family (defined earlier).

- A person 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 employes.

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 employes at an employment site or within a single municipality.

- A dislocated worker. This is any certified employe who:

1. (a) Has been terminated or laid off, or who has received a notice of termination or layoff, from employment;

- (b) (I) Is eligible for or has exhausted entitlement to unemployment compensation; or

(II) Has been employed for a duration sufficient to demonstrate, to the appropriate entity at a one-stop center referred to in section 2864(c), title 29 USC, attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under a State unemployment compensation law; and

- (c) Is unlikely to return to a previous industry or occupation;

2. (a) Has been terminated or laid off, or has received a notice of termination or layoff, from employment as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise;

(b) Is employed at a facility at which the employer has made a general announcement that such facility will close within 180 days; or

(c) For purposes of eligibility to receive services other than training services described in section 2864(d)(4), title 29 USC, intensive services described in section 2864(d)(3), title USC, or supportive services, is employed at a facility at which the employer has made a general announcement that such facility will close;

3. Was self-employed (including employment as a farmer, a rancher, or a fisherman) but is unemployed as a result of general economic conditions in the community in which the individual resides or because of natural disasters; or

4. Is a displaced homemaker.

- A resident of an empowerment zone, or an enterprise community, that the U.S. government designates.

- A person who is employed in an unsubsidized job but meets the eligibility requirements for a Wisconsin Works employment position.

- A person who is employed in a trial job in the Wisconsin Works trial job program.

- A person who is eligible for child care assistance under the Wisconsin Works program.

Specific Instructions

Line 1a. Enter the 2000 development zones credit for environmental remediation.

Line 1b. Enter the 2000 development zones credit for job creation or retention.

Line 2b. Enter the amount of development zones credit passed through from tax-option (S) corporations, partnerships, LLCs treated as partnerships, estates, and trusts. The pass-through credit is 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 3. Add lines 2a and 2b. This is the total 2000 development zones credit, subject to limitations.

Limitation on the Development Zones Credit. You may offset the development zones credit only against the amount of tax otherwise due that is attributable to income from your business operations in the development zone.

Individuals, estates, and trusts determine the amount of development zones credit currently allowable in Part II and corporations determine the allowable credit in Part III.

Special instructions apply to pass-through entities

- **Tax-option (S) corporations, partnerships, and LLCs treated as partnerships:** Prorate the development zones credit on line 54 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 development zones credit on line 54 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 credit on the dotted line to the left of line 54. 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 development zones 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 credit for environmental remediation and for job creation or retention.

If the development zones credit is passed through from a tax-option (S) corporation, partnership, LLC 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 Credit

Unused development zones 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.

If you have unused development zone credits from years beginning before January 1, 1998, the amount of credit that you claim this year may be limited. Individuals, estates, and trusts determine the amount of carryover credit currently allowable in Part II, Section A and corporations determine the allowable carryover credit in Part III, Section A.

Part II – Individuals, Estates, and Trusts – Limitations on Tax Credits

Individuals (including partners, members of LLCs treated as partnerships, shareholders of tax-option (S) corporations, and beneficiaries of estates or trusts), estates, and trusts must complete Part II.

The development zones credits are nonrefundable. Depending on the type of credit and the taxable year in which the expenses were incurred, the limitation on the amount of credit that may be claimed in the current year varies. In addition, Wisconsin law specifies that the development zones credits must be used in the following order:

1. Unused development zones credits computed for taxable years beginning before January 1, 1998, that are carried forward to the current year. Except for the former development zones research credit, these credits may be offset only against the tax due that is attributable to (a) income from business operations in the development zone and (b) income from other business operations that are directly related to the business operations in a development zone.
2. The development zone credit computed for the taxable year beginning on or after January 1, 2000. This credit may be offset only against the tax due that is attributable to business activities in a development zone.
3. Unused development zone credits computed for taxable years beginning in 1998 or 1999 that are carried forward to the current year. These credits may be offset against any income tax due.

Caution: If you receive tax credits from more than one sole proprietorship, tax-option (S) corporation, partnership, LLC 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 5. 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 LLCs treated as partnerships, and beneficiaries of estates and trusts should include their shares of the corporation, partnership, LLC, estate, or trust net development zone income if development zone credits flow through from the entity.

Line 6. 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.

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.

Section A – Limitation on Tax Credit Carryovers From Years Before January 1, 1998

Except for the former development zones research credit, these credit carryovers may be offset only against the tax due that is attributable to (a) income from business operations in the development zone and (b) income from other business operations that are directly related to the business operations in a development zone.

Line 9. Figure the amount to enter on line 9 as follows:

Form 1 filers: From the amount on Form 1, line 23, subtract the married couple credit from line 24 and the manufacturer's sales tax credit from line 25.

Form 1NPR filers: From the amount on Form 1NPR, line 44, subtract the married couple credit from line 45 and the manufacturer's sales tax credit from line 46.

Form 2 filers: From the amount on Form 2, line 10, subtract the manufacturer's sales tax credit from line 11.

Section B – Limitation on Credit for Year 2000 and After

The development zone credit computed for the taxable year beginning on or after January 1, 2000, may be offset only against the tax due that is attributable to business activities in a development zone.

Section C – Carryover of Unused 1998 and 1999 Tax Credits

Line 53. Enter any carryover of unused 1998 and 1999 development zones credits.

Line 54. Add lines 52 and 53. This is the allowable development zones credit.

Part III – Corporations – Limitations on Tax Credits

Corporations, except tax-option (S) corporations, must complete Part III.

The development zones credits are nonrefundable. Depending on the type of credit and the taxable year in which the expenses were incurred, the limitation on the amount of credit that may be claimed in the current year varies. In addition, Wisconsin law specifies that the development zones credits must be used in the following order:

1. Unused development zones credits computed for taxable years beginning before January 1, 1998, that are carried forward to the current year. Except for the former development zones research credit, these credits may be offset only against the tax due that is attributable to (a) income from business operations in the development zone and (b) income from other business operations that are directly related to the business operations in a development zone.
2. The development zone credit computed for the taxable year beginning on or after January 1, 2000. This credit may be offset only against the tax due that is attributable to business activities in a development zone.
3. Unused development zone credits computed for taxable years beginning in 1998 or 1999 that are carried forward to the current year. These credits may be offset against any franchise or income tax due.

Caution: If you receive tax credits from more than one corporation, partnership, or LLC 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 62. Enter the Wisconsin net income (loss) from the conduct of business operations in a Wisconsin development zone. Partners and members of LLCs treated as partnerships should include their shares of the partnership's or LLC's net development zone income if development zone credits flow through from the entity.

Line 63. 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.

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.

Section A – Limitation on Tax Credit Carryovers From Years Before January 1, 1998

Except for the former development zones research credit, these credit carryovers may be offset only against the tax due that is attributable to (a) income from business operations in the development zone and (b) income from other business operations that are directly related to the business operations in a development zone.

Section B – Limitation on Credit for Year 2000 and After

The development zone credit computed for the taxable year beginning on or after January 1, 2000, may be offset only against the tax due that is attributable to business activities in a development zone.

Section C – Carryover of Unused 1998 and 1999 Tax Credits

Line 94. Enter any carryover of unused 1998 and 1999 development zones credits.

Line 95. Add lines 93 and 94. This is the allowable development zones credit.

Part IV – 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, LLCs 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 96. 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 104.

Recovery Property

If number of full years on Schedule DC, line 101, 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 97. Enter the day, month, and year that the property was available for service.

Line 98. Enter the original estimated useful life or recovery period that you used to figure depreciation for the property.

Line 100. 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 101. 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 102. Enter the recapture percentage from the following table:

Line 104. 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 104.

Line 105. 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 104.

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 106. See the instructions to your franchise or income tax return for reporting the increase in tax.