

# 2011 Instructions for Schedule JC

## General Instructions

### Purpose of Schedule JC

Use Schedule JC to claim the job creation deduction. This deduction is available to a business that increases the number of full-time employees employed in Wisconsin during the taxable year.

### Who is Eligible to Claim the Deduction

Any individual, estate or trust, partnership, limited liability company (LLC), corporation, tax-option corporation, insurance company, or tax-exempt organization that increases the number of full-time employees employed in Wisconsin may be eligible for the deduction.

Partnerships, LLCs, and tax-option corporations cannot claim the deduction, but the eligibility for, and the amount of, the deduction are based on the increase in the number of full-time equivalent employees employed by the partnership, LLC, or tax-option corporation. The partnership, LLC, or tax-option corporation computes the amount of deduction that each of its partners, members, or shareholders may claim and provides that information to each of them.

The deduction may not be claimed for a year in which a deduction or credit has been claimed based on relocating the business from another state to Wisconsin.

### Definitions

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

“Full-time equivalent employee” means an employee who is a resident of Wisconsin, is employed in a regular, non-seasonal job, and who, as a condition of employment, is required to work at least 2080 hours per year, including paid leave and holidays.

“Gross receipts” means gross sales, gross premiums earned, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross income from pass-through entities, and all other receipts that are included in gross income, other than life insurance income, before apportionment for Wisconsin franchise or income tax purposes.

“Related entity” has the meaning given in secs. 71.01(9am), and 71.22(9am), and 71.42(4m), Wis. Stats.

“Taxable year” means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes.

## Specific Instructions

**Lines 1 and 2** The number of full-time equivalent (FTE) employees employed in Wisconsin is determined by computing the average employee count from the taxpayer’s quarterly unemployment insurance reports.

The number of FTE employees employed in Wisconsin does not include any employee who worked for a related person or related entity of the taxpayer or member of the same commonly controlled group as the taxpayer at any time during the 12 months prior to the due date of the quarterly wage report from which the number is derived or, if no wage report is required, prior to the date on which the number is derived.

An employee of a professional employer organization or professional employer group who is performing services for a client is considered an employee solely of the client.

Round the amounts computed to the nearest whole number.



The average employee count is computed as follows.

**For a taxable year during which the taxpayer is required to file quarterly unemployment insurance wage reports with the Department of Workforce Development (DWD)** – The average employee count is computed using the average number of FTE employees employed by the taxpayer in Wisconsin from the quarterly wage reports required to be filed during the taxable year. Round the amount computed to the nearest whole number.

**Example:** For Taxpayer A’s taxable year beginning August 1, 2011, and ending July 31, 2012, Taxpayer A uses the number of FTE employees employed in Wisconsin from the quarterly wage reports required to be filed October 31, 2011, January 31, 2012, April 30, 2012, and July 31, 2012, to compute the average employee count. The information from the reports filed is as follows:

Report Due Date	Total Employees Reported	FTE Employees
10/31/2011	43	22
01/31/2012	58	36
04/30/2012	57	39
07/31/2012	<u>71</u>	<u>63</u>
TOTAL	229	160

The average employee count in this example is 40, the sum of the FTE employees employed in Wisconsin reported (160) divided by the number of reports filed (4). The taxpayer in this example would fill in 40 on line 1 of Schedule JC.

If only one quarterly wage report is required to be filed during the taxable year, the average employee count is the number of FTE employees employed by the taxpayer in Wisconsin from that report.

**For a taxable year during which a taxpayer is *not* required to file quarterly unemployment insurance wage reports with the DWD** – The average employee count is computed using the average number of FTE employees employed by the taxpayer in Wisconsin on January 31, April 30, July 31, and October 31 within the taxable year. A January 31, April 30, July 31, or October 31 that does not occur within the taxable year is disregarded for purposes of the computation.

**Example:** For Taxpayer B's taxable year beginning July 1, 2011, and ending June 30, 2012, the number of FTE employees employed by Taxpayer B in Wisconsin on July 31, 2011, October 31, 2011, January 31, 2012, and April 30, 2012, are used to compute the average employee count.

**Example:** To compute the average employee count for Taxpayer C's short-period taxable year beginning March 15, 2011, and ending December 31, 2011, Taxpayer C divides the sum of the number of FTE employees employed by Taxpayer C in Wisconsin on April 30, 2011, July 31, 2011, and October 31, 2011, by three.

If only one of the dates, January 31, April 30, July 31, and October 31 occur within a taxable year, the average employee count is the number of FTE employees employed by the taxpayer in Wisconsin on that date.

If none of the dates occur within a taxable year, the average employee count is the number of FTE employees employed by the taxpayer in Wisconsin on the last day of the taxable year.

### Line 7

- **Individuals** – Fill in the amount from line 7 on line 11 of Form 1 (use code 30) or line 15, Wisconsin column of Form 1NPR.
- **Corporations** – fill in the amount from line 7 on line 15 of Schedule W. If the corporation is a member of a combined group, a separate Schedule JC should be completed for each combined group member eligible to claim the job creation deduction and the total of all the member's Schedule JC should be entered on line 15 of Schedule W. Be sure to include the name and identifying number of the combined group member claiming the deduction on Schedule JC.

- **Tax-option (S) corporations, partnerships, and LLCs** – Enter the amount from line 7 of Schedule JC as an adjustment on line 1, column c, of Schedule 3K or 5K. Prorate the amount of deduction on line 7 among the shareholders, partners, or members based on their ownership interest. Show the deduction for each shareholder on Schedule 5K-1 and for each partner on Schedule 3K-1.
- **Exempt organizations** – If taxable as a trust, fill in the amount from line 7 on line 7 of Schedule T2 of Form 4T. If taxable as a corporations, line 2 of Form 4T.
- **Fiduciaries** – Complete lines 7a and 7b.

**Line 7a Fiduciaries** – Prorate the amount from line 7 between the entity and its beneficiaries in proportion to the income allocable to each. Show the beneficiaries' portion of the deduction on line 7a. Show the deduction for each beneficiary on Schedule 2K-1.

**Line 7b Fiduciaries** – Subtract line 7a from line 7. This is the estate's or trust's portion of the deduction. Fill in the amount from line 7b on line 11 of Schedule A of Form 2.

### Attachments to Return

Enclose Schedule JC with your Wisconsin income or franchise tax return. If you are claiming a deduction as a partner in a partnership, member of an LLC, shareholder of a tax-option (S) corporation, or beneficiary of an estate or trust, include a copy of the Schedule 3K-1, 5K-1, or 2K-1 received from the partnership, LLC, tax-option (S) corporation, or estate or trust with your return.

### Additional Information

For more information, you may:

- E-mail your question to [corp@revenue.wi.gov](mailto:corp@revenue.wi.gov)
- Call (608) 266-2772
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison WI 53708-8906