Instructions for 2021 Schedule DC
Wisconsin Development Zones Credits

Purpose of Schedule DC

Use Schedule DC to claim the special tax credits that may be available for persons doing business in Wisconsin development, development opportunity, enterprise development, agricultural development, or airport development zones.

The Wisconsin Economic Development Corporation administers the development zones programs. To participate in one of these programs, businesses must first be certified by the Wisconsin Economic Development Corporation (formerly the Department of Commerce). For more information regarding eligibility in the Wisconsin development zones programs, visit the Wisconsin Economic Development Corporation web site at inwisconsin.com/ or call 1-855-469-4249.

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 Wisconsin Economic Development Corporation may be eligible for the credits.

Partnerships, LLCs 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.

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 use the full amount of a credit computed this year to offset tax liability for this year and must carry over part or all of it to future years.

Carryforward of Unused Credits

The development zones credits are nonrefundable. Any unused credits may be carried forward for 15 years, with certain exceptions.

If you have unused development opportunity zone investment credits, enter the allowable unused portion on Schedule CR; however, if the claimant is a combined group member, enter the amount of credit on Form 6, Part V, line 1 instead of Schedule CR.

If you cease business operations in the development zone during the taxable year, you may not carryforward 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 carryforward unused credits from previous years.

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: Development Zones 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 Wisconsin Economic Development Corporation for job creation or retention:

- 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.
- 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.
- the dollar amount, up to $8,000, multiplied by the number of full-time jobs retained in an enterprise development zone under sec. 238.397, Wis. Stats., excluding jobs for which the former Wisconsin jobs credit has been claimed, and for which a significant capital investment was made.
- 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. Enter those wages on line 4.

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 person who resides in an area designated by the federal government as an economic revitalization area.
- A person who is employed in an unsubsidized job but meets the eligibility requirements under sec. 49.145(2) and (3), Wis. Stats., for a Wisconsin Works employment position.
- A person who is employed in a trial job, as defined in sec. 49.141(1)(n), Wis. Stats.
- A person who is eligible for child care assistance under sec. 49.155, Wis. Stats.
- A person who is a vocational rehabilitation referral.
- An economically disadvantaged youth.
- An economically disadvantaged veteran.
- A supplemental security income recipient.
- A general assistance recipient.
- An economically disadvantaged ex-convict.

- A qualified summer youth employee, as defined in 26 USC 51(d)(7).
- A dislocated worker, as defined in 29 USC 2801(9).
- A food stamp recipient.
- A person who is employed in a real work, real pay project position (**Note**: Subsidies and reimbursements paid under the real work, real pay pilot project must be subtracted when determining the development zones credit as it relates to full-time jobs created or retained.)

Specific Instructions

Line 1. Enter the development zones credit for environmental remediation. Include a copy of the WEDC certification with your tax return.

Line 2. Enter the development zones credit for job creation or retention. Include a copy of the WEDC certification with your tax return.

Line 4. Enter wage subsidies from Wisconsin Worker trial job program and subsidies and reimbursements from the Real World, Real Pay pilot project. These amounts must be subtracted from the amount of wages included on line 2; however, do not enter more than the amount on line 2.

Line 6. Enter the amount of development zones credit passed through from tax-option (S) corporations, partnerships, LLCs treated as partnerships, estates, or 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 or trusts.

Line 7. Add lines 5 and 6d. This is the total current year development zones credit. Enter the amount from line 7 as an addition to income on the appropriate line of your Wisconsin franchise or income tax return.

Special Instructions for Pass-Through Entities

- **Tax-option (S) corporations, partnerships, and LLCs treated as partnerships**: Prorate the development zones credit on line 7 among the shareholders, partners, or members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or LLC member on Schedule 3K-1.
- **Fiduciaries**: Prorate the development zones credit that is entered on line 7 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show only the estate's or trust's portion of the credit on line 7b. Show the beneficiaries' portion of the credit on line 7a and show the credit for each beneficiary on Schedule 2K-1.

Line 9. Add lines 7 and 8 (lines 7b and 8 if fiduciary). This is the available development zones credit. Enter the amount from line 9 on the appropriate line of Schedule CR. See the following exceptions:

- If the claimant is a combined group member, enter the amount of credit on Form 6, Part V, line 1 instead of Schedule CR.
- Tax-option (S) corporations, partnerships, and LLCs treated as partnerships should prorate the amount of credit on line 9 among the shareholders, partners, or members based on their ownership interest. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

Required Attachments to Schedule DC

To claim the development zones credit, you must include the following:

- For corporations, partnerships, tax-option(S) corporations, limited liability companies, estates, or trusts:
  - Schedule DC
  - A copy of your certification for tax benefits issued by the Wisconsin Economic Development Corporation.
  - A statement from the Wisconsin Economic Development Corporation verifying the amount of the investment and verifying that the property is qualified property.

- For claimants not receiving the credit passed through from a partnership, tax-option(S) corporation, limited liability company, estate, or trust:
  - Schedule DC
  - A copy of your certification for tax benefits issued by the Wisconsin Economic Development Corporation.
  - A statement from the Wisconsin Economic Development Corporation verifying the amount of the investment and verifying that the property is qualified property.
- For claimants receiving the credit passed through from a partnership, tax-option (S) corporation, limited liability company, estate, or trust:
  - Schedule DC.
  - A copy of your Schedule 5K-1, 3K-1, or 2K-1.

Part II: Development Opportunity Zone, Agricultural Development Zone, or Airport Development Zone Capital Investment Credit

General Instructions

The capital investment credit is available only for businesses certified for tax benefits in a development opportunity zone, agricultural development zone, or airport development zone.

The capital investment credit is 3% of the following amounts:

A. The purchase price of qualified depreciable, tangible personal property.

B. The amount expended to acquire, construct, rehabilitate, remodel, or repair real property in a development opportunity zone, agricultural development zone, or airport development zone.

Depreciable, Tangible Personal Property

Machinery and equipment are examples of tangible personal property. To claim a credit for depreciable, tangible personal property, you must meet the following requirements:

- You must purchase the property ***after*** you have been certified for tax benefits by the Wisconsin Economic Development Corporation. 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.
- You cannot claim a 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 opportunity zone or agricultural or airport development zone. If the property is mobile, the base of operations of the property must be at a location in a development opportunity zone or agricultural or airport development zone.
- Use of an automobile or other means of transportation is measured in miles. Measure the 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.

Real Property

Land and land improvements, such as buildings and other permanent structures and their components, are real property. To claim a credit for real property, you must meet the following requirements:

- If you made improvements to real property,

(1) you began 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 opportunity zone or agricultural or airport development zone, or

(2) you placed the completed project in service ***after*** you were certified for tax benefits.

- Physical work doesn't include preliminary activities such as planning, designing, securing financing, researching, developing specifications, or stabilizing the property to prevent deterioration.

- You must compute your credit for improving property based only on the work done to the portion that is used for certified business purposes. The cost of work done on the nonbusiness portion is excluded.

- If you acquired real property,

  (1) the property is not previously owned property, and

  (2) you acquired the property ***after*** the place where the property is located was designated a development opportunity zone or agricultural or airport development zone, or you placed the completed project in service ***after*** you were certified for tax benefits.

  Previously owned property means real property that you or a related person owned during the two years prior to the Wisconsin Economic Development Corporation designating the place where the property is located as a development opportunity zone or agricultural or airport development zone. A related person is defined in IRC section 267(b), except that any percentage of ownership is substituted for 50% ownership.

- You must reduce the amount expended to acquire real property by a percentage equal to the percentage of the area of the property not used for certified business purposes.

Specific Instructions

Line 10. Enter the purchase price of qualified depreciable, tangible personal property you purchased during the taxable year. If the property is used for less than 100% of its use in the conduct of business operations in a development opportunity zone, agricultural development zone, or airport development zone, multiply the purchase price by the percentage of use in the development opportunity zone, agricultural development zone, or airport development zone and enter the result on line 10. Include a schedule showing your computation of line 10 if the property is used for less than 100% in the conduct of business operations.

Line 11. Enter the amount expended during the taxable year to acquire, construct, rehabilitate, remodel, or repair real property. If a portion of the real property is not used for certified business operations, reduce the amount expended by the percentage attributable to nonbusiness purposes and enter the result on line 11. Include a schedule showing your computation of line 11 if a portion of the real property is not used for certified business operations.

Line 14. Enter the amount of development opportunity zone, agricultural development zone, or airport development zone capital investment credit passed through from tax-option (S) corporations, partnerships, LLCs treated as partnerships, estates, or 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 or trusts.

Line 15. Add lines 13 and 14d. This is the total current year development opportunity zone, agricultural development zone, or airport development zone capital investment credit. Enter the amount on line 15 as an addition to income on the appropriate line of your Wisconsin franchise or income tax return.

Special Instructions for Pass-Through Entities

- **Tax-option (S) corporations, partnerships, and LLCs treated as partnerships**: Prorate the development opportunity zone, agricultural development zone, or airport development zone capital investment credit on line 15 among the shareholders, partners, or LLC members. Show the credit for each shareholder on Schedule 5K-1 and for each partner or LLC member on Schedule 3K-1.

- **Fiduciaries**: Prorate the development opportunity zone, agricultural development zone, or airport development zone capital investment credit that is entered on line 15 between the estate or trust itself and its beneficiaries in proportion to the income allocable to each. Show only the estate's or trust's portion of the credit on line 15b. Show the beneficiaries' portion of the credit on line 15a and show the credit for each beneficiary on Schedule 2K-1.

Line 17. Add lines 15 and 16 (lines 15b and 16 if fiduciary). This is the available development opportunity zone, agricultural development zone, or airport development zone capital investment credit. Enter the amount from line 17 on the appropriate line of Schedule CR. See the following exceptions:

- If the claimant is a combined group member, enter the amount of credit on Form 6, Part V, line 1 instead of Schedule CR.
- Tax-option (S) corporations, partnerships, and LLCs treated as partnerships should prorate the amount of credit on line 17 among the shareholders, partners, or members based on their ownership interest. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

Required Attachments to Schedule DC

To claim the development opportunity zone, agricultural development zone, or airport development zone capital investment credit, you must include the following:

- For corporations, partnerships, tax-option (S) corporations, limited liability companies, estates, or trusts:
  - Schedule DC
  - A copy of your certification for tax benefits issued by the Wisconsin Economic Development Corporation.
  - A statement from the Wisconsin Economic Development Corporation verifying the amount of the investment and verifying that the property is qualified property.
- For claimants not receiving the credit passed through from a partnership, tax-option(S) corporation, limited liability company, estate, or trust:
  - Schedule DC
  - A copy of your certification for tax benefits issued by the Wisconsin Economic Development Corporation.
  - A statement from the Wisconsin Economic Development Corporation verifying the amount of the investment and verifying that the property is qualified property.
- For claimants receiving the credit passed through from a partnership, tax-option (S) corporation, limited liability company, estate, or trust:
  - Schedule DC
  - A copy of your Schedule 5K-1, 3K-1, or 2K-1.

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 recompute 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 recompute 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 recompute the credit.

Use the Following Schedule to Calculate the Recaptured Investment Credit:

1.	Enter the kind of property (attach separate schedules if more space is needed)	1. ______
2.	Date property was placed in service	2. ______
3.	Original estimated useful life or recovery period	3. ______
4.	Original credit	4. ______
5.	Date property ceased to be qualified investment credit property	5. ______
6.	Number of full years between the dates on lines 2 and 5	6. ______
7.	Recapture percentage (from table below)	7. ______
8.	Multiply line 4 by the percentage on line 7	8. ______
9.	Add line 8, to the amount from separate schedules (if used)	9. ______
10.	Portion of credit (line 4) not used to offset tax in any year, plus carryforward of credits you can now apply to the original credit year	10. ______
11.	Subtract line 10 from line 9. This is the total increase in tax	11. ______

Specific Instructions

Line 1. Describe the property for which you must recompute the credit. If you need additional lines, attach other schedules with all the information shown on this form. Include the total from the separate schedules on line 9.

Line 2. Enter the day, month, and year that the property was available for service.

Line 3. Enter the original estimated useful life or recovery period that you used to compute depreciation for the property.

Line 5. Enter the day, month, and year that the property ceased to be qualified investment credit property.

Decrease in business use: If you take the 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 6. 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 7. Enter the recapture percentage from the following table:

RECOVERY PROPERTY		
If number of full years on line 6 above, 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 9. If you used separate schedules to list additional items on which you computed an increase in tax, include that amount in the total on line 9.

Line 10. If you did not use all the credit you originally computed, 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. Compute the unused portion on a separate sheet and enter it on this line. Do not enter more than the recapture tax on line 9.

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

Additional Information

For more information, you may:

- E-mail your questions to: DORFranchise@wisconsin.gov
- Send a FAX to (608) 267-0834
- Call (608) 266-2772

  (Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 1, 2021: Chapter 71 Wis. Stats., and Chapter Tax 2, Wis. Adm. Code