

WISCONSIN MANUFACTURERS TAX CREDIT

WHAT IS THE MANUFACTURERS TAX CREDIT?

A powerful income tax credit has been included in the State Budget to encourage and strengthen manufacturing in Wisconsin. The WMC-backed credit, which will be phased in over a period of four years beginning in 2013, will virtually eliminate the tax on income derived from manufacturing activity in Wisconsin. It will effectively reduce the rate of tax on Wisconsin manufacturing income from 7.9 percent to 0.4 percent.

Governor Scott Walker signed the tax credit into law. The credit was developed by Senator Glenn Grothman (R-West Bend) and Representative Dale Kooyenga (R-Brookfield).

HOW WILL THE MANUFACTURERS TAX CREDIT HELP MY BUSINESS?

When fully phased in, the credit will be equal to 7.5 percent of a company's qualified production activities income, as defined under the Internal Revenue Code, that is derived from property assessed as manufacturing or agricultural property in Wisconsin, as defined under state property tax law.

And, unlike the federal Qualified Production Activities Deduction, there is no limitation based on the amount of W-2 wages paid in the production of qualified production activities income.

The credit can be taken against corporate income tax liability and for partnerships, LLCs or tax-option corporations, against personal income tax liability of partners, members or shareholders in proportion to their ownership interests.

FACTS ABOUT THE MANUFACTURERS TAX CREDIT

The credit will be phased in as follows:

- 1.875 percent for tax years beginning after December 31, 2012, and before January 1, 2014;
- 3.75 percent for tax years beginning after December 31, 2013, and before January 1, 2015;
- 5.526 percent for tax years beginning after December 31, 2014, and before January 1, 2016;
- 7.5 percent for tax years beginning after December 31, 2015, and thereafter.

Unused tax credit amounts could be carried forward up to 15 years to offset future tax liabilities.

The credit will reduce personal and corporate income tax collections by:

- \$10,100,000 in fiscal year 2012-13;
- \$44,200,000 in 2013-14;
- \$72,300,000 in 2014-15;
- \$104,400,000 in 2015-16;
- \$128,700,000 in fiscal year 2016-17 and thereafter.



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For more information contact James Buchen, WMC Vice President of Government Relations, (608) 258-3400, jbuchen@wmc.org, or visit www.wmc.org.

WISCONSIN MANUFACTURERS TAX CREDIT WORKSHEET

In the most recent state budget passed by the Legislature and signed by Governor Scott Walker, WMC delivered the largest manufacturing tax break since the manufacturing and equipment exemption more than 30 years ago. The manufacturers tax credit will be phased in over a four-year period starting in 2013. When fully implemented, it will reduce the state income tax rate on Wisconsin-based manufacturing production income from 7.9 percent to 0.4 percent. Specifically, the credit will equal 7.5 percent of your qualified production activities income (without the W-2 wages limitation) that is derived from manufacturing property in Wisconsin.

CALCULATE YOUR TAX SAVINGS!

Your Current Qualified Production Activities Income	Current Payment Based on 7.9% Rate	Future Payment Based on 0.4% Rate
\$ 125,000.00	\$ 9,875.00	\$ 500.00
\$ 250,000.00	\$ 19,750.00	\$ 1,000.00
\$ 500,000.00	\$ 39,500.00	\$ 2,000.00
\$ 1,000,000.00	\$ 79,000.00	\$ 4,000.00
\$ 1,500,000.00	\$ 118,500.00	\$ 6,000.00

**The credit applies to qualified production activities income derived from manufacturing property in Wisconsin. Please consult your tax advisor for guidance specific to your situation.*



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