
WHAT YOU NEED TO KNOW

Wisconsin
Manufacturing
Credit



WHAT YOU NEED TO KNOW: WISCONSIN MANUFACTURING CREDIT

The Wisconsin Manufacturing Credit is an attractive incentive for companies within the agriculture and manufacturing industry. The credit creates a competitive advantage for the state by eliminating the majority of income tax on manufacturing activity income. Individuals and entities can take advantage of the credit for tax years beginning or after January 1, 2013.

FAST FACTS

- The credit is considered income and must be reported on the claimant's Wisconsin income tax return in the very next year.
- The credit is nonrefundable and may be carried over for up to fifteen years.



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ELIGIBILITY

According to Wisconsin state statute 70, an individual, estate, trust, LLC, or corporation which claims the credit must own or rent and use real agricultural property or real or personal manufacturing property. Insurance companies, S corporations, partnerships, and LLCs treated as partnerships cannot claim the credit, but can pass the credit through to their partners, members, or shareholders.

HOW THE CREDIT IS COMPUTED

The credit applicable to an individual or entity is computed with percentages that are applied to any “eligible qualified production activities income.” These following percentages are multiplied by the eligible income to arrive at the final credit number.

- For taxable years beginning after December 31, 2012, and before January 1, 2014, 1.875 percent
- For taxable years beginning after December 31, 2013, and before January 1, 2015, 3.75 percent
- For taxable years beginning after December 31, 2014, and before January 1, 2016, 5.025 percent
- For taxable years beginning after December 31, 2015, 7.5 percent

The Wisconsin Manufacturing Credit may be carried forward for up to fifteen years if unable to use it in the current year. This carryforward can be used to offset Wisconsin income or franchise taxes, but only on the income of the corporation that generated the credit.

FYI

Be sure to talk with Reilly, Penner & Benton to learn what the most current rules and regulations may apply to you when working with the Wisconsin Manufacturing Credit.

The credit must also be claimed within four years of the un-extended due date of the entity’s tax return. Another important item to note is that the credit is considered income and must be reported on the claimant’s Wisconsin income tax return in the very next year.

OTHER CONSIDERATIONS

An individual or entity which claims and is approved to be qualified as a manufacturer can claim the credit, in the year of approval, even if the eligibility does not take effect until the following year.

LIMITATIONS

Companies must be registered with the State as owning manufacturing property. There are also limitations to the amounts of the credit that can be offset against the tax imposed depending on the type of entity using the credit. The limitation typically limits the amount of the credit to be offset to the share of income of the individual or shareholder. For specifics on the limitations contact our tax team.