

2011 Instructions for Schedule CM

GENERAL INSTRUCTIONS

Purpose of Schedule CM

Use Schedule CM to claim the community rehabilitation program credit. The credit is available for taxable years beginning on or after August 1, 2011. The credit must be claimed within four years of the unextended due date of the return.

Who is Eligible to Claim the Credit

Any individual, estate or trust, partnership, limited liability company (LLC), corporation, tax-option (S) corporation, or tax-exempt organization that enters into a contract with a community rehabilitation program to have the program perform work for the entity may be eligible for the credit.

Partnerships, LLCs treated as partnerships, and tax-option (S) corporations cannot claim the credit; instead the credit flows through to the partners, members, or shareholders based on their ownership interests.

Estates and trusts share the credit with their beneficiaries in proportion to the income allocable to each.

Credit is Income

The credit that you compute on Schedule CM 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 use the full amount of a credit computed this year to offset tax liability for this year and must carry part or all of it forward to future years.

Carryover of Unused Credit

The community rehabilitation program credit is non-refundable. Any unused credit may be carried forward for 15 years. If there is a reorganization of a corporation claiming the community rehabilitation program credit, the limitations provided by Internal Revenue Code sec. 383 may apply to the carryover of any unused community rehabilitation program credit.

Definitions

"Community rehabilitation program" means a non-profit entity, county, municipality, or state or federal agency that directly provides, or facilitates the provision of, vocational rehabilitation services to individuals who have disabilities to maximize the employment opportunities, including career advancement, of such individuals.

"Vocational rehabilitation services" includes education, training, employment, counseling, therapy, placement, and case management.

"Work" includes production, packaging, assembly, food service, custodial service, clerical service, and other commercial activities that improve employment opportunities for individuals who have disabilities.

SPECIFIC INSTRUCTIONS

Caution Before completing Part I, you must first have the community rehabilitation program complete Part II. Prior to giving Schedule CM to the community rehabilitation program, fill in entity name on line 2 and fiscal year on line 3 of Part II. No credit is allowable unless Part II is completed by the community rehabilitation program.

If you are claiming the credit based on payments for work performed by more than one community rehabilitation program, a separate Schedule CM must be completed for each. Part II must be completed by each community rehabilitation program for which the credit is being claimed. Complete only lines 1 and 2 of Part I for each additional community rehabilitation program. The amount from line 2 of each additional Schedule CM should be included on line 3 of your first Schedule CM.

Part I Instructions

Line 1 Enter the amount paid in the taxable year to a community rehabilitation program to perform work for your business. This is generally the amount from line 6 of Part II if that amount was paid during the taxable year. However, do not enter more than \$500,000 paid for work performed by a community rehabilitation program.

Line 3 If you paid an amount to more than one community rehabilitation program to perform work for your business, fill in the amount from line 2 of any additional Schedules CM.

Line 4 Enter the amount of community rehabilitation program 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 5 Enter the amount of credit from line 5 on line 5 of Schedule CR. See the following exceptions:

- If the claimant is a combined group member, enter the amount of credit on Form 4M instead of Schedule CR.
- Tax-option (S) corporations, partnerships, and LLCs treated as partnerships should prorate the amount of credit on line 5 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.
- Fiduciaries who file Form 2 must complete lines 5a and 5b.

Line 5a *Fiduciaries* – Prorate the credit from line 5 between the entity and its beneficiaries in proportion to the income allocable to each. Show the beneficiaries' portion of the credit on line 5a. Show the credit for each beneficiary on Schedule 2K-1.

Line 5b *Fiduciaries* – Subtract line 5a from line 5. This is the estate's or trust's portion of the credit. Enter the amount of credit from line 5b on line 5 of Schedule CR.

Part II Instructions

The community rehabilitation program must complete Part II to verify that the claimant has entered into a contract with a community rehabilitation program and that the program has received payment from the claimant for work provided by the program.

Required Attachments to Return

You must enclose your completed Schedule CM with your Wisconsin franchise or income tax return. If you made payments to more than one community rehabilitation program, also enclose any additional Schedules CM with only lines 1 and 2 of Part I and Part II completed.

Additional Information

For more information, you may:

- E-mail your question to corp@revenue.wi.gov
- Call (608) 266-2772
- TTY: Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, call 1-800-947-3529
- Send a FAX to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison WI 53708-8906.

Community Rehabilitation Program Credit - Available for taxable years beginning on or after August 1, 2011.

The community rehabilitation program credit is equal to 5% of the amount that the claimant paid in the taxable year to a community rehabilitation program to perform *work* for the claimant's business, pursuant to a *contract*.

The maximum amount of credit that may be claimed in a taxable year is \$25,000 for each community rehabilitation program for which the claimant enters into a contract to have the community rehabilitation program perform work for the claimant's business.

"*Community rehabilitation program*" means a nonprofit entity, county, municipality, or state or federal agency that directly provides, or facilitates the provision of, vocational rehabilitation services to individuals who have disabilities to maximize the employment opportunities, including career advancement, of such individuals.

"Vocational rehabilitation services" include education, training, employment, counseling, therapy, placement, and case management.

"Work" includes production, packaging, assembly, food service, custodial service, clerical service, and other commercial activities that improve employment opportunities for individuals who have disabilities.

Since there is no definition in the statute for "contract", the dictionary definition is used. The dictionary definition is, a legally binding agreement that creates an obligation to do or not to do a particular thing. There must be mutuality of agreement and obligation, legal consideration, and competent parties. The "contract" would need to be in writing and enforceable by law. Whether a "purchase order" would suffice would depend on the information contained in the purchase order and whether both parties sign it. Generally a purchase order would not have the required information. Minimally, the contract should have the names of both parties (one of which needs to fit the definition of "community rehabilitation program"), the program work to be provided (which will need to meet the "work" definition), the time period in which the work will be performed and the consideration (\$) for which the work will be performed. There should be a place to denote the amount of money paid for the work and the date the payment occurred and those two items would need to be completed when documenting the credit. The contract would need the signature of both parties.

No credit may be claimed unless the claimant submits with the claimant's return a form, as prescribed by the department, that verifies that the claimant has entered into a contract with a community rehabilitation program and that the program has received payment from the claimant for work provided by the program.

The amount of the computed credit must be included in the claimant's income except that credits computed by a partnership and passed through to partners shall be added to the partnership's income, and credits computed by a tax-option corporation and passed through to shareholders shall be added to the tax-option corporation's income.

If a computed credit is not entirely offset against Wisconsin income or franchise taxes otherwise due, the unused balance may be carried forward and credited against Wisconsin income or franchise taxes otherwise due for the following 15 years. The credit must be claimed within four years of the unextended due date of the return.

