



Wisconsin Dairy and Livestock Farm Investment Credit

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1. What is the Wisconsin Dairy and Livestock Farm Investment Credit?

The Wisconsin Dairy and Livestock Farm Investment Credit is a nonrefundable credit equal to 10% of the amount the claimant paid in the taxable year for dairy or livestock farm modernization or expansion related to the operation of the claimant's dairy or livestock farm. The aggregate amount of credits that a claimant may claim is \$75,000. The credit must be claimed within four years of the unextended due date of the tax return.

2. How do I claim the Dairy or Livestock Farm Investment Credit on my Wisconsin return?

Use Wisconsin [Schedule DI](#) to claim the dairy and livestock farm investment credit. This credit is available for taxable years beginning on or after January 1, 2006 and before January 1, 2017. The maximum credit available during this 6-year period is \$75,000 except that no more than \$50,000 of this amount may be based on costs incurred prior to May 27, 2010.

3. Who is eligible to claim the credit?

Any:

- Individual
- Corporation
- Insurance company or tax-exempt organization that acquires depreciable property for dairy farm modernization or expansion may be eligible for the credit.
- Partnerships, limited liability companies (LLC) treated as partnerships, or 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 or trusts share the credit with the beneficiaries in proportion to the income allocable to each.

4. Is the Wisconsin Dairy and Livestock Farm Investment Credit considered taxable income?

The credit that you compute on Schedule DI 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 take the full amount of a credit computed this year and must carry part of it forward to future years.

5. Can any unused credit be carried forward to subsequent tax years?

The dairy and livestock farm investment credit is nonrefundable. Any unused credit may be carried forward for 15 years. If there is a reorganization of a corporation claiming the dairy and livestock farm investment credit, the limitations provided by Internal Revenue Code section 383 may apply to the carryover of any unused Wisconsin dairy or livestock investment credit.

6. Does the purchase of dairy cows or livestock qualify for the credit?

No. The credit applies only to a) the construction, improvement, or acquisition of buildings or facilities, or the acquisition of equipment, for dairy animal housing, confinement, animal feeding, milk production, or waste management if used exclusively related to dairy animals on the claimant's dairy farm and if acquired and placed in service in Wisconsin or b) the construction, the improvement, or the acquisition of buildings or facilities, or the acquisition of equipment, for livestock housing, confinement, feeding, or waste management if used exclusively related to livestock on the claimant's livestock farm and if acquired and placed in service in Wisconsin.

7. Does the cost of a machine shed that will be used to store a tractor and other equipment used in the dairy or livestock operation qualify for the credit?

No. The machine shed is not being used exclusively for dairy or livestock animal housing, confinement, animal feeding, milk production, or waste management, and therefore does not qualify for the credit.

8. A dairy or livestock farmer acquires qualifying equipment that has a cost of \$50,000. As part of the purchase, the farmer trades in equipment with a basis of \$10,000. What amount can be used for the credit?

\$40,000 can be used. Only the cash (boot) paid for the acquired equipment qualifies for the credit. The carryover basis does not qualify.

9. Does the credit affect the basis of property that was used in the computation of the credit?

No. The basis in the property does not have to be reduced by the amount of the credit. Wisconsin law only provides that the amount of the computed credit must be added to income for the year for which the credit is computed. The law does not require a basis reduction.

10. How do you determine if property is used exclusively related to dairy or livestock animals?

"Used exclusively related to dairy or livestock animals" means used to the exclusion of all other uses except for other use not exceeding 5% of total use. Exclusive use is determined on a case-by-case basis. There is no one method that can be used to determine exclusive use. Whatever method is chosen would have to be reasonable. A dairy or livestock farmer may have to use different methods for different items purchased during the year. Appropriate records must be kept to verify exclusive use.

11. Does a \$7,500 overhaul of a tractor used 100% for feeding and waste removal for dairy cows or livestock, qualify for the dairy investment credit?

No. An extensive repair to equipment that must be depreciated does not qualify for the dairy and livestock investment credit. Qualifying expenditures for the credit are limited to the construction, improvement, or the acquisition of buildings or facilities, or the acquisition of equipment.

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