

Wisconsin TAX BULLETIN

Social Security Numbers Removed From Income Tax Labels

Due to taxpayer concerns about privacy, social security numbers (SSNs) are no longer printed on the labels that are on the individual income tax booklets. The Department of Revenue (DOR) has researched different alternatives and determined that the best solution is to put a different number on the label, which DOR can use to find the SSN.

The "DOR entity identification number" (EID) that is printed on the label is a randomly assigned nine-digit number, which is not derived from the SSN. It is only related to the SSN by a cross-reference table, to enable DOR to access the taxpayer's records. The EID is formatted with a space every 3 digits (i.e., 123 456 789), so that it will not look like an SSN.

There is only one EID on each label, regardless of whether it is for a single person or a married couple. The EID on the label is the number for the filing entity, not each individual. If the filing entity is the same next year, the taxpayer(s) will have the same EID on the label. If the filing entity is different next year (taxpayers divorce or get married), a new EID will be assigned.

DOR encourages taxpayers to use the label, file electronically, or use TeleFile. All three are pathways to

faster processing and a faster refund. Because the SSN is no longer on the label, it is imperative to put the SSN on the tax form, to ensure correct processing. □

Did You Know the Department of Revenue...

- ◆ provides free taxpayer assistance all around Wisconsin (see article on page 13)
- ◆ has a free Speakers Bureau available for speaking engagements (see article on page 14)
- ◆ has free publications on a wide variety of tax subjects (see article on page 14)
- ◆ has an index to make your research easier (see article on page 12)
- ◆ provides old and new tax forms via Internet (web site is <http://www.dor.state.wi.us>)
- ◆ offers recorded refund information 24 hours a day, seven days a week (phone 608-266-8100 or 414-227-4907) □

School Property Tax Credit Increased for 1998

The renter's and home owner's school property tax credit for 1998 is increased to 14% of the first \$2,500

of property tax (or rent constituting property tax) paid in 1998 on an individual's primary residence. The maximum credit allowable for 1998 is \$350. The credit is available to homeowners and renters on their Wisconsin income tax returns.

This increase in the school property tax credit applies only to the tax year 1998. For 1999 and future years, the credit will revert back to 10% of the first \$2,000 of property tax (or rent constituting property tax) paid on an individual's primary residence, with a maximum credit of \$200 allowable. □

Temporary Recycling Surcharge to Expire

The temporary recycling surcharge became effective for taxable years ending after April 1, 1991. The "temporary" part of that title will be realized effective for taxable years ending on or after April 1, 1999, when the surcharge is scheduled to expire.

For calendar-year taxpayers and fiscal filers with a taxable year ending on or before March 31, 1999, the temporary recycling surcharge will have to be computed on the 1998 franchise or income tax return. However, it will not be necessary to make estimated surcharge payments for 1999.

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For 1998 fiscal filers (or taxpayers filing a short-period return) with a taxable year ending April 1, 1999 or thereafter, a temporary recycling surcharge should not be computed on the 1998 franchise or income tax return.

The Wisconsin Legislature has been directed to consider methods to provide continuing funding to municipalities, so they can continue their recycling efforts. This will likely be done during the 1999-2000 biennial legislative session. □

Wisconsin Tax Bulletin Annual Index Included

This issue of the *Wisconsin Tax Bulletin* includes (on pages 71 to 98) the annual index of articles, tax releases, court case summaries, private letter rulings, and other materials that have appeared in past Bulletins. The index includes information for issues 1 to 111 (through 1998). □

Sales and Use Tax Report Mailed

The December 1998 *Sales and Use Tax Report* (4/98) contains a number of articles regarding sales and use tax issues. Included is a listing of counties that have adopted the county tax (including Eau Claire and Washington Counties effective January 1, 1999), and a reminder of an increase in the motor vehicle dealers' measure of use tax from \$102 to \$104, also effective January 1, 1999.

The *Sales and Use Tax Report* was sent in late December and early January to all persons registered for Wisconsin sales and use tax purposes. A copy of the Report appears on pages 39 to 42 of this Bulletin. □

Reminder: Income Tax Changes for 1998

Summarized below are the major changes to the individual income tax for 1998. Further details about the changes are provided in the individual income tax instruction booklets, as well as elsewhere in this Bulletin where indicated.

- **Tax rates** The individual income tax rates are reduced by about 2.5% (for example, the top rate is reduced from 6.93% to 6.77%).
- **Temporary recycling surcharge** The rate is reduced by 50%, from 0.4345% of net business income to 0.2173% (it remains at \$25 for farmers). The \$25 minimum and the \$9,800 maximum are not changed.
- **Renter's and home owner's school property tax credit** For 1998 only, the credit is increased from 10% of the first \$2,000 of property taxes (or rent constituting property taxes) to 14% of the first \$2,500. The maximum credit is increased from \$200 to \$350. (Also see the article on page 1 of this Bulletin.)
- **Working families tax credit** This new credit is available to taxpayers with taxable income of less than \$10,000 (\$19,000 for married persons filing a joint return). (Also see the article on page 7 of this Bulletin.)
- **Married couple credit** The maximum credit is increased over a four-year period, from \$300 to \$304 for 1998, and eventually to \$420 for 2001 and thereafter.
- **Manufacturer's sales tax credit** This credit, for the amount of sales and use tax paid on fuel and electricity consumed in manufacturing in Wisconsin, is now available to individuals, partners in a partnership, and tax-option (S) corporation shareholders, as well as to corporations.
- **Tuition expenses** A subtraction may be claimed on Wisconsin returns for up to \$3,000 paid for college tuition for taxpayers or

their dependents. (Also see the tax release beginning on page 30 of this Bulletin.)

- **Long-term care insurance** A subtraction may be claimed on Wisconsin returns for all or part of the cost of a long-term care insurance policy.
- **Sales of certain business or farm assets** A subtraction may be claimed on Wisconsin returns for capital gain from the sale of business assets or assets used in farming, if the sale is to a related party. □

Don't Forget Due Dates for Information Returns

Various information returns must be filed with the Wisconsin Department of Revenue by January 31. Others are due February 28 or March 15.

Information returns due February 1, 1999, (January 31 is a Sunday) include Form W-2 to report wages, tips, and other compensation, and Form W-2G to report gambling winnings.

Information returns due March 1, 1999 (February 28 is a Sunday) include Wisconsin Form 9b (or federal Form 1099-R or Form 1099-MISC) to report retirement plan distributions and other nonwage compensation, or for payers other than corporations to report rents or royalties.

Information returns due March 15, 1999 by **corporations** include Form 9b or federal Form 1099-MISC to report rents or royalties, and Form 8 to report capital stock transfers.

Regardless of the due date for filing the information returns with the department, copies of the information returns (except Form 8) must be

given to the recipients of the payments by February 1, 1999. Copies of Form 8 are not required to be given to individuals who transfer capital stock.

Additional information is available in Wisconsin Publication 117, *Guide to Wisconsin Information Returns*. See the article titled "Tax Publications Available" on page 14 of this Bulletin for information about how to obtain a copy of the publication. □

IRS Ruling Affects Wisconsin Credit

In Revenue Ruling 98-56 issued in November, 1998, the Internal Revenue Service (IRS) announced a change regarding the treatment of section 1231 gains for purposes of determining eligibility for the federal earned income tax credit. Section 1231 gains are gains from the sale of property used in a trade or business.

As a result of ruling 98-56, section 1231 gains that are taxed as capital gains will no longer be counted as disqualifying investment income for purposes of determining if an individual is eligible for the federal earned income tax credit. This change in treatment not only applies for 1998 and future tax years, it also applies retroactively to the 1996 and 1997 taxable years.

Before the change made by ruling 98-56, section 1231 gains taxed as long-term capital gains were counted as disqualifying investment income for purposes of determining eligibility for the federal earned income tax credit. This resulted in a number of taxpayers (including an estimated several thousand farmers in Wisconsin) being unable to qualify to claim a federal earned income tax credit when they filed their 1996 and 1997 income tax returns.

A taxpayer who qualifies for the federal earned income tax credit because of ruling 98-56 also qualifies to claim a Wisconsin earned income tax credit for the same taxable year, provided the taxpayer has at least one qualifying child and is a full-year resident of Wisconsin for the tax year. The Wisconsin earned income tax credit is a percentage of the taxpayer's federal earned income tax credit. To claim a Wisconsin refund for the 1996 or 1997 taxable year, an amended return must be filed using Wisconsin Form 1X. □



Tips to Speed Refund Processing

If you have a refund coming on your 1998 Wisconsin income tax return and want your return processed as quickly as possible, you can help by following the tips listed below.

File Early

The time it takes to issue a refund varies greatly, depending on when the return is received. Refunds for returns that are not adjusted are issued in an average of 2 weeks for returns received from January to mid-February, 4 weeks for returns received from mid-February to mid-March, 5 weeks for returns received from mid-March to mid-April, and 8 weeks for returns received mid-April and after.

File Electronically

There are many good reasons to file your Wisconsin return electronically.

- It's fast and safe. Most refund checks are sent within a week. Direct deposits are even faster, and there's no check to lose.
- It's documented. Your electronic return transmitter is notified that your Wisconsin return has been received and accepted.

- It's easy and accurate. Approved tax preparers and others can file electronically for you, and the electronic filing system checks the return for common errors.

Use the Quick Refund Program

Under the Quick Refund Program, refunds are issued in as little as two weeks. Returns are checked for accuracy later, and an adjustment notice is mailed at that time, if necessary. To qualify for a quick refund, you must:

- File a signed and complete 1998 Form WI-Z, 1A, or 1, by April 1, 1999.
- Use the department-printed mailing label with no changes.
- Be sure **your** correct name and address are on the label you are using.
- Have a Wisconsin address on the label.
- Enter the refund amount (including cents) in the quick refund box at the top of the return.
- Not claim homestead or farmland preservation credit, and owe no delinquent taxes or debts to other state agencies.
- Mail the return to Quick Refund, P.O. Box 38, Madison, WI 53787-0001.

Use Your Label

Apply the department-printed name and address label to the tax return you file. Here are some more tips:

- Use the label even if you are filing a computerized return or a return completed by a preparer.
- Fill in your social security number (and your spouse's, if

applicable) on the tax return, since it is no longer on the label.

- Draw a line through incorrect information and make corrections on the label.
- If you received a postcard with a label instead of forms, transfer that label to the return.
- Use the Wisconsin label, not the federal IRS label.
- Be sure the label is yours, not another taxpayer's.

File an Accurate and Complete Return

Avoid errors and delays in processing your tax return by following these tips:

- Make entries legible and on the correct lines.
- Attach the correct withholding statements.
- Claim only Wisconsin tax withheld, not federal tax, social security, or tax withheld for another state.
- Attach **all** necessary supporting schedules.
- Fill in **all** requested information when claiming the school property tax credit.
- Attach a **complete** copy of your federal return and schedules if you file on Form 1 or 1NPR.
- Attach a completed rent certificate or a copy of your 1998 property tax bill if you are claiming homestead credit (not necessary if you are claiming only the school property tax credit). □

Information or Inquiries?

Listed below are telephone numbers to call if you wish to contact the Department of Revenue about any of the taxes administered by the Income, Sales, and Excise Tax Division. A comprehensive listing of telephone numbers and addresses appears in *Wisconsin Tax Bulletin* 107 (April 1998), pages 35 to 38.

Madison — Main Office Area Code (608)

Appeals.....	266-0185
Audit of Returns: Corpora- tion, Individual, Homestead	266-2772
Beverage.....	266-6702
Cigarette, Tobacco Prod- ucts.....	266-8970
Copies of Returns	267-1266
Corporation Franchise and Income	266-1143
Delinquent Taxes.....	266-7879
Electronic Filing	264-9959
Estimated Taxes	266-9940
Fiduciary, Estate.....	266-2772
Forms Request:	
Taxpayers.....	266-1961
Practitioners	267-2025
Fax-A-Form	261-6229
Homestead Credit	266-8641
Individual Income.....	266-2486
Motor Vehicle Fuel.....	266-3223
Refunds.....	266-8100
Sales, Use, Withholding	266-2776
TTY	267-1049

District Offices

Appleton.....	(920) 832-2727
Eau Claire.....	(715) 836-2811
Milwaukee:	
General.....	(414) 227-4000
Refunds	(414) 227-4907
TTY	(414) 227-4147



How to Avoid Processing Delays

Each year thousands of tax returns and credit claims are sent back to taxpayers or letters are required, because of missing schedules or information. In the 1998 processing

season (1997 returns and claims) the department sent back nearly 100,000 tax returns and credit claims. Listed below are tips for avoiding correspondence or “sendbacks” of tax returns and credit claims.

Individual Income (Forms WI-Z, 1A, 1, and 1NPR)

- Fill in social security number on return (no longer on label).
- Attach copies of federal return and schedules to Form 1 or 1NPR.
- Attach withholding statements.
- Complete married couple credit schedule.
- Complete residence questionnaire on Form 1NPR.
- Complete resident status box(es) on Form 1NPR.
- Attach other state’s tax return to verify credit for tax paid to other states.
- Sign the tax return.

Corporation Franchise and In- come (Forms 4, 5, 5S, 4T, and 4I)

- Fill in federal employer identification number.
- Attach copy of federal form.
- Attach schedules to support credits (e.g., manufacturer’s sales tax, research, development zone, farmland tax relief).
- Complete Schedule S (temporary recycling surcharge) on Form 5S.
- Fill in contact person, phone and fax numbers where indicated.
- Sign the tax return.

Homestead Credit (Schedule H)

- Include Wisconsin return, copy of federal return and schedules,

and wage statements with Schedule H.

- Attach complete copy of tax return (including wage statements and federal return with schedules if applicable) if Schedule H is filed separately from tax return.
- Attach explanation if low or no income is reported.
- Follow special instructions for persons married, separated, or divorced during the year.
- Attach rent certificate.
- Be sure rent certificate is complete, not altered, not a copy, and has an original signature.
- If more than one occupant on rent certificate and rent is not shared equally, attach statement of shared living expenses.
- Attach copy of 1998 property tax bill (not county tax receipt, installment stub, mortgage statement, canceled check, etc.).
- Attach ownership verification (copy of deed, land contract, divorce judgment, final judgment in an estate, trust instrument, etc.) if tax bill shows owners other than claimant and spouse.
- Attach explanation if claiming less than twelve months’ rent and/or property taxes.
- Sign the Schedule H.

Farmland Preservation Credit (Schedule FC)

- Attach clear and complete copies of all 1998 property tax bills (not tax receipts).
- Attach ownership verification (copy of deed, land contract, divorce judgment, final judgment in an estate, trust instrument, etc.) if tax bill shows owners other than claimant and spouse.

- Attach correct and complete zoning certificate.
- Attach copy of **executed** farmland preservation agreement.
- Attach closing agreement if property was sold or purchased during the year.
- Attach statement signed by county treasurer to verify payment of prior year's property tax when tax bill indicates delinquent taxes.
- Attach extension agreement if farmland preservation agreement is expired.

Partnership (Form 3)

- Fill in federal employer identification number.
- Attach copies of federal Form 1065 and Wisconsin Schedule 3K-1.
- Do not file federal Form 1065 and Schedule K-1 without Wisconsin Form 3 and Schedule 3K-1.

Withholding Tax Update Sent to Employers

The annual Withholding Tax Update was sent in December 1998, along with Forms WT-7, *Employer's Annual Reconciliation of Wisconsin Income Tax Withheld from Wages*, to employers registered to withhold Wisconsin taxes.

A copy of the Withholding Tax Update appears on pages 43 and 44 of this Bulletin.

Form 1099-Gs and 1099-INTs Mailed to Taxpayers

The Department of Revenue is mailing approximately 640,000

Form 1099-Gs and 1,000 Form 1099-INTs in January 1999. Federal law requires that the department provide 1998 Form 1099-Gs to persons who received a Wisconsin income tax refund in 1998 and claimed state income tax payments as an itemized deduction on the federal tax return for the year to which the refund applies. Form 1099-INTs must be provided to persons who received \$600 or more of interest on refunds issued by the Department of Revenue.

Regardless of whether a taxpayer is sent a Form 1099-INT, the taxpayer must report all interest received from the department in 1998 as income on his or her 1998 federal and Wisconsin tax returns.

All or a portion of a state income tax refund from Form 1099-G may be included in federal taxable income. However, **the refund should not be included** in Wisconsin taxable income.

Form 1099-G explains how the refund reported to the Internal Revenue Service (IRS) was determined. The first line shows the amount of the refund. Subsequent lines show adjustments for: amounts applied to next year's estimated taxes; endangered resources donations; late filing penalties and interest; homestead, farmland preservation, farmland tax relief, and earned income credits; retirement plan penalties; and other adjustments. The last line shows the refund reported to the IRS.

Schedule 3K-1s — File on Magnetic Media

Partnerships with 50 or more partners are encouraged to file their Wisconsin Schedule 3K-1s, "*Partner's Share of Income, Deductions, etc.*," on magnetic media. The types

of magnetic media allowed include magnetic tape, cartridge, CD, and diskette.

If your Schedule 3K-1s are prepared by software, ask your software company if they can provide these documents on magnetic media rather than on paper. Filing on magnetic media will save both preparers and the department valuable resources, such as paper, shipping costs, and processing time. It's another way the department is streamlining your process of filing tax returns.

To get information and specifications for filing your Form 3K-1s magnetically, contact:

Kris Jager
Wisconsin Department of Revenue
Corporation Processing Unit
P.O. Box 8908
Madison, WI 53708-8908

Phone: (608) 264-7765
Email: KJager@mail.state.wi.us



Focus on Publications: Homestead and Farmland Preservation Credits

How can a homestead credit or farmland preservation credit claim be processed without being returned, having a letter sent, or having the credit adjusted? Two new Wisconsin publications provide tips for getting claims processed without questions or adjustments.

Publication 127, *Wisconsin Homestead Credit Situations and Solutions*, and Publication 128, *Wisconsin Farmland Preservation Credit Situations and Solutions*, list common situations which require special attention and may require additional documentation or explanation when filing one of these claims. For each situation, solutions are given which

will help avoid sendbacks, letters, and adjustments.

Copies of Publications 127 and 128 appear on pages 49 to 70 of this Bulletin. For information about how to obtain these or other department publications, see the article titled "Tax Publications Available" on page 14 of this Bulletin. □

Wisconsin/Minnesota Sales Tax Seminars

The Wisconsin and Minnesota Departments of Revenue will again present a series of joint sales and use tax seminars in March and May. The seminars will include information on differences between the two states' laws. The March seminars apply to contractors, and the seminars in May are for general businesses.

You are invited to attend any of the following seminars, free of charge. All seminars are from 9:00 a.m. to 12:30 p.m. at the locations indicated. To register or for more information, call the Minnesota Department of Revenue at 1-800-888-6231.

March 2, 1999 – Duluth, MN
Minnesota Department of Revenue
Office
2711 West Superior Street

March 9, 1999 – Hudson, WI
Hudson House
1616 Crestview Drive

March 16, 1999 – Onalaska, WI
Onalaska Omni Center
255 Rider Club Street

May 4, 1999 – Duluth, MN
Minnesota Department of Revenue
Office
2711 West Superior Street

May 11, 1999 – Hudson, WI
Hudson House
1616 Crestview Drive

May 18, 1999 – Winona, MN
St. Mary's University
700 Terrace Heights Drive

□

New Exemption Certificate

A new exemption certificate, *Wisconsin Sales and Use Tax Exemption Certificate* (Form S-211), replaces the following exemption certificates.

- S-016 *Certificate of Exemption for Fuel Oil, Propane, Coal, Steam and Wood Used for Residential Purposes*
- S-017 *Certificate of Exemption for Electricity and Natural Gas Sold for Residential or Farm Use*
- S-205 *Wisconsin Resale Certificate*
- S-206 *Farmer's Sales and Use Tax Exemption Certificate*
- S-207 *Certificate of Exemption*
- S-207M *Manufacturer's Sales and Use Tax Exemption Certificate*
- S-209 *Government Sales and Use Tax Exemption Certificate*

Caution: Form S-211 does not replace the *Certificate of Exemption for Rental Vehicles* (Form RV-207), *Construction Contract Entered Into Before the Effective Date of County/Stadium Tax* (Form S-207CT), and the Wisconsin Direct Pay Permit.

While the Department of Revenue will fill all orders for exemption certificates with Form S-211, purchasers may use, and retailers may still accept, the exemption certificates listed above. Retailers are not

required to replace valid certificates they have on file with Form S-211.

A copy of Form S-211 and instructions appears on pages 45 to 48 of this Bulletin. In addition, Form S-211 is available from any Department of Revenue office, or by mail, fax, or the Internet. See the article titled "How to Obtain Wisconsin Tax Forms" on page 8 of this Bulletin for addresses or phone/fax numbers. □

Withholding Tables Not Changing For 1999

The Wisconsin individual income tax rates were lowered for taxable year 1998 and future years, in 1997 Wisconsin Acts 27 and 327. In 1997 Wisconsin Act 27, the Wisconsin Legislature also created a statutory provision indicating that the department is not to adjust the Wisconsin withholding tables to reflect the changes in the tax rates for any tax year that begins before January 1, 2000. As a result, the withholding rates and tables currently in effect will continue to apply for 1999. These rates and tables are found in Wisconsin Publication W-166, *Wisconsin Employer's Withholding Tax Guide*, effective for payroll periods beginning on or after May 1, 1988. □

Working Families Credit New For 1998

A new individual income tax credit named the Working Families Tax Credit is available for tax year 1998. This credit will reduce or totally eliminate the Wisconsin income tax liability of an estimated 182,000 single persons and married couples. It is a nonrefundable credit, and may only be used to offset Wisconsin income tax otherwise due. On 1998 returns, the credit will be claimed on line 5 of Form WI-Z, line 16 of

Form 1A, line 19 of Form 1, and line 41 of Form 1NPR.

Although named the “Working Families Tax Credit” by the Wisconsin Legislature, an individual does not actually have to work or have a family in order to qualify for the credit. The credit is available to any taxpayer who 1) is a full-year resident of Wisconsin for the tax year, 2) has Wisconsin adjusted gross income below a specified level, and 3) does not qualify to be claimed as a dependent on another person’s Wisconsin income tax return.

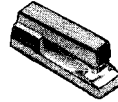
To be eligible for the credit, individuals who file their Wisconsin income tax return using a filing status of single, head of household, or married filing a separate return must have Wisconsin adjusted gross income of less than \$10,000. For married persons filing a joint return, the credit is available only when the combined income of both spouses is below \$19,000.

A full credit (which offsets the claimant’s total tax) is allowed to single, head of household, and married filing a separate return filers whose income is \$9,000 or less. The credit is phased out as income increases from \$9,000 to \$10,000. For married couples filing a joint return, a full credit is allowed when their income is \$18,000 or less, and the credit is phased out as income increases from \$18,000 to \$19,000.

(Note: Employees who expect to qualify for the full amount of Working Families Tax Credit on their 1999 Wisconsin income tax return can use Wisconsin Form WT-4B to claim exemption from having Wisconsin income tax withheld from the wages they receive during 1999. Form WT-4B (titled *Certificate of Exemption From Wisconsin With*

holding for 1999 Because of the Working Families Tax Credit) is available from any department office. Employees who expect to qualify for only a partial credit are not permitted to use Form WT-4B.) □

Attaching Copy of Federal Return



Individuals who file their Wisconsin income tax return on Form 1 or 1NPR are required to attach a copy of their federal income tax return to their Wisconsin return. Generally this will be a copy of federal Form 1040, 1040A, or 1040EZ. However, some Wisconsin filers are not required to file a federal return with the Internal Revenue Service (IRS), or they may use a Form 1040PC or TeleFile to report to the IRS.

Federal Form 1040PC or TeleFile Filers

Form 1040PC is the federal return prepared on a personal computer. The computer prints the return in a three-column “answer sheet” format. It prints line numbers and dollar amounts only for lines on which an entry is made. Federal Form 1040PC filers may attach a copy of the Form 1040PC to their Wisconsin Form 1 or 1NPR in lieu of federal Form 1040, 1040A, or 1040EZ.

Some taxpayers who file their Wisconsin return on Form 1 or 1NPR file their federal return by phone, using the federal TeleFile system. These taxpayers, who are not required to submit a paper tax return to the IRS, may attach a copy of their federal TeleFile Tax Record to their Wisconsin Form 1 or 1NPR in lieu of federal Form 1040, 1040A, or 1040EZ.

Taxpayers Not Required to File With the IRS

Some taxpayers who are required to file a Wisconsin income tax return are not required to file a federal income tax return with the IRS. For example, a single person under age 65, with gross income of at least \$5,200 but less than \$6,950 for 1998, must file a 1998 Wisconsin return but is not required to file a 1998 federal return.

In this situation, since the person would not have a copy of a federal return to attach to the Wisconsin return, a statement listing the sources and amounts of income must be attached to the Wisconsin Form 1 or 1NPR in lieu of a federal return.

Note: Because the Wisconsin tax forms refer to various lines on the federal return, a person may find it helpful to complete a federal income tax form to use as a reference when completing the Wisconsin return. This federal form, even though it will not be filed for federal tax purposes, may be attached to the Wisconsin return instead of the required statement of income. □

How to Obtain Wisconsin Tax Forms

Tax preparers and others requiring more than 6 of any one Wisconsin tax form or more than 29 total Wisconsin forms must use a forms order blank, Form P-744. The original of the completed order blank must be sent to the department. You can obtain a Form P-744 by writing, calling, or faxing your request to the department at the address or phone number listed below under “To Receive Forms in the Mail.”

You can obtain up to 6 of any one Wisconsin tax form or a total of 29 Wisconsin forms by visiting any

Department of Revenue office or by contacting the department by mail, by phone, or by fax. These limits are imposed in order to maintain a supply of forms for others. You can also receive forms via your fax machine or the Internet.

Some libraries, banks, and post offices have forms during the filing season. Most libraries have a copy of Wisconsin Package WI-X, from which most Wisconsin tax forms can be photocopied.

To Pick Up Forms at a Department of Revenue Office

If you want to pick up forms at a department office, you may visit any of the department's 35 offices (including two locations in Madison). The office locations and hours of service are listed in the article titled "Department Offers Taxpayer Assistance" on page 13 of this Bulletin (assistance is also available at these offices).

To Receive Forms in the Mail

You can request that forms be mailed to you (indicate which forms you want, the year, and how many) by:

- Writing to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903;
- Calling the department in Madison at (608) 266-1961; or
- Faxing your request to the department at (608) 261-6913.

To Receive Forms Via Your Fax Machine

You can receive forms via your fax machine by using the department's Fax-A-Form system. Individual income tax, homestead credit, farmland preservation credit, corpo-

ration franchise and income tax, estate tax, fiduciary income tax, and partnership forms and instructions for 1995 through 1998 are available via Fax-A-Form. For sales/use, withholding, and alcohol beverage taxes, only 1998 forms and instructions are available. In addition, 1995 through 1998 amended individual income tax forms and instructions are available, as well as publications published by the department (see the article titled "Tax Publications Available" on page 14 of this Bulletin).

To use Fax-A-Form, call (608) 261-6229 from the handset of your fax machine or the touch-tone telephone of your fax modem (don't press "start" yet). If your fax machine does not have a handset, use the keypad if tones are transmitted, or connect a touch-tone telephone if tones aren't transmitted. Follow the voice prompts and enter the retrieval codes for the items you want, using the keypad. Press "start," "send," or "copy" (fax modem users click on "manual receive"). You must leave the handset of your telephone or fax machine off the hook the entire time the forms are being faxed to you.

Fax-A-Form is available 24 hours a day, 7 days a week. The department does not charge a fee for this service (though you will have to pay your normal telephone charges and fax machine operating costs). If you have questions, you may write to Cindy Breneman, Fax-A-Form Coordinator, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903, or call (608) 267-2025.

To Receive Forms Via the Internet

Most forms and instructions are available on the Internet. If you have Internet access you can download and print the forms 24 hours a day, throughout the year.

The address to access the department's World Wide Web site to receive forms is

<http://www.dor.state.wi.us> □

Visit the Department of Revenue Internet Site!

You can receive updated Wisconsin tax information via the Internet, by accessing the Department of Revenue's World Wide Web site at <http://www.dor.state.wi.us>. This site contains several valuable areas of information, including the following:

What's New. Contains press releases, employment opportunities, statistical reports/data, *Wisconsin Tax Bulletins*, a search function, and other informational materials published by the department.

Forms & Publications. Includes links for electronic filing, downloadable tax forms and instructions, and publications relating to tax matters.

Agency Information. Describes the functions of each office or division, lists executives, administrators, and other managers, and gives information about how to contact various offices.

Frequently Asked Questions. Answers questions relating to various taxes, filing returns, obtaining forms, office locations, taxpayer assistance, and other tax-related matters. E-mail links are also available. New this year, the income tax refund status can be checked on the Internet.

Survey. Gives visitors an opportunity to give the department their opinion on what's good and not so good about the web page, and to suggest ideas for improving it.

Related Sites of Interest. Gives information about other Wisconsin agencies' sites, federal sites, and other sites of interest.

If you would like additional information about the department's web site, contact the department's Internet/Intranet coordinator, Mary Lou Clayton, at (608) 261-2272. □

Question and Answer

Q I received a 1998 Form 1A tax booklet in the mail from the Wisconsin Department of Revenue. Do I have to file my 1998 Wisconsin income tax return on Form 1A?

A No. The department generally sends a taxpayer the same form that he or she filed in the previous year. This may not necessarily be the right form for you. For example, if for 1998 you had income which may not be reported on Form 1A (such as self-employment income or income from the sale of stock), you must file Wisconsin Form 1. You should check the section "Which Form to File" in the income tax booklet to make sure that you have the form that is right for you.

Q I received a 1998 Form 1A tax booklet in the mail. This booklet has a mailing label which is to be used on my tax return. However, I will be filing Form 1 for 1998 instead of Form 1A. May I still use the mailing label on my Form 1?

A Yes. The mailing label should be used on the form which you file with the department. Make any corrections, if necessary, to the label and attach it to your Form 1. Use of the label will decrease the time it takes for the department to process your return. Be sure you fill in your social security

number on the tax return (and your spouse's, too, if applicable), since the social security number is no longer printed on the label. □

Apportionment Emergency Rule Adopted

As a result of legislation enacted in 1998, corporations may request, and the department may approve, an alternative method of apportionment of income in the event of a corporate restructuring that would result in an unfair representation of the degree of business activity in Wisconsin. The allowance of an alternative apportionment method is effective for taxable years beginning on January 1, 1998. Corporations that wish to request an alternative method must do so on or before January 1, 2000.

Before granting a request for alternative apportionment, the department was required to promulgate administrative rules relating to alternative apportionment methods. Since rules could not be in effect in time using the normal promulgation process, the department adopted an emergency rule effective September 29, 1998. The text of the emergency rule is as follows:

Tax 2.39(3)(a)(intro.) For the reporting of income for the purposes of franchise or income taxation, all businesses except financial organizations and public utilities as defined in ss. 71.04(8) and 71.25(10), Stats., and corporations that are authorized to use an alternative method of apportionment under s. 71.25(14), Stats., shall use an apportionment fraction composed of a sales factor representing 50% of the fraction, a property factor representing 25% of the fraction and a payroll factor representing 25% of the fraction. Property, payroll or sales related to the production of nonapportionable income described in s. 71.04(1) and (4) or 71.25(5)(b), Stats., may not be included in either the numerator or the denominator of any of

the apportionment factors. If one of these factors is omitted pursuant to s. 71.04(10) or 71.25(11), Stats., the percentages of the fraction represented by the remaining factors shall be adjusted as follows:

[Insert this note following the first note at the end of Tax 2.39(3):]

Note: See s. Tax 2.395 for an alternative method of apportioning the income of certain corporations.

Tax 2.395 ALTERNATIVE METHOD OF APPORTIONMENT. (1) DEFINITIONS. In this section:

(a) "Corporate restructuring" means the transfer by a corporation of all or part of its operations to one or more newly organized or existing subsidiaries in exchange for 100% of the subsidiary's stock. The corporation shall retain direct or indirect ownership of 100% of the subsidiary's stock. An existing subsidiary shall be eligible to participate in a corporate restructuring only if the subsidiary has been completely inactive in and outside this state since the date of its incorporation.

(b) "Corporation" means a corporation for profit that files an application under this rule and that is incorporated under ch. 180, Stats., or under the law of another state, the District of Columbia or a foreign country and is subject to tax under s. 71.23(1) or (2), Stats.

(c) "Subsidiary" means a corporation that will file an application under this rule with a corporation that directly or indirectly owns 100 % of the total value or share of all classes of its stock outstanding.

(d) "Unfair representation of the degree of business activity in this state" means that the sum of the Wisconsin tax liability of the corporation and its subsidiaries calculated under s. 71.25(6), Stats., exceeds 200% of the Wisconsin tax liability that the corporation would have computed if the corporation did not contribute business operations to one or more subsidiaries and results in at least \$2 million of additional Wisconsin tax liability.

Note: This definition applies only for purposes of s. 71.25(14), Stats.

(e) “Wisconsin tax liability” means the gross tax computed under s. 71.23(1) or (2), Stats.

(2) WHO MAY FILE AN APPLICATION. A corporation may file an application on or before January 1, 2000 to use an alternative method of apportionment if all of the following conditions are met:

(a) The corporation is not a financial organization as defined in s. 71.25(10)(a), Stats., a public utility as defined in s. 71.25(10)(b), Stats., or a tax-option corporation as defined in s. 71.34(2), Stats.

(b) The corporation is a party to a corporate restructuring that occurs after June 30, 1998 and before January 1, 2000.

(c) As a result of the corporate restructuring, the use of the allocation and separate accounting method or the apportionment method prescribed under s. 71.25(6), Stats., would result in an unfair representation of the degree of business activity in this state, given the same level of sales, payroll and property for the corporation and its subsidiaries.

(3) CONTENT OF THE APPLICATION. The application shall set forth a complete statement of the facts and reasons relating to the request to use an alternative method of apportioning income to Wisconsin, including the following:

(a) The full name, address and federal employer identification number of the corporation applying for the change in apportionment method.

(b) The full name, address and federal employer identification number of the subsidiaries that are a party to the corporate restructuring. If this information is not available when the application is filed, it shall be provided to the department as an amendment to the application at least 60 days before a return using an alternative apportionment method is filed.

(c) The corporation’s and the subsidiaries’ taxable year. The subsidiaries shall have the same taxable year as the corporation.

(d) The taxable year for which the corporation wishes the change to become effective.

(e) A detailed description of the corporate structure and business operations before the corporate restructuring.

(f) A detailed description of the corporate structure and business operations after the corporate restructuring.

(g) The present allocation or apportionment method used in Wisconsin.

(h) A description of the alternative apportionment method requested.

(i) A complete and precise statement of the reasons for the modification requested, including why the present method does not fairly represent the activities of the corporation and its subsidiaries in Wisconsin.

(j) Calculations using data from the most recently filed tax return prior to enactment of s. 71.25(14), Stats., showing that the Wisconsin tax liability of the corporation and its subsidiaries using the current method of allocation or apportionment would result in an unfair representation of the degree of business activity in this state.

(k) Calculations using data from the most recently filed tax return prior to enactment of s. 71.25(14), Stats., showing that the Wisconsin tax liability of the corporation and its subsidiaries using the proposed alternative method of apportionment does not result in less Wisconsin franchise or income tax than the corporation would be liable for without restructuring.

(L) Any other information relevant to the application the department requires or the corporation believes may have a bearing on the department’s decision about whether to grant the apportionment method requested.

(m) Whether the corporation is currently being audited by the department.

Note: The application shall be mailed to the following address: Administrator of the Division of Income, Sales and Excise Taxes, Wisconsin Department of Revenue, P.O. Box 8933, Madison, WI 53708-8933.

(4) ALTERNATIVE METHODS OF APPORTIONMENT. The department may authorize any one or a combination

of the following alternative methods of apportionment:

(a) Excluding any one or more of the property, payroll and sales factors.

(b) Weighting the factors other than 50% sales, 25% property and 25% payroll.

(c) Allocating sales, other than sales of tangible personal property, to the state in which the corporation’s customers are located for purposes of computing the numerator of the sales factor. For purposes of this paragraph:

1. A sale is allocated to the location where the customer receives the benefit of the service.

2. If the customer receives the benefit of the service in more than one state, the gross receipts are includable in the numerator of the apportionment factor in proportion to the extent the recipient receives the benefit of the service in each state.

(d) Including one or more additional factors which will fairly represent the corporation’s or the subsidiaries’ business activity in this state.

(e) Allowing one method for apportioning the business income of the corporation and another method for apportioning the business income of a subsidiary.

(f) Allowing the corporation and one or more subsidiaries to compute their Wisconsin tax liability by adding together their apportionable income and apportionment factors, eliminating any intercompany transactions, computing the Wisconsin tax liability as though the group were one taxpayer and dividing the combined Wisconsin tax liability among the corporations based on their share of the group’s Wisconsin business income.

(g) Allowing any other apportionment method that will fairly represent the corporation’s and the subsidiaries’ business activity in this state.

(5) REVIEW OF THE APPLICATION. The department shall review the information submitted and follow the procedure specified in s. 71.25(14)(c), Stats., before issuing a written decision regarding the use of an

alternative method of apportionment. The corporation shall receive written approval before using the alternative method.

(6) **YEARS FOR WHICH USE OF ALTERNATIVE METHOD OF APPORTIONMENT APPLIES.** Once an alternative method of apportionment has been approved for a taxable year, the corporation shall use it for that taxable year and all subsequent taxable years, unless the department finds the use of the apportionment method prescribed in s. 71.25(6), Stats., no longer results in an unfair representation of the degree of business activity in this state as determined under par. (7)(b).

(7) **REVOCATION OF USE OF ALTERNATIVE METHOD OF APPORTIONMENT.** (a) If the department upon audit or review finds that the use of the apportionment method prescribed in s. 71.25 (6), Stats., no longer results in an unfair representation of the degree of business activity in this state as determined under par. (b), the corporation and its subsidiaries shall recalculate their Wisconsin tax liabilities under s. 71.25(6), Stats., for each taxable year in which an alternative apportionment method was used and an unfair representation was not found to exist.

(b) In determining whether an unfair representation of the degree of business activity continues to exist, the department will look for a continued substantial amount of difference between the tax liability calculated pursuant to s. 71.25(6), Stats., and the tax liability had the restructuring not taken place. The department shall also consider any additional information the corporation has submitted pursuant to sub.(8).

(c) If the department finds for a period of at least three consecutive taxable years that a substantial difference in tax liability as determined in par. (b) no longer exists, the corporation may no longer use the approved alternative apportionment method.

(d) If the department terminates the approved alternative apportionment method, the corporation may request and the department shall resubmit the proposed alternative method of apportionment to the co-chairpersons of the joint committee for review of administrative rules pursuant to s. 71.25(14)(c), Stats.

(8) **FILING OF RETURN.** For each taxable year, the corporation and its subsidiaries shall file with their Wisconsin corporate franchise or income tax returns schedules setting forth the calculations required under sub.(6), as well as a calculation of the tax liability of the corporation and its subsidiaries under s. 71.25(6), Stats. The corporation and its subsidiaries shall attach a copy of the department's approval to use an alternative apportionment method to the front of each return filed. The corporation may also include additional explanatory material relative to its business activity. The returns shall be filed with the audit bureau of the department of revenue.

Note: The address for mailing the returns is: Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906.

(9) **CONFIDENTIALITY.** All documents related to a request for an alternative method of apportionment shall be subject to the confidentiality provisions of s. 71.78, Stats.

Note: Section Tax 2.395 interprets s. 71.25(14), Stats. □

Amnesty Update

The application period for the tax amnesty program ended on August 14, 1998, with over 24,000 applications. As in 1985, the majority of the applications came in during the last few days of the application period. Unlike 1985, taxpayers had a choice of how to submit their application - paper, telephone, or the Internet.

Approximately one third of the applications have been denied due to failure to pay the required down payment. The department has been focusing its resources on generating the final amnesty bills as quickly as possible.

Amnesty bills are being mailed daily. Department personnel have been working overtime hours to get all billings out as soon as possible. The goal is to have the last bill out by the end of January 1999.

A future *Wisconsin Tax Bulletin* article will contain final figures relating to collections, applications, etc., once the information becomes available. If you have questions regarding this program, please call the department's Amnesty Unit at (608) 261-7760. □

Make Your Research Easier

Are you looking for an easy way to locate reference material to research a Wisconsin tax question? The *Wisconsin Topical and Court Case Index* may be just what you need.

This two-part index will help you find reference material relating to income, franchise, withholding, sales/use, estate, and excise taxes.

The "Topical Index" portion lists by tax type, alphabetically by subject, references to Wisconsin statutes, administrative rules, tax releases, private letter rulings, publications, *Sales and Use Tax Reports*, Attorney General opinions, and *Wisconsin Tax Bulletin* articles.

The "Court Case Index" lists by tax type, alphabetically by subject, decisions of the Wisconsin Tax Appeals Commission, Circuit Court, Court of Appeals, and Wisconsin Supreme Court.

The *Wisconsin Topical and Court Case Index* is available by subscription for \$18 per year, plus sales tax. This includes a volume published in January and an addendum published in June. To order your copy, complete the order blank on page 99 of this Bulletin. □

Department Offers Taxpayer Assistance

Department personnel will be available through April 15, 1999, to provide taxpayer telephone and walk-in assistance. Assistance is provided Monday through Friday in the larger offices, and Mondays only in other offices (except as noted in the chart below).

In addition, assistance hours will be extended in five offices during March and April, 1999. Offices will be open from 9:00 a.m. to 3:00 p.m. on Saturdays, from March 13 through April 10, in Madison (University Ave. only), Milwaukee, Appleton, Green Bay, and Eau Claire. The Madison office will also be open evenings on Monday through Thursday, until 6:00 p.m. from March 1 through April 8, and until 7:00 p.m. from April 12 through April 15.

Offices Providing Daily Assistance

Location	Address	Telephone No.	Hours
* Appleton	265 W. Northland Ave.	(920) 832-2727	7:45-4:30
* Eau Claire	718 W. Clairemont Ave.	(715) 836-2811	7:45-4:30
* Green Bay	200 N. Jefferson St., Rm. 526	(920) 448-5179	7:45-4:30
* Kenosha	4003 80th St., Ste. 102	(414) 697-5860	7:45-4:30
* Madison	125 S. Webster St.	NONE	8:00-4:30
* Madison	4638 University Ave.	(608) 266-2772	7:45-4:30
* Milwaukee	819 N. Sixth St., Rm. 408	(414) 227-4000	7:45-4:30
* Racine	616 Lake Ave.	(414) 638-7500	7:45-4:30
* Waukesha	141 N.W. Barstow St.	(414) 521-5310	7:45-4:30

*Offices Providing Assistance on Mondays Only
(unless otherwise noted)*

Baraboo	1000 Log Lodge Ct.	(608) 356-8973	7:45-4:30
Beaver Dam	211 S. Spring St.	(920) 887-8108	7:45-4:30
Elkhorn	715 W. Walworth St.	(414) 723-4098	7:45-4:30
Fond du Lac	845 S. Main, Ste. 150	(920) 929-3985	7:45-4:30
Grafton	1930 Wisconsin Ave.	(414) 376-7300	7:45-4:30
Hayward	100 Ranch Rd.	(715) 634-8478	7:45-1:00
Hudson	1810 Crestview Dr., Ste. 1B	(715) 381-5060	7:45-4:30
Janesville	101 E. Milwaukee, Rm. 525	(608) 758-6190	7:45-4:30 †
* La Crosse	620 Main St., Rm. 213	(608) 785-9720	7:45-4:30 †
Lancaster	130 W. Elm St.	(608) 723-2641	7:45-4:30
Manitowoc	914 Quay St.	(920) 683-4152	7:45-4:30
Marinette	Courthouse, 1926 Hall Ave.	(715) 732-7565	9:00-1:00
Marshfield	300 S. Peach Ave., Ste. 4	(715) 387-6346	7:45-4:30
Monroe	1518 11th St., Ste. 1-7	(608) 325-3013	7:45-1:00
Oshkosh	515 S. Washburn, Ste. 105	(920) 424-2100	7:45-4:30
Rhineland	203 Schiek Plaza	(715) 365-2666	7:45-4:30
Rice Lake	11 E. Eau Claire St., Ste. 4	(715) 234-7889	7:45-4:30
Shawano	1340 E. Green Bay St., Ste. 2	(715) 526-5647	7:45-4:30
Sheboygan	807 Center Ave.	(920) 459-3101	7:45-4:30
Superior	1225 Tower Ave., Ste. 315	(715) 392-7985	7:45-4:30
Tomah	203 E. Clifton	(608) 372-3256	7:45-1:00
Watertown	600 E. Main St.	(920) 262-2700	7:45-1:00
Waupaca	644 Hillcrest Dr., Ste. 2	(715) 258-9564	7:45-1:00
Wausau	710 Third St.	(715) 842-8665	7:45-4:30
West Bend	120 N. Main St., Ste. 170	(414) 335-5380	7:45-4:30
Wisconsin Rapids	830 Airport Ave.	(715) 421-0500	9:00-4:30

* Open During noon hour

† Open Monday, Tuesday, and Wednesday





Do You Need a Speaker?

Are you planning a meeting or training program? The Department of Revenue's Speakers Bureau provides speakers to business, community, and educational organizations.

Department representatives are available to speak on a variety of topics that can be targeted toward your group's particular areas of interest, including:

- New sales/use, income, and corporate tax laws.
- How sales tax affects contractors, manufacturers, nonprofit organizations, or businesses in general.
- What to expect in an audit.
- Common errors discovered in audits.
- Manufacturing property assessment.
- Homestead credit.

To arrange for a speaker, please write to Wisconsin Department of Revenue, Speakers Bureau, P.O. Box 8933, Madison, WI 53708-8933, or you may call (608) 266-1911. □

Tax Publications Available

Listed below are more than 60 publications which are available, free of charge, from the Department of Revenue. Copies are available at any department office, or by mail, fax, or (in many cases) the Internet.

By Mail

Write to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-

8903; call (608) 266-1961; or fax a request to (608) 261-6239.

Via Your Fax Machine

Use the department's Fax-A-Form system by calling (608) 261-6229 from a fax telephone and entering the retrieval code "10" plus the publication number.

Via the Internet

Access the department's World Wide Website at <http://www.dor.state.wi.us>, and click on "Forms and Publications."

Income and Franchise Taxes

- 102 Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (12/98)
- 103 Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts (11/98)
- 104 Wisconsin Taxation of Military Personnel (10/98)
- 106 Wisconsin Tax Information for Retirees (10/98)
- 109 Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1998 (10/98)
- 112 Wisconsin Estimated Tax and Estimated Surcharge for Individual, Estates, Trusts, Corporations, Partnerships (11/97)
- 113 Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (10/97)
- 116 Income Tax Payments Are Due Throughout the Year (12/95)
- 119 Limited Liability Companies (LLCs) (12/98)
- 120 Net Operating Losses for Individuals, Estates, and Trusts (11/98)

- 121 Reciprocity (12/97)
- 122 Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 1998 (10/98)
- 123 Business Tax Credits for 1998 (12/98)
- 125 Credit for Tax Paid to Another State (11/98)
- 126 How Your Retirement Benefits Are Taxed (9/98)
- 600 Wisconsin Taxation of Lottery Winnings (10/97)
- 601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (10/97)

Sales and Use Taxes

- 200 Electrical Contractors - How Do Wisconsin Sales and Use Taxes Affect Your Business? (3/98)
- 201 Wisconsin Sales and Use Tax Information (10/98)
- 202 Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (9/98)
- 203 Sales and Use Tax Information for Manufacturers (12/94)
- 205 Use Tax Information for Individuals (2/97)
- 206 Sales Tax Exemption for Non-profit Organizations (9/90)
- 207 Sales and Use Tax Information for Contractors (9/98)
- 210 Sales and Use Tax Treatment of Landscaping (5/94)
- 211 Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (11/98)
- 212 Businesses: Do You Owe Use Tax on Imported Goods? (2/97)
- 213 Travelers: Don't Forget About Use Tax (2/97)

- 214 Businesses: Do You Owe Use Tax? (2/97)
- 216 Filing Claims for Refund of Sales or Use Tax (9/95)
- 217 Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/96)
- 219 Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (6/96)
- 220 Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (10/98)
- 221 Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)
- 222 Motor Vehicle Fuel Users: Do You Owe Use Tax? (4/98)
- 223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)

Other Taxes and Credits

- 127 Wisconsin Homestead Credit Situations and Solutions (11/98)
- 128 Wisconsin Farmland Preservation Credit Situations and Solutions (11/98)
- 400 Wisconsin’s Temporary Recycling Surcharge (12/98)
- 403 Premier Resort Area Tax (2/98)
- 410 Local Exposition Taxes (11/94)
- 503 Wisconsin Farmland Preservation Credit (11/98)
- 508 Wisconsin Tax Requirements Relating to Nonresident Entertainers (8/94)
- W-166 Wisconsin Employer’s Withholding Tax Guide (3/96)

Audits and Appeals

- 501 Field Audit of Wisconsin Tax Returns (2/96)
- 505 Taxpayers’ Appeal Rights of Office Audit Adjustments (6/96)
- 506 Taxpayers’ Appeal Rights of Field Audit Adjustments (3/98)
- 507 How to Appeal to the Tax Appeals Commission (7/98)

Other Topics

- 111 How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (10/97)
- 114 Wisconsin Taxpayer Bill of Rights (11/97)
- 115 Handbook for Federal/State Electronic Filing (12/98)
- 117 Guide to Wisconsin Information Returns (10/98)
- 118 Electronic Funds Transfer Guide (4/96)
- 124 Petition for Compromise of Delinquent Taxes (7/98)
- 130 Fax A Form (12/98)
- 401 Extensions of Time to File (11/97)
- 500 Tax Guide for Wisconsin Political Organizations and Candidates (1/97)
- 502 Directory of Wisconsin Tax Publications (6/98)
- 504 Directory for Wisconsin Department of Revenue (11/98)
- 509 Filing Wage Statements and Information Returns on Magnetic Media (3/94)
- 700 Speakers Bureau presenting . . . (12/98) □

How to Obtain Copies of Your Tax Returns

What Is Available

Upon request, the Department of Revenue will provide taxpayers with copies of their previously filed tax returns (or information regarding them). Copies of returns or information are generally mailed within 10 days after a request is received.

The chart at the end of this article lists returns and information that are available, and the number of prior years for which they are available.

When a copy is requested, a copy of the federal return will also be provided if it is a part of the Wisconsin return. Wage statement copies are not always available with Forms 1A and WI-Z.

Copies of tax returns are generally available within four months after the returns are filed.

Who May Request Copies

Taxpayers, partners in a partnership, or corporation officers may request copies of their own tax returns. Other persons may also request copies, if they provide a power of attorney form or other written authorization, signed by the taxpayer, partner, or corporation officer, and specifying the type of tax return and periods requested. A photocopy or fax copy of an authorization is not acceptable unless the authorization specifically states that copies have the same force as the original.

Requests for copies of a deceased taxpayer’s tax returns must include a certified domiciliary letter and be signed by the personal representative of the estate. If there is no estate, a certified copy of the death certificate and a statement of the reason for the request are required.

Fees

The fee is \$5.00 for each return or information request. There is an additional fee of \$1.00 per return for a certified copy. **Payment must be sent with the request.** Checks or money orders should be made payable to “Wisconsin Department of Revenue.”

How to Request

All requests for copies of returns or information must be made in writing or in person. Requests by telephone or fax machine will not be accepted.

Requests must include the following:

1. Name on the requested tax return.
2. Social security number (including spouse’s social security number, if applicable), or other identification number of the taxpayer.
3. Type of return and year(s) or period(s) of the tax return being requested.
4. Name and address to which the copies are to be mailed.
5. Signature of the taxpayer, partner, corporation officer, or authorized representative.
6. Payment of appropriate fees for requested information.

Where to Direct Requests

Written Requests: Mail your request to Wisconsin Department of Revenue, Central Files Section, P.O. Box 8903, Madison, WI 53708-8903.

In-Person Requests: Make your request at the Department of Revenue, Audit Bureau, 4638 University Avenue, Room 132, Madison, Wisconsin. Office hours are 7:45 a.m. to 4:30 p.m. Proper identification (for example, a driver’s license) is required.

Questions

If you have questions, you may call the Department of Revenue in Madison, at (608) 267-1266.

Returns/Information Available	# of Years
corporation or insurance tax returns	6
gift tax reports	5
homestead credit claims	10
individual income tax returns	4
(electronically filed individual returns)	10
(microfilmed individual returns)	10
microfiche tax roll worksheets	26
partnership tax returns	4
sales/use tax returns	10
trust fiduciary returns	4
withholding statements	5
(microfilmed withholding tax returns)	10



Jail Time Ordered for Tax Crimes

Suburpia sandwich shop founder William J. Foley, 55, of Milwaukee, was sentenced in October 1998, to 18 months in jail for state tax violations. Milwaukee County Circuit Court Judge Bonnie L. Gordon also ordered Foley to make full restitution for unpaid sales taxes of \$13,237, to serve the jail time without Huber privileges or electronic monitoring, and to serve 16 years of probation. Conditions of probation include filing sales tax returns for July 1990 to July 1993 and filing withholding tax returns for 1990 to the present.

In an August 1998 plea agreement, Foley had pled guilty to seven counts of theft of state taxes. He collected the sales taxes from three

Suburpia locations between November 1991 and May 1992 and failed to remit them to the department.

Foley had several Suburpia shops beginning in the late 1960s. The business went bankrupt in 1985, was resurrected in 1990, and went bankrupt again in 1993. Foley opened another Suburpia in 1996. His seller’s permit was revoked in 1997 after he stopped filing sales tax returns. Further legal action is pending in that case.

Also in October, Bruce R. Verdone, 39, a former resident of Medford and Hudson, pled guilty, as part of a plea agreement, to failure to file a Wisconsin tax return, filing a false claim for the earned income credit, and concealing property to evade collection of tax. Taylor County Judge Douglas T. Fox found Verdone guilty on the three charges. Additional charges of failure to file tax returns and concealing property were dismissed but were to be read into the record for purposes of sentencing and restitution.

According to the criminal complaint that was the basis for the charges:

- Verdone did not file a 1992 Wisconsin income tax return, despite numerous contacts from the Department of Revenue. The department sent Verdone an assessment for 1992 income tax, and he returned the assessment to the department with tax protester materials.
- The false claim for earned income credit involved a 1996 tax return filed in Verdone’s name but with the social security number of his son. The return claimed an earned income credit based on three other qualifying children. The mother of the children stated that Verdone has

had no contact with any of the four children since the court terminated his parental rights in 1995, at his request.

- Evasion was charged because the State found that Verdone was involved with \$55,829 that had been negotiated through an account at a Hudson bank in the name of Overland Christian Association. Included were payroll checks Verdone received in 1995 and 1996. Verdone and his girlfriend, Lori Krueger, were the only signatories on the account. The social security number identifier on the account was that of Krueger's daughter.

Verdone faces a maximum penalty of up to 8 years and 9 months imprisonment, fines of up to \$25,000, or both, together with the costs of prosecution. In addition to the criminal penalties, Wisconsin law provides for substantial civil penalties on the civil tax liability. Assessment and collection of the taxes, penalty, and interest due follows a conviction for criminal violations.

Verdone's girlfriend, Lori A. Krueger, 28, of Phillips, was sentenced in December 1998 on two counts of filing a fraudulent claim for earned income credit. Dane County Judge Daniel R. Moeser ordered Krueger to serve 30 days in jail and five years probation, and to make restitution.

Krueger pled no contest to the charges in October. Additional charges were read into the record for purposes of sentencing and restitution. According to the criminal complaint, Krueger filed five fraudulent claims for earned income credit on original 1994, 1995, and 1996 Wisconsin income tax returns and amended 1995 and 1996 returns.

The complaint stated that Krueger filed a 1994 claim for earned income credit using false names and a false W-2. She also filed fraudulent 1995 and 1996 claims based on false W-2 documents. She then filed amended 1995 and 1996 returns which still claimed earned income credits based on amended W-2s supposedly from the same fictitious employer.

Joseph T. Rabideau, of Madison, was sentenced in October 1998, for two counts of filing a false return to evade sales tax. Dane County Circuit Court Judge Rober A. DeChambeau ordered Rabideau to pay fines and court costs totaling \$1,370. Rabideau had pled no contest to the charges in September 1998.

According to the criminal complaint, Rabideau filed two false Applications for Title/Registration in July 1995 that listed the purchase price of a 1991 Chevrolet pickup truck as \$4,000, with state and county sales tax due of \$220, and the purchase price of a 1978 Chevrolet truck as \$100, with sales tax due of \$5.50. The complaint alleges that Rabideau paid \$14,000 for the 1991 truck and \$1,000 for the 1978 truck.

Jeanine A. Boehlke, of Onalaska, was charged in October 1998 by the LaCrosse County District Attorney's Office, with one count of filing a false return to evade sales tax. The criminal charges resulted from an investigation by the Fraud Unit of the Wisconsin Department of Revenue.

According to the criminal complaint, Boehlke filed a false application for Title/Registration in November 1995 which listed the purchase price of a 1991 Buick Century as \$1,000 with state and county sales tax due of \$55. The complaint alleges Boehlke actually paid \$7,500 for the vehicle.

If convicted, Boehlke faces up to 30 days in jail and up to \$500 in fines.

In September 1998 Louis S. Beauchamp, 56, of Milwaukee, was sentenced for failure to file Wisconsin income tax returns. Milwaukee County Circuit Court Judge Clare L. Fiorenza placed Beauchamp on probation for three years. As a condition of his probation, Beauchamp must serve 30 days in jail with Huber privileges followed by 30 days home detention, and serve 50 hours of community service.

Beauchamp, a self-employed headhunter, operated a Milwaukee employment agency known as Techtronic Technical Employment. He was charged with failure to file Wisconsin income tax returns when he had income of \$36,552 in 1993, \$59,307 in 1994, and \$67,171 in 1995. His tax liability for the three years was more than \$10,000.

In 1977, Beauchamp was charged with embezzling over \$42,000 from the Social Development Commission and with failure to pay over \$50,000 in federal income taxes for 1974 to 1976.

Also in September, Green Bay used car dealer William J. Brown was sentenced for felony theft of state sales taxes. Brown County Circuit Court Judge William Atkinson placed Brown on probation for five years. As a condition of his probation, Brown must serve 36 days in jail, make restitution to the State of Wisconsin for \$78,546, and pay court costs.

According to the criminal complaint, Brown collected \$115,107 in sales tax monies from September 1989 through September 1994, which he failed to pay over to the State. The taxes were paid to Brown by his

customers, who purchased motor vehicles from him through his business, Quality Plus Auto Sales in Green Bay. □

Avoid Errors on Income or Franchise Tax Returns

Are your tax returns and credit claims filed without errors? Many errors are discovered each year, either in processing or in subsequent audits by the department. The information below may be helpful in preparing error-free Wisconsin tax returns or credit claims.

Errors Discovered in Processing Individual Income Tax Returns

Math Errors —
250,000 returns (10% of returns processed) were adjusted for math errors.

School Property Tax Credit —
33,000 returns were adjusted for errors in claiming this credit; 80% of the errors included looking up the wrong amount of credit.

Itemized Deduction Credit —
31,000 returns were adjusted; two-thirds of the errors included looking up the incorrect amount of standard deduction.

Incomplete Returns —
Processing of many returns was delayed because of missing information, such as school district, school property tax credit, earned income credit, itemized deduction credit, or taxes paid to other states.

Estimated Tax Underpayment —
34,000 returns were adjusted for underpayment interest because taxes were underpaid.

Temporary Recycling Surcharge —
Most errors included checking the special worksheet box or listing net

income or loss when not subject to the surcharge.

Tax Withholding —
Most errors included claiming social security or another state's withholding as Wisconsin tax withheld.

Errors Discovered in Processing or Auditing Credit Claims

Homestead credit claims and farmland preservation credit claims are screened during processing. The common errors described below are discovered either during the screening or in subsequent audits of credit claims.

HOMESTEAD CREDIT

Household Income Omitted —

- AFDC/Wisconsin Works
- IRA/deferred compensation deductions
- gross pension
- depreciation
- standard mileage depreciation
- Wisconsin income from tax return
- nontaxable capital gains

Property Taxes —

- taxes not reduced for months AFDC/Wisconsin Works received
- special assessments incorrectly claimed
- more than one acre claimed for nonfarm property
- taxes not properly prorated for co-ownership or for occupancy only part of year
- wrong year's taxes claimed

Rent —

- rent not reduced for months AFDC/Wisconsin Works received
- rent not reduced for joint occupancy
- percentage of rent constituting property taxes computed incorrectly
- rent for more than twelve months claimed

Credit —

- amount looked up incorrectly in computation table

FARMLAND PRESERVATION CREDIT

Household Income Omitted —

- gross pension
- depreciation
- deferred compensation
- capital gain exclusion
- capital loss carryover
- gross social security

Property Taxes —

- special assessments incorrectly claimed
- taxes not properly prorated for co-ownership
- taxes incorrectly claimed for land not covered by zoning certificate or farmland preservation agreement
- incorrect computation

Credit Percentage —

- incorrect percentage claimed.

Amended Returns —

- Adjustments to original return not reflected
- Additional taxable income not reflected on Schedule FC

Errors Discovered in Auditing

Errors discovered in auditing Wisconsin individual and fiduciary income, corporate, and sales and use tax returns and credit claims resulted in the collection of \$147.6 million in taxes, excess credits, penalties, and interest in the fiscal year ending June 30, 1998. This includes individual and fiduciary income taxes of \$26.5 million, sales and use taxes of \$69.5 million, and corporation taxes of \$51.6 million. The most common errors discovered in auditing individual and fiduciary income tax returns are described below.

Income Computed Incorrectly —

- unemployment compensation or social security income (federal/Wisconsin differences calculated incorrectly)
- tax-option (S) corporation income (wrong amount entered from Schedule K-1)
- math errors (errors on federal return carried over to Wisconsin form)
- capital gain exclusion

Income Omitted —

- IRA distributions
- total gross receipts
- municipal interest
- interest and dividends
- gambling winnings that are not reported on a Form 1099-G
- income earned in another state

Credits Computed Incorrectly —

- school property tax (incorrectly claimed on business portion, or claimed in year taxes not paid)
- dependent (incorrectly claimed for self or spouse)
- earned income (claimed in error or computed incorrectly)
- itemized deduction (percentage of income not subtracted from medical or miscellaneous deductions)
- farmland tax relief (claimed for taxes on improvements)

Incorrect Deductions or Expenses —

- IRA deduction (omitted or claimed incorrectly)
- personal travel or entertainment (incorrectly claimed as business expenses)
- gambling losses in excess of winnings claimed

Other Errors —

- IRA penalty omitted
- Wisconsin return not amended for IRS adjustments
- incorrect filing status used
- farm loss limitation not properly computed
- capital loss carryover not claimed in subsequent year
- return filed on incorrect form. □

Common Mistakes Regarding Wisconsin Estate Taxes

Listed below are errors that are commonly made regarding Wisconsin estate taxes, and the filing of a Wisconsin Estate Tax Return, Form W706. This information may be

helpful in preparing proper and timely estate tax returns and related documents.

- Failing to file a Wisconsin Form W706. Wisconsin does have an estate tax. Estates that are required to file a federal United States Estate Tax Return (Form 706) are also required to file Wisconsin Form W706.
- Filing a return when none is required (not required if income is under \$600,000 for deaths in 1997, or \$625,000 for deaths in 1998).
- Failing to file a **complete** return with the required attachments. Missing attachments commonly include:
 - Complete copy of the federal estate tax return, Form 706, including all schedules.
 - Copy of the decedent's last will, and any codicils.
 - Trust instruments, and amendments if applicable.
 - Complete listing of assets from the federal return.
 - Copy of an approved federal Form 4768, the extension to file the federal Form 706.
- Failing to file by the due date (nine months after the date of death, not twelve months as under the repealed inheritance tax law).
- Failing to timely pay the Wisconsin estate tax. The tax is due nine months after the date of death, even if an extension of time to file has been requested (an extension to file does not extend the time to pay).
- Making an estate tax payment on an estimated income tax voucher. Pay the tax on Form 401T. Include a letter stating that a federal extension to file

has been requested, if that is the case.

- Incorrectly computing the interest due on a late-paid estate tax (interest must be computed from the date of death, not from the due date of the return).
- Failing to pay the late-filing penalty, 5% of the Wisconsin estate tax. It is due on returns filed more than nine months after the date of death, unless a federal extension has been granted and the return is filed within the extension period. The late-filing penalty may be imposed even if the estate tax is paid timely.
- Failing to notify the department within 30 days of Internal Revenue Service (IRS) adjustments to federal Form 706. Include a copy of IRS Form 1273, 3228, or 886A, and a cover letter.
- Failing to notify the department that more than one certificate will be requested. Certificate requests for both the fiduciary and the estate tax returns should be made at the same time. If this is not possible, inform the department with the first request that the other certificate will also be requested. This will help expedite the requests, and you will only need to send one set of documents for the estate. □

Administrative Rules in Process

Listed below are proposed new administrative rules and changes to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of January 1, 1999, or at the stage in which action occurred during the period from October 2, 1998, to January 1, 1999.

Each affected rule lists the rule number and name, and whether it is amended (A), repealed (R), repealed and recreated (R&R), or a new rule (NR).

To receive up-to-date administrative rules of the Department of Revenue, you can use the order blank on page 99 of this Bulletin to order the Tax section of the Wisconsin Administrative Code.

Scope Statement Published (10/31/98)

- 2.39 Apportionment method—A
- 2.395 Alternative method of apportionment – NR
- 11.14 Exemption certificates, including resale certificates—A
- 11.53 Temporary events—A

Rules Sent to Legislative Council Rules Clearinghouse

- 2.39 Apportionment method—A
- 2.395 Alternative method of apportionment – NR
- 11.68 Construction contractors—A

Rules Sent to Revisor for Publication of Notice

- 2.39 Apportionment method—A (published 12/15/98)
- 2.395 Alternative method of apportionment – NR (published 12/15/98)
- 11.09 Medicines—A (published 10/31/98)
- 11.19 Printed material exemptions—A (published 11/30/98)
- 11.28 Gifts and other advertising specialties—A (published 10/31/98)
- 11.68 Construction contractors—A (published 12/31/98)

- 11.70 Advertising agencies—A (published 11/30/98)

Rules Being Reviewed Following Publication of Various Notices

- 1.12 Electronic funds transfer – NR
- 1.13 Power of attorney—A
- 11.03 Elementary and secondary schools and related organizations—A
- 11.11 Industrial or governmental waste treatment facilities—A
- 11.12 Farming, agriculture, horticulture and floriculture—A
- 11.26 Other taxes in taxable gross receipts and sales price—A
- 11.32 “Gross receipts” and “sales price” –A
- 11.33 Occasional sales—A
- 11.41 Exemption of property consumed or destroyed in manufacturing—A
- 11.83 Motor vehicles—A

Public Hearing Held (12/28/98)

- 2.39 Apportionment method—A
- 2.395 Alternative method of apportionment – NR

Rules Sent for Legislative Committee Review

- 11.56 Printing industry—A

Rules Adopted but Not Yet Effective (anticipated effective date 2/1/99)

- 11.56 Printing industry—A

Emergency Rules in Effect (effective date 9/29/98)

- 2.39 Apportionment method—A
- 2.395 Alternative method of apportionment – NR □