



Credit for Tax Paid to Another State

(For Individuals, Estates, and Trusts)

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Use this publication in preparing your 2017 tax return. A new limitation applies when computing your credit for tax paid to another state. See page 5.

CAUTION

The information in this publication reflects the position of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature effective January 31, 2018. Laws effective after that date, administrative rules, and court decisions may change the interpretations in this publication.

1. INTRODUCTION

A Wisconsin resident (person domiciled in Wisconsin) may be subject to the income tax laws of both Wisconsin and another state. This may occur, for example, when the Wisconsin resident is employed outside Wisconsin, rents or sells property located outside Wisconsin, operates a business or profession outside Wisconsin, or has certain gambling winnings outside Wisconsin.

Two methods exist to prevent the same income from being taxed by more than one state. These methods are (1) credit for net tax paid to another state, and (2) reciprocity.

This publication provides information on the credit for net tax paid to another state.

For information on reciprocity, see [Publication 121, Reciprocity](#). You may obtain this publication from any Department of Revenue office or from our Internet website at: revenue.wi.gov.

Note: This publication refers to S corporations throughout. For Wisconsin tax purposes, a "tax-option (S) corporation" is defined as a corporation which is treated as an S corporation under Subchapter S of the IRC as amended to December 31, 2016, and has not elected out of tax-option corporation status under sec. 71.365(4)(a), Wis. Stats., for the current taxable year.

2. WHO MAY CLAIM THE CREDIT

A. Types of Taxpayers Who May Qualify

The credit for net tax paid to another state is available to individuals, estates, and trusts.

Note: If you are a Wisconsin resident shareholder of an S corporation, partner of a partnership, or member of a limited liability company (LLC) treated as a partnership, you may claim the credit based on income and franchise taxes paid by the corporation, partnership, or LLC to another state if the income taxed by the other state is considered income for Wisconsin tax purposes. (See Part 7 on page 12 for information relating to S corporations and their shareholders, partnerships and their partners, and LLCs and their members.)

B. Qualifications

You qualify to claim the credit for net tax paid to another state if the following three requirements are met:

1. You paid a net income tax to another state, and
2. The income which is taxable by the other state is also considered income for Wisconsin tax purposes for the same taxable year, and
3. You were a Wisconsin resident at the time the income was considered taxable.

Example 1: You were a Wisconsin resident from January 1 through August 31, 2017. During this period of time you were employed in Iowa. You received wages of \$20,000 from your Iowa employer while you were a Wisconsin resident. The \$20,000 is taxable by both Iowa and Wisconsin. You file an Iowa income tax return and pay a net income tax to Iowa based on the \$20,000 of wage income.

You qualify to claim a credit for net tax paid to Iowa because (1) you paid a net income tax to another state, (2) the income which is taxable by the other state is also considered income for Wisconsin tax purposes for the same taxable year, and (3) you were a Wisconsin resident at the time the income was considered taxable.

Example 2: You were a Wisconsin resident from January 1 through July 31, 2017. During this period of time you were employed in Wisconsin. You quit your Wisconsin job and became a resident of Iowa on August 1, 2017. While a resident of Iowa, you received a check from your Wisconsin employer for \$1,000 which was payment for wages earned while you were a Wisconsin resident. The \$1,000 is taxable by both Iowa and Wisconsin. You file an Iowa income tax return and pay a net income tax to Iowa for 2017.

You may **not** claim the Wisconsin credit for tax paid to Iowa. Even though you paid a net income tax to another state and the income which is taxable by the other state is also considered income for Wisconsin tax purposes for the same taxable year, you were **not** a Wisconsin resident at the time the income was received (i.e., considered taxable).

Example 3: You were a Wisconsin resident for the entire year. On a trip during the year, you had gambling winnings of \$3,000 from a casino located in Mississippi. Three per cent (\$90) was withheld from the winnings as tax. You are not required to file a Mississippi income tax return to report the winnings nor will you receive a refund for any Mississippi tax withheld. You may **not** claim the \$90 as a credit for net tax paid to another state. The three percent tax is a tax on gross income and does not qualify for the credit. Only "net income tax" qualifies for the credit.

C. Tax Must Be an Income Tax

The tax paid to the other state must have been an "income" tax in order to qualify for the credit. You may not claim credit for other taxes paid which are not income taxes, such as a severance tax, personal property tax, sales and use tax, or real estate tax.

D. "State" Defined

"State" means the 50 states of the United States and the District of Columbia. It does not include the Commonwealth of Puerto Rico or the several territories organized by Congress. The credit is not allowed for income tax paid to a county, city, village, or town. It is also not allowed for tax paid to a foreign country.

E. Reciprocal States

You may not claim a credit for tax paid to another state on income which is subject to a reciprocity agreement.

For 2017, Wisconsin has reciprocity agreements with Illinois, Indiana, Kentucky and Michigan.

Under the reciprocity agreements, these four states generally will not tax certain earned income (for example, wages, salaries, tips, etc.) earned in these states by Wisconsin residents, and Wisconsin will not tax the earned income earned in Wisconsin by residents of those states. Because income that is subject to a reciprocity agreement is taxed by only one state, the credit is not available. You may claim the credit only if the same income is taxed by both Wisconsin and another state.

3. HOW TO COMPUTE THE CREDIT

A. Complete Return for Other State

Before computing your Wisconsin credit for tax paid to another state, first complete an income tax return for the other state to determine the amount of your net tax. Net tax paid to another state is the gross tax less all credits (both nonrefundable and refundable credits).

Caution: The credit for tax paid to another state is not based on the tax withheld for the other state or your estimated tax payments to the other state.

B. Complete Schedule OS

Complete Wisconsin Schedule OS to determine your credit for tax paid to another state. You must attach a copy of Schedule OS and a copy of your tax return from the other state to your Wisconsin income tax return.

You may obtain Schedule OS from any Department of Revenue office or from our Internet website at: revenue.wi.gov.

C. If All of the Income Taxed by the Other State is Considered Income for Wisconsin

If all of the income taxed by the other state is considered income for Wisconsin tax purposes, effective for taxable years beginning on or after January 1, 2017, your credit for tax paid to another state is equal to the lesser of the following:

1. Your Wisconsin net tax liability (line 28 of 2017 Form 1 less the amounts on lines 29 and 30, line 54 of Form 1NPR less the amounts on lines 55 and 56, or line 10 of Form 2 less the amounts on line 11),
2. The amount of net tax paid to the other state on income that is taxable to Wisconsin, or
3. The amount of Wisconsin net tax paid on the income subject to tax in the other state.

Note: The third limitation does not apply to income that is taxed by Minnesota, Illinois, Iowa, or Michigan. Net tax is the gross tax less all nonrefundable and refundable credits.

Example 1: You were a Wisconsin resident for all of 2017. You worked part of the year in Iowa. The wages you earned in Iowa are taxable by both Iowa and Wisconsin. The amount of Iowa tax that was withheld from your wages was \$140. The net tax computed on your 2017 Iowa income tax return is \$100. You will receive a \$40 refund from Iowa. Your Wisconsin credit for tax paid to Iowa is \$100, assuming your Wisconsin net tax (before deducting the credit) is at least \$100.

Example 2: You were a Wisconsin resident for all of 2017. You paid \$1,240 of net income tax to New York for 2017 on income of \$20,000. Your 2017 Wisconsin net income is as follows:

Income taxable by both Wisconsin and New York	\$20,000
Income taxable only by Wisconsin	\$30,000

Your 2017 Wisconsin net tax (before deducting the credit for net income tax paid to another state) is \$1,080. The amount of net tax paid on the income subject to tax in the other state is \$720. This is figured using the following formula:

$$\frac{\text{Income taxable by both Wisconsin and other state}}{\text{Wisconsin income}} \times \text{Net income tax paid to Wisconsin} = \text{Maximum credit}$$

This is figured as:

$$\frac{\$20,000}{\$30,000} \times \$1,080 = \$720$$

Since the lesser of the 3 amounts is \$720, this is the amount allowed for credit as net tax paid to another state.

D. If Only Part of the Income Taxed by the Other State is Considered Income for Wisconsin

If only part of the income taxed by the other state is considered income for Wisconsin tax purposes (for example, 100% of the capital gain from the sale of assets held more than one year is taxed by various other states, but only 70% (40% for gain on farm assets) is taxed by Wisconsin), use the following formula to determine the amount of credit you may claim.

$$\frac{\text{Income taxable by both Wisconsin and other state}}{\text{Total income taxable by other state}} \times \text{Net income tax paid to other state} = \text{Tentative credit}$$

Note: The above formula is used when completing lines 29 and 30, and, in the case of tax paid by an S corporation, LLC, or partnership, line 36 of Schedule OS.

Effective for taxable years beginning on January 1, 2017, the credit is limited to the lesser of the following:

1. Your Wisconsin net tax liability (line 28 of 2017 Form 1 less the amounts on lines 29 and 30, line 54 of Form 1NPR less the amounts on lines 55 and 56, or line 10 of Form 2 less the amounts on line 11),
2. The amount of net tax paid to the other state on income that is taxable to Wisconsin, or
3. The amount of Wisconsin net tax paid on the income subject to tax in the other state.

Note: The third limitation does not apply to income that is taxed by Minnesota, Illinois, Iowa, or Michigan. Net tax is the gross tax less all nonrefundable and refundable credits.

Example 1: Credit based on long-term capital gain. You were a Wisconsin resident for all of 2017. You sold land in Illinois in 2017 and realized a gain of \$20,000 on the sale. The entire gain is taxable by Illinois, but only 70% (\$14,000) is taxable by Wisconsin. You had no other gain or loss allocable to Illinois. You completed an Illinois income tax return and paid a net tax to Illinois of \$1,140. Using the formula in Part D on page 6, your Wisconsin credit for net tax paid to Illinois is \$798, computed as follows:

$$\frac{\$14,000}{\$20,000} \times \$1,140 = \$798$$

Note: When completing Schedule OS, in this example \$14,000 would be filled in on line 26 as income taxable to both Wisconsin and the other state. The \$20,000 would be filled in on line 27 as total income taxed by the other state. Since the tax was paid to Illinois, the third limitation referenced on page 5 does not apply.

Example 2: Credit based on long-term capital gain and capital loss. You were a Wisconsin resident for all of 2017. You sold real estate located in California and realized a \$30,000 long-term capital gain. The entire gain is taxable by California. You had no other income or loss allocable to California. The net income tax paid to California for 2017 was \$1,950.

For Wisconsin tax purposes, you have a capital loss carryover to 2017 of \$13,000. The net capital gain taxable by Wisconsin is as follows:

Long-term capital gain from sale of California real estate	\$30,000
Less capital loss carryover	<u>-13,000</u>
Net long-term capital gain	17,000
Less 30% capital gain exclusion	<u>-5,100</u>
Wisconsin taxable amount	<u>\$11,900</u>

In addition to the \$11,900, you have other income taxable to Wisconsin and compute a Wisconsin net tax (before deducting a credit for tax paid to California) of \$2,350 based on \$65,200 of income.

Because Wisconsin did not tax the same amount of capital gain as California, the credit for tax paid to California must be computed using the formula in Part D on page 6. The amount of capital gain considered income for Wisconsin and included in the numerator of the formula as income taxable by both Wisconsin and California is \$24,900 (\$13,000 which is included in Wisconsin income but offset by the capital loss carryover plus \$11,900 which is taxable after the capital gain exclusion is applied). The tentative credit for net tax paid to California is \$1,619, computed as follows:

$$\frac{\$24,900}{\$30,000} \times \$1,950 = \$1,619$$

To figure the credit allowable, the third limitation must be figured, as referenced on page 5. The formula in Part C on page 6 is used:

$$\frac{\$24,900}{\$65,200} \times \$2,350 = \$897$$

Since the lesser of the 3 amounts is \$897, this is the amount allowed as credit for net tax paid to another state.

Note: When completing Schedule OS, in this example, \$24,900 would be filled in on line 26 as income taxable to both Wisconsin and the other state. The \$30,000 would be filled in on line 27 as total income taxed by the other state and \$1,950 would be filled in on line 28 as the net tax from the other state's income tax return. The

\$65,200 would be filled in on line 31 as Wisconsin income and \$2,350 would be filled in on line 33 as Wisconsin net income tax.

Example 3: Credit based on more than one long-term capital gain and capital loss. You were a Wisconsin resident for all of 2017. You sold real estate located in California and realized a \$20,000 long-term capital gain. The entire gain is taxable by California. You also had a \$10,000 gain taxable by Wisconsin on the sale of stock held more than one year and a \$4,000 long-term Wisconsin capital loss carryover.

Long-term capital gain from sale of California real estate	\$20,000
Portion of capital loss used to offset gain	<u>2,667</u>
$\frac{\$20,000}{\$30,000} \times \$4,000 = \$2,667$	
Balance	17,333
Less 30% capital gain exclusion	<u>5,200</u>
Taxable amount	\$12,133

Because Wisconsin did not tax the same amount of capital gain as California, the credit for tax paid to California must be computed using the formula. When determining the income taxable by both Wisconsin and the other state, a portion of the capital loss is allocated to each long-term capital gain. The gain taxable by both California and Wisconsin is determined as follows:

The amount of capital gain taxable by both Wisconsin and California is \$14,800 (\$2,667 which is included in Wisconsin income but offset by the capital loss carryover, plus \$12,133 which is taxable after the capital gain exclusion is applied).

Note: When completing Schedule OS, in this example \$14,800 would be filled in on line 26 as income taxable to both Wisconsin and the other state.

Example 4: Credit based on partnership income and long-term capital gain. You were a Wisconsin resident for all of 2017. You were a general partner in XYZ Partnership, which had nonunitary operations in Wisconsin and Ohio. Since the Wisconsin and Ohio operations were nonunitary, the partnership determined its 2017 income or loss from Wisconsin operations and Ohio operations by means of separate accounting. The partnership had the following income (loss):

	Wisconsin Operations	Ohio Operations	Total Operations
Ordinary income (loss)	\$(1,500)	\$500	\$(1,000)
Capital gain	3,000	5,000	8,000

On your 2017 Ohio income tax return, you reported ordinary income of \$500 and capital gain income of \$5,000. You paid net income tax of \$500 to Ohio. Since you were a full-year Wisconsin resident, you were required to report on your Wisconsin income tax return your distributive share of XYZ Partnership's entire income or loss, regardless of where it was earned or incurred. On your Wisconsin return, you reported an ordinary loss of \$1,000 and capital gain income of \$5,600 (70% of \$8,000). Net income tax paid to Wisconsin, before figuring the credit for net tax paid to another state, is \$166.

The tentative credit allowed is \$364 for tax paid to Ohio. This credit is computed as follows:

$$\frac{\$4,000}{\$5,500} \times \$500 = \$364$$

The numerator of the formula (income taxable by both Wisconsin and Ohio) consists of the \$500 of partnership ordinary income and \$3,500 of capital gain income (70% of the \$5,000 capital gain income taxed by Ohio is taxable by Wisconsin). The \$500 of partnership ordinary income is considered taxable by Wisconsin because the ordinary income or loss from both Wisconsin and Ohio operations is included in Wisconsin adjusted gross income.

The denominator of the formula (total income taxable by Ohio) consists of the \$500 of ordinary income and \$5,000 of capital gain that was taxable by Ohio.

To figure the third limitation, as referenced on page 5, use the following:

$$\frac{\$4,000}{\$4,600} \times \$166 = \$144$$

Since the lesser of the 3 amounts is \$144, this is the amount allowed as credit for net tax paid to another state.

Note: When completing Schedule OS, in this example \$4,000 would be filled in on line 26 as income taxable to both Wisconsin and the other state. The \$5,500 would be filled in on line 27 as total income taxed by the other state and \$364 would be filled in on line 28 as net tax paid from the other state's income tax return. The \$4,600 would be filled in on line 31 as Wisconsin income and \$166 would be filled in on line 33 as Wisconsin net income tax.

Example 5: All income taxable by other state not taxable by Wisconsin. You were a California resident until July 1, 2017, when your employer transferred you to Wisconsin and you became a Wisconsin resident. You decided to rent out your California home while waiting for it to sell and realized net rental income of \$1,500 between July 1, 2017, and December 31, 2017. You received wages of \$25,000 and \$350 of interest income while a California resident. Your taxable income for California is \$26,850 and your net tax paid to California is \$1,600. Your net tax paid to Wisconsin, before figuring the credit for net tax paid to another state, is \$54

Your rental income is taxable by both Wisconsin and California. Because Wisconsin did not tax the wage and interest income you received while a California resident, you must use the formula in Part D on page 6 to compute your tentative credit for tax paid to California. The tentative credit for tax paid to California is \$89, computed as follows:

$$\frac{\$1,500}{\$26,850} \times \$1,600 = \$89$$

To figure the third limitation, as referenced on page 5, use the formula in Part C on page 6:

$$\frac{\$1,500}{\$1,500} \times \$54 = \$54$$

Since the lesser of the 3 amounts is \$54, this is the amount allowed as credit for net tax paid to another state.

Note: When completing Schedule OS, in this example \$1,500 would be filled in on line 26 as income taxable to both Wisconsin and the other state. The \$26,850 would be filled in on line 27 as total income taxed by the other state and \$89 filled in on line 28 as the net tax paid from the other state's tax return. The \$1,500 would be filled in on line 31 as Wisconsin income and \$54 filled in on line 33 as Wisconsin net income tax.

E. Minimum Tax

You may claim a credit for minimum tax paid to another state if (1) the minimum tax is classified as an income tax, and (2) the income taxed by the other state is also considered income by Wisconsin.

Note: If you have questions about whether another state's minimum tax is classified as an income tax, you may email your questions to: DORIncome@wisconsin.gov, write to the Customer Service Bureau, Wisconsin Department of Revenue, Mail Stop 5-77, PO Box 8949, Madison WI 53708-8949 or call (608) 266-2486.

Example 1: You were a Wisconsin resident for all of 2017. You own a building in Iowa. Your 2017 net income from the rental of this building was \$20,000. Your total Wisconsin income is \$110,000. You paid \$800 of Iowa state income tax on this rental income. You also paid \$100 of Iowa minimum income tax based on a tax preference item of \$7,000 for depreciation. The Iowa minimum income tax is classified as an income tax.

Your 2017 Wisconsin net tax (before deducting a credit for tax paid to Iowa) is \$4,500, which includes income tax of \$4,000 and alternative minimum tax of \$500. The Iowa rental income is included as taxable income in the computation of the Wisconsin income tax. The tax preference item of \$7,000 is included in alternative minimum taxable income for the computation of the Wisconsin alternative minimum tax.

Your Wisconsin tentative credit for net tax paid to Iowa is \$900 (\$800 of Iowa income tax plus \$100 of Iowa minimum income tax).

Your Wisconsin maximum credit, as figured by the third limitation referenced on page 5, is \$1,038 ($\$27,000 / \$117,000 \times \$4,500$). Therefore, the lesser of the 3 amounts is \$900 and this is the amount allowed as net tax paid to another state.

Example 2: Assume the same facts as in Example 1 except that you do not owe Wisconsin alternative minimum tax for 2017 because your Wisconsin alternative minimum taxable income is below the exemption amount.

Because you are not liable for Wisconsin alternative minimum tax, the tax preference item for depreciation is not considered income for Wisconsin tax purposes. Therefore, you may not claim a credit for the \$100 of minimum income tax paid to Iowa. You may claim only the \$800 Iowa income tax as a credit for net tax paid to Iowa.

4. WHEN TO CLAIM THE CREDIT

A. Credit Allowed for Year Income Taxable

The credit for tax paid to another state may be claimed on the Wisconsin income tax return for the year in which the out-of-state income is considered income for Wisconsin tax purposes. For example, if income is taxable on a 2017 Wisconsin income tax return, the credit for tax paid to another state on such income may only be claimed on the 2017 Wisconsin income tax return, regardless of when the tax is actually paid to the other state.

Example 1: You were a full-year resident of Wisconsin during 2017. You sold real estate located in California in 2017. The gain is reported on both your 2017 California and Wisconsin income tax returns. You paid the tax to California in 2018 at the time you filed your California income tax return. You may claim a credit for tax paid to California on your 2017 Wisconsin income tax return even though the tax was paid in 2018.

Example 2: You were a full-year resident of Wisconsin during 2017. In 2017, you received income of \$4,000 from rental property located in Iowa. You made estimated tax payments to Iowa of \$150 in 2017 and \$50 in January 2018. The Iowa income of \$4,000 is reported as income on both your 2017 Iowa and Wisconsin returns. The 2017 Iowa income tax return shows the following:

Iowa rental income	<u>\$ 4,000</u>
Iowa net tax	\$ 185
Estimated tax payments	<u>200</u>
Refund	\$ 15

You may claim a credit for net tax paid to Iowa on your 2017 Wisconsin income tax return even though a part of the net tax was paid in 2018.

B. No Refund or Carry Forward of Unused Credit

If the credit for net tax paid to another state is not entirely offset against Wisconsin tax for the year, the balance of the credit may not be refunded to you nor carried forward to subsequent years.

C. Claim Credit Within Four Years

The credit for tax paid to another state must be claimed within four years of the unextended due date of the Wisconsin income tax return. For example, a credit for a 2017 calendar year return (due April 15, 2018) must be claimed by April 15, 2022.

Note: If a due date falls on a Saturday, Sunday, or legal holiday, the due date is the following business day.

Example: You filed your 2011 Wisconsin income tax return on April 15, 2012. Partnership income of \$20,000 was included on your 2011 Wisconsin return. You did not file an income tax return with any other state at that time.

During 2017 it was determined that you should have filed a 2011 Minnesota income tax return as the partnership income was also taxable by that state. You filed a 2011 Minnesota income tax return and paid tax of \$1,200 to Minnesota during 2017.

You may not claim a credit on your 2017 Wisconsin income tax return for the 2011 tax paid to Minnesota in 2017. The credit could have been claimed only on your 2011 Wisconsin income tax return. Because the credit must be claimed within four years of the unextended due date of the 2011 Wisconsin return, an amended 2011 Wisconsin return may not be filed to claim the credit for tax paid to Minnesota in 2017. In this example, you would have had to claim the credit by April 15, 2016.

5. HOW TO CLAIM THE CREDIT

A. Individuals

Claim the credit on line 31 of the 2017 Form 1 or line 57 of Form 1NPR. The amount of credit claimed may not exceed the tax shown on line 28 of the 2017 Wisconsin Form 1 less the amounts on lines 29 and 30 or line 54 of Form 1NPR less the amounts on lines 55 and 56.

B. Estates and Trusts

Claim the credit on line 12 of Form 2. The amount of credit claimed may not exceed the net tax shown on line 10 of Form 2 less the amount on line 11.

C. Enclosures With the Return

Schedule OS and a complete copy of the other state's income tax return and withholding statements (Forms W-2, W-2G, or 1099), if any, must be enclosed with the Wisconsin income tax return.

Shareholders of S corporations, partners of partnerships, and members of limited liability companies treated as partnerships are required to enclose additional information with their Wisconsin returns. See "Enclosures With the Wisconsin Return" in Section B of Part 7 on page 14 for further information.

6. CHANGES TO OTHER STATE'S RETURN

If you claim a credit for tax paid to another state and you later file an amended return with that other state, you must also file an amended Wisconsin return if the changes to the other state's return affect the amount of your Wisconsin credit for net tax paid to another state. The amended Wisconsin return must be filed within 90 days of the date the amended return was filed with the other state.

7. SHAREHOLDERS OF S CORPORATIONS, PARTNERS OF PARTNERSHIPS, AND MEMBERS OF LIMITED LIABILITY COMPANIES TREATED AS PARTNERSHIPS

If an S corporation, partnership, or limited liability company (LLC) treated as a partnership operates in any state other than Wisconsin and either the corporation or its shareholders, the partnership or its partners, or the LLC or its members must pay income or franchise taxes to that state on or measured by the income earned there, Wisconsin resident shareholders, partners, or members may claim credit for their pro rata shares of such taxes paid. The credit is allowable only if the income taxed by the other state is considered income for Wisconsin tax purposes and is subject to the third limitation as referenced on page 5.

A. What Taxes Qualify for the Credit?

Income and franchise taxes that are measured by income and paid to another state by an S corporation, partnership, or by an LLC treated as a partnership may be claimed as a credit by Wisconsin resident shareholders of that corporation, partners of that partnership, or members of that LLC.

The following examples illustrate various types of taxes that do and do not qualify for the credit. While the examples refer to S corporations and their shareholders, they also apply to partnerships and LLCs treated as partnerships and their partners and members when the partnership or LLC is subject to the same type of tax.

Example 1: Illinois replacement tax. The Illinois replacement tax is imposed on an S corporation's net income. The net income is computed by combining the corporation's federal ordinary income or loss and separately stated items of income, loss, and deduction and then making various Illinois additions and subtractions.

A Wisconsin resident shareholder may claim a credit for his or her pro rata share of the Illinois replacement tax paid by an S corporation, provided the income taxed by Illinois is also considered income for Wisconsin.

Example 2: Michigan business tax. The Michigan business tax is imposed on persons or unitary business groups doing business or having business activity in the state of Michigan. The tax has two components: (1) a 4.95% tax on business income, and (2) a 0.8% modified gross receipts tax.

A Wisconsin resident shareholder may claim a credit for his or her pro rata share of the Michigan business tax paid by the S corporation, provided the income taxed by Michigan is also considered income for Wisconsin. The business income component and the modified gross receipts tax component both qualify for the credit.

Example 3: Minnesota taxes. Minnesota imposes taxes based on the federal taxes for built-in gains, capital gains, and excess passive income of S corporations. In addition, a minimum fee, based on the sum of the property, payroll, and sales attributable to Minnesota, applies to all S corporations.

A Wisconsin resident shareholder may not claim a credit for his or her pro rata share of the S corporation's built-in gains tax, capital gains tax, or excess passive income tax paid to Minnesota since these taxes are not imposed on the corporation's net income. In addition, the Minnesota minimum fee does not qualify for the credit for tax paid to another state.

Example 4: New York taxes. New York imposes a corporate level tax on S corporations. The tax is equal to the fixed dollar minimum tax. The fixed dollar minimum tax is determined by the corporation's New York receipts.

Federal S corporations that do not elect New York S corporation status are subject to the New York corporation franchise tax which is imposed on whichever of the following bases results in the greatest franchise tax liability: (a) business income, (b) capital, or (c) a fixed dollar minimum tax that varies based on the corporation's New York receipts. Corporations paying the franchise tax on net income start with federal taxable income (before the net operating loss deduction and special deductions) and make various New York modifications.

A Wisconsin resident shareholder may claim a credit for his or her pro rata share of the S corporation's tax paid to New York if the tax is based on business income and the income is also considered income for Wisconsin income tax purposes.

The New York fixed dollar minimum tax paid by an S corporation does not qualify for the credit for tax paid to another state.

In addition, the franchise tax based on capital does not qualify for the credit.

Example 5: Pennsylvania taxes. As of January 1, 2016 Pennsylvania only has a corporate net income tax.

The capital stock/foreign franchise tax has been eliminated for tax years beginning January 1, 2016 and after. The corporate loans tax was repealed for tax years beginning after December 31, 2013.

Pennsylvania S corporations are not subject to the corporate net income tax, unless they have built-in gains. Their taxable income is their net recognized built-in gains as determined for federal income tax purposes. A Wisconsin resident shareholder may not claim a credit for his or her pro rata share of the Pennsylvania S corporation's built-in gains tax since these taxes are not imposed on the corporation's net income.

Example 6: Washington business and occupation tax. Washington imposes a business and occupation tax for the act or privilege of engaging in business activities within that state. The tax is measured by the application of rates against the value of various bases, such as the value of products manufactured, gross proceeds of sales, or gross income.

A Wisconsin resident shareholder may not claim credit for the Washington business and occupation tax since it is not measured by net income.

Example 7: Texas margin tax. The tax base for the margin tax is the taxable entity's margin. "Margin" equals the lesser of four calculations: (1) total revenue minus cost of goods sold; (2) total revenue minus compensation paid; (3) total revenue times 70 percent; or (4) total revenue minus \$1 million. The margin is apportioned to Texas using a single sales factor apportionment formula.

A Wisconsin resident shareholder may claim a credit for his or her pro rata share of the Texas margin tax paid by an S corporation, provided the income taxed by Texas is also considered income for Wisconsin.

Example 8: Ohio commercial activity tax (CAT)

The Ohio CAT is an annual tax on the privilege of doing business in Ohio. The CAT is measured by the taxable gross receipts from most business activities. Gross receipts include most business receipts from the sale or rental of property or from the performance of a service. Examples of receipts that are not subject to the CAT include interest (other than from installment sales), dividends, capital gains, wages, or gifts.

A Wisconsin resident shareholder may not claim credit for the Ohio CAT since it is not measured by net income.

B. Enclosures With the Wisconsin Return

A completed Wisconsin Schedule OS must be enclosed with the Wisconsin income tax return. In addition, shareholders, partners, and members must submit verification with their Wisconsin income tax returns of the amount of their credits as follows:

- If the corporation's S status, partnership status, or the LLC status is recognized for income tax purposes by the other state and the Wisconsin resident shareholder, partner, or member files an individual or fiduciary income tax return with that state and pays tax on his or her pro rata share of the corporation's, partnership's, or LLC's income earned there, the shareholder, partner, or LLC member must enclose a copy of the other state's individual or fiduciary income tax return.
- If the corporation, partnership, or LLC is required to file a Wisconsin return (Form 5S for an S corporation or Form 3 for a partnership or LLC), the amount of tax paid to another state is shown on the Wisconsin Schedule 5K-1 (Schedule 3K-1 for a partnership or LLC) which the Wisconsin resident shareholder, partner, or member receives from the corporation, partnership, or LLC. The shareholder, partner, or member must enclose a copy of the Schedule 5K-1 or 3K-1, as appropriate, with the Wisconsin individual or fiduciary income tax return.
- If the corporation, partnership, or LLC is not required to file a Wisconsin return and the corporation, partnership, or LLC pays an income or franchise tax to another state on or measured by the income earned there, the shareholder, partner, or member must enclose a letter from the corporation, partnership, or LLC which includes a schedule showing the shareholder's, partner's, or member's pro rata share of the items taxed by that state, the adjusted gross income, and the net tax paid.

8. ADDITIONAL INFORMATION

If you have additional questions or need copies of tax forms, you may visit any Department of Revenue office or:

Visit our website . . .	revenue.wi.gov
Email . . .	DORIncome@wisconsin.gov
Write . . .	Wisconsin Department of Revenue Customer Service Bureau Mail Stop 5-77 P.O. Box 8949 Madison, WI 53708-8949
Telephone . . .	(608) 266-2486