

Instructions for 1996 Wisconsin Form 3S Partnership Temporary Recycling Surcharge

General Instructions

Purpose of Form 3S

Partnerships, including limited liability companies (LLCs) treated as partnerships, use Form 3S to compute and pay the temporary recycling surcharge.

The temporary recycling surcharge applies to partnerships doing business in Wisconsin for taxable years ending after April 1, 1991, and ending before April 1, 1999.

Who Must File

Every partnership and limited liability company treated as a partnership that must file a Wisconsin partnership return, Form 3, and does business in Wisconsin must file Form 3S and pay the temporary recycling surcharge, unless it meets one of the exceptions explained below.

Who Isn't Required to File

A partnership or limited liability company treated as a partnership isn't subject to the temporary recycling surcharge and isn't required to file Form 3S if —

- it isn't engaged in farming and has less than \$4,000 of gross receipts from all trade or business activities for federal income tax purposes,
- it is engaged solely in farming and has less than \$1,000 of net farm profit for federal income tax purposes, or
- it is engaged in both farming and other trade or business activities and has less than \$4,000 of gross receipts from all nonfarm trade or business activities for federal income tax purposes **and** less than \$1,000 of net farm profit for federal income tax purposes.

Syndicates, pools, joint ventures, or similar organizations that have elected not to be treated as partnerships under Internal Revenue Code (IRC) section 761(a) aren't subject to the temporary recycling surcharge and don't need to file Form 3S.

Definitions Applicable to Partnerships

Farming — Farming is the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity including the raising, shearing, feeding, caring for, training, and management of animals. Trees, other than trees bearing fruit or nuts, aren't treated as an agricultural or horticultural commodity. Raising or harvesting Christmas trees isn't considered farming.

Gross Receipts — A partnership uses its "gross receipts" to determine whether the temporary recycling surcharge applies. Gross receipts are the total receipts or sales from all trade or business activities, except farming, reportable for federal income tax purposes, before deducting returns and allowances or any other business expenses. A trade or business is an activity regularly carried on by the partnership with the intention of making a profit.

Gross receipts include the gross receipts or sales reportable on 1996 federal Form 1065, line 1a; the gross sales price from the sale or disposition of business assets (except farm assets); gross receipts (except from farming) passed through from other partnerships; gross receipts from the rental of tangible personal property; and other gross receipts includable in computing other income or loss on Form 1065, line 7.

Note: When determining whether the partnership has at least \$4,000 of gross receipts, don't include receipts from investment activities. Receipts from investment activities may include interest and dividends received by partnerships that aren't dealers or traders in securities and real estate rents received by partnerships that aren't dealers or traders in real estate. *However*, if the partnership has \$4,000 or more of gross receipts from trade or business activities, you must include any income or loss from investment activities in the partnership's net business income when figuring the amount of surcharge owed.

Net Business Income — A partnership subject to the temporary recycling surcharge uses its "net business income" to figure the amount of surcharge owed. Net business income is computed by combining the following items:

- Ordinary income from trade or business activities from federal Form 1065, Schedule K, line 1,
- Separately stated items of income, loss, and deduction from federal Form 1065, Schedule K, lines 2 through 4f, 6 through 12a, 18a through 21, and 24,
- Payments made to partners not acting in their capacities as partners under IRC section 707(a), and
- Development and enterprise zone credits computed in 1996 and passed through to the partners.

However, income, gains, losses, and deductions from farming are excluded from net business income.

Net Farm Profit — The net farm profit is all farm income less all farm expenses for federal income tax purposes. This includes the net farm profit (loss) from the sale or disposition of farm assets reportable on federal Form 1065, line 6.

Additional Information or Forms

For more information about the temporary recycling surcharge, see Publication 400, *Wisconsin's Temporary Recycling Surcharge*, which you may obtain from any Department of Revenue office.

If you need help in preparing Form 3S, call (608) 266-2772 or write to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906.

If you need additional forms, call (608) 266-1961 or write to the Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903.

Period Covered by Form 3S

Form 3S covers the same period as your 1996 Wisconsin partnership return, Form 3.

Due Date of Form 3S

You must file Form 3S on or before the due date, including extensions, of your 1996 Wisconsin partnership return.

Caution: The due date for **paying** the temporary recycling surcharge is explained below.

Extension of Time to File

Any extension of time allowed by the Internal Revenue Service for filing your partnership return automatically extends the due date of your Form 3S. Enter the extended due date in item G on Form 3S.

Payment of Temporary Recycling Surcharge

The temporary recycling surcharge must be paid by the 15th day of the 4th month following the close of the taxable period, regardless of the due date of the return.

An extension for filing Form 3S doesn't extend the time to pay the temporary recycling surcharge. Interest will be charged on the surcharge not paid by the 15th day of the 4th month following the close of the taxable year. You can avoid the 1% per month interest charges during the extension period by paying the surcharge due by that date. Submit your payment with Wisconsin Form 3S-ES, Partnership Estimated Surcharge Voucher. If you received a set of vouchers from the department, use the 5th voucher to make the estimated surcharge extension payment.

Payment of Estimated Temporary Recycling Surcharge

Partnerships must make quarterly installment payments to prepay the temporary recycling surcharge unless —

- the temporary recycling surcharge for the taxable year that begins in 1997 will be less than \$200, or
- the taxable year that began in 1996 was a taxable year of 12 months and the partnership didn't have any temporary recycling surcharge liability for the taxable year that began in 1996.

Use 1997 Form 3S-ES to make the estimated surcharge installment payments. A partnership which paid at least \$200 of temporary recycling surcharge for 1995 should automatically receive estimated surcharge vouchers before the first payment of the 1997 surcharge is due.

Where to File

Mail Form 3S to the Wisconsin Department of Revenue, P.O. Box 8965, Madison, WI 53708-8965. **Do not attach Form 3S to Form 3 because they are to be mailed to different addresses.**

Internal Revenue Service Adjustments and Amended Returns

If your federal partnership return is adjusted and the adjustments affect your Wisconsin temporary recycling surcharge payable, you must report such adjustments to the Department of Revenue by filing an amended Form

3S, including a copy of the federal audit report, within 90 days after they become final.

If you file an amended federal partnership return and the changes affect your Wisconsin temporary recycling surcharge payable, you must file an amended Form 3S with the Department of Revenue within 90 days after filing the amended federal return.

Send your amended Form 3S to the Wisconsin Department of Revenue, P.O. Box 8991, Madison, WI 53708-8991. Don't attach it to the return for the current year.

Penalties for Not Filing or Filing Incorrect Forms

If you don't file a Form 3S that you are required to file, or if you file an incorrect Form 3S due to negligence or fraud, interest, a late filing fee, and penalties may be assessed against you. The interest rate on a delinquent surcharge is 18% per year. The late filing fee is \$30. Civil penalties may be as much as 100% of the amount of surcharge not reported on Form 3S. Criminal penalties for filing a false return include a fine of up to \$10,000 and imprisonment.

Note: If a partnership's or LLC's temporary recycling surcharge is delinquent, its partners or members are jointly and severally liable for it.

Line-by-Line Instructions

Rounding Off to Whole Dollars — Cents may be rounded to the nearest whole dollar by eliminating amounts less than 50 cents and increasing amounts from 50 cents through 99 cents to the next higher dollar.

■ **Name and Address** — If you received a Form 3S on which your name and address were preprinted, please use that form. Make any necessary corrections in the space below the name and address. If you didn't receive a preprinted form, print or type your name and address.

■ **A. Federal Employer Identification Number** — If the federal employer identification number hasn't been preprinted on your form or is incorrect, please enter the correct number.

■ **B. County** — Enter the name of the Wisconsin county in which the partnership's business is located. If the partnership has business activities in more than one county, enter the location of the principal business operations.

■ **C. Amended Return** — If this is an amended return, check the box, attach an explanation of the changes made, and see the special instructions for line 8.

■ **D. Partnership Terminated** — Check the box if the partnership terminated during the taxable year.

■ **E. Limited Liability Company** — Check the box if the entity is organized as an LLC.

■ **F. Period Covered** — File the 1996 Form 3S for calendar year 1996 and fiscal years that begin in 1996. Fill in the taxable year beginning and ending dates in the spaces provided.

■ **G. Extension** — If you received an extension of time to file your partnership return, fill in the extended due date of your return.

■ **H. Contact Person** — Enter the name and telephone number of a person that the department may call if questions about your return arise while it is being processed.

■ **I. Partnership Engaged Only in Farming** — If the partnership is engaged only in farming (as defined earlier), check the “Yes” box and skip to line 6.

■ **Line 1. Partnership Gross Receipts** — Enter the partnership’s gross receipts (as defined earlier) reportable for federal income tax purposes.

Note: If you have less than \$4,000 of gross receipts for federal income tax purposes, you aren’t subject to a temporary recycling surcharge based on net business income. However, if you are also engaged in farming, skip to line 6.

■ **Line 2. Net Business Income** — Enter the amount of net business income (as defined earlier) reportable for federal income tax purposes.

If you had a loss, show the amount in parentheses on line 2, leave lines 3 and 4 blank, and enter \$25 on line 5.

Note: Partnerships operating only in Wisconsin should skip line 3 and enter the amount from line 2 on line 4. Nonunitary, multistate partnerships should also skip line 3.

■ **Line 3. Percent to Wisconsin** — Unitary, multistate partnerships should complete 1996 Wisconsin Form 4B and enter on line 3 the apportionment percentage from Form 4B, line 28 or 33. See the instructions for Form 4B in the Form 3 instruction booklet.

■ **Line 4. Wisconsin Net Business Income** — Unitary, multistate partnerships multiply the amount on line 2 by the percentage on line 3.

Nonunitary, multistate partnerships enter the amount of income included on line 2 which is attributable to activities in Wisconsin, as determined under the separate accounting method.

Partnerships operating only in Wisconsin enter the amount from line 2 on line 4.

■ **Line 5. Temporary Recycling Surcharge** — Enter the greater of \$25 or 0.4345% (.004345) of the amount on line 4, but not more than \$9,800.

■ **Line 6. Temporary Recycling Surcharge for Farmers** — If the partnership is engaged in farming and has a net farm profit (as defined earlier) of \$1,000 or more for federal income tax purposes, enter \$25.

Note: If the partnership is engaged in farming and in some other trade or business activity, you may owe the \$25 farm surcharge in addition to any surcharge based on your nonfarm net business income.

■ **Line 7. Total Temporary Recycling Surcharge** — Add the amounts on lines 5 and 6 and enter the total on line 7.

■ **Line 8. Estimated Temporary Recycling Surcharge Payments** — Enter estimated temporary recycling surcharge payments made using 1996 Wisconsin Form 3S-ES.

Amended Return: If this is an amended return, enter the temporary recycling surcharge previously paid.

■ **Line 9. Interest Due** — Enter any interest due from Form 3U, line 18.

A partnership that doesn’t make estimated temporary recycling surcharge payments when due may be subject to underpayment interest for the period of the underpayment. Generally, a partnership is subject to interest if its temporary recycling surcharge liability is \$200 or more, and it did not timely pay the smaller of (a) 90% of its surcharge liability for 1996, or (b) 100% of its prior year’s surcharge.

Use Form 3U, Underpayment of Estimated Temporary Recycling Surcharge by Partnerships, to determine if the partnership is subject to underpayment interest and, if so, to figure the amount owed.

■ **Line 10. Amount Due** — If the total of lines 7 and 9 is larger than line 8, subtract line 8 from the total of lines 7 and 9. This is the amount you owe. Attach your check to the front of Form 3S.

■ **Line 11. Overpayment** — If line 8 is larger than the total of lines 7 and 9, subtract the total of lines 7 and 9 from line 8. This is your overpayment.

■ **Line 12. 1997 Estimated Temporary Recycling Surcharge** — Enter the amount of any overpayment on line 11 that is to be credited to the partnership’s 1997 estimated temporary recycling surcharge. The balance of any overpayment will be refunded.

■ **Signature** — A general partner of the partnership must sign Form 3S. If the form is prepared by someone other than an employe of the partnership, the preparer’s signature is also required.