

1 Wisconsin income tax Form 1 instructions

'97



Tax Filing Tips

- Check out www.dor.state.wi.us.**
Get answers to the most frequently asked tax questions and download state income tax forms and publications.
- Check and double check your math.**
Math errors are the biggest factor in slowing down refunds.
- File under our Quick Refund Program before April 1 to ensure a fast refund.**
- Consider filing electronically.**
The quickest way to get a refund. Available for a minimal fee through most tax preparers and many financial institutions.
- Using the label speeds processing of your return. Correct any wrong information on it.**

**Filing Deadline is
Wednesday, April 15, 1998!**

Here's What's New for 1997

- The Senior Citizen Credit is revised for certain persons.** See page 11.

Don't Forget!

- Sales and use tax may be due on out-of-state purchases.** If you made taxable purchases from out-of-state companies on which sales and use tax was not charged, you must report Wisconsin sales and use tax on these purchases. See page 16.
- Attach a complete copy of your federal tax return and any other required schedules.**



Call For Help ...

Telephone help numbers and office locations in your area are on Page 4.

If it has been **10 weeks** since you filed, find out the status of your refund 24 hours a day, by calling 608-266-8100 or 414-227-4907. Have your social security number and the exact amount of your expected refund available when calling.

FEDERAL PRIVACY ACT

In compliance with federal law, you are hereby notified that the request for your social security number on the Wisconsin income tax return is made under the authority of Section 71.03(6)(a) of the Wisconsin Statutes. The disclosure of this number on your return is mandatory. It will be used for identification purposes throughout the processing, filing and auditing of your return and the issuance of refund checks.

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General Instructions

Who Must File

Refer to the table to see if you are required to file a return for 1997.

Filing status	Age as of December 31, 1997	You must file if your gross income* (or total gross income of husband and wife) during 1997 was:
Single	Under 65	\$5,200 or more
	65 or older	\$5,710 or more
Married-filing joint return	Both under 65	\$8,900 or more
	One spouse 65 or older	\$9,410 or more
	Both spouses 65 or older	\$9,920 or more
Married-filing separate return	Any age	\$4,230 or more (applies to each spouse individually)
Head of household	Under 65	\$7,040 or more
	65 or older	\$7,550 or more

*Gross income means all income (before deducting expenses) reportable to Wisconsin which is received in the form of money, property, or services. It does not include items which are exempt from Wisconsin tax (for example, the portion of social security benefits which is not taxable on your Wisconsin return).

Other Filing Requirements

Even if your income is less than the amounts shown on the table, you must file a return for 1997 if:

Note • You could be claimed as a dependent on someone else's return and you had \$1 or more of nonwage income and \$650 or more of gross income.

- You owe a Wisconsin penalty on an Individual Retirement Account (IRA), annuity, or other retirement plan or on a medical savings account.
- You were a nonresident or part-year resident of Wisconsin for 1997 and your gross income (or the combined gross income of you and your spouse) during 1997 was \$2,000 or more.

Who Should File

Even if you do not have to file, you should file to get a refund if:

- You had Wisconsin income tax withheld from your wages.
- You paid estimated taxes for 1997.
- You can take the earned income credit.

Electronic Filing

Electronic filing is one of the fastest ways to receive federal and state income tax refunds. Refunds deposited directly in a financial institution account can be issued in as little as five working days; checks in as little as seven working days. To file your Wisconsin income tax return electronically, you must work with a tax professional. Check your local telephone directory for the names of tax professionals who offer electronic filing services. Fees may vary.

Although most Wisconsin returns can be filed electronically, there are some which may not. Returns containing one or more of the following items may not be filed electronically:

1. Homestead credit
2. Farmland preservation credit
3. Credit for tax paid to another state
4. Wisconsin Schedule DC, HR, or T

Which Form To File For 1997

You may file Form WI-Z if you:	You may file Form 1A if you:	You must file Form 1 if you:	You must file Form 1NPR if you:
<ul style="list-style-type: none"> • File federal Form 1040EZ or file your federal return using TeleFile <i>AND</i> • Were a Wisconsin resident all year <i>AND</i> • Did not have interest income from state, municipal, or U.S. bonds <i>AND</i> • Did not receive unemployment compensation <i>AND</i> • Are not claiming any credits other than Wisconsin tax withheld from wages, renter's and home owner's school property tax credit, or the married couple credit <i>AND</i> • Are not claiming Wisconsin homestead credit. 	<ul style="list-style-type: none"> • Were single all year or married and file a joint return or file as head of household <i>AND</i> • Were a Wisconsin resident all year <i>AND</i> • Have income only from wages, salaries, tips, taxable scholarships and fellowships, interest, dividends, unemployment compensation, social security, pensions, annuities, and IRAs <i>AND</i> • Have no adjustments to income (except IRA deductions) <i>AND</i> • Are not claiming credit for itemized deductions, tax paid to another state, historic rehabilitation, or repayment of income previously taxed <i>AND</i> • Are not subject to a Wisconsin penalty on an IRA or a qualified retirement plan or on a medical savings account. <p>Exception If you used federal Form 4972, you must file Form 1.</p>	<ul style="list-style-type: none"> • Were a Wisconsin resident all year <i>AND</i> • Were married and file a separate return, or were divorced during the year <i>OR</i> • Have income which may not be reported on Form WI-Z or 1A (such as capital gain, rental, farm, or business income) <i>OR</i> • Claim adjustments to income (such as for alimony paid or disability income exclusion) <i>OR</i> • Claim credit for itemized deductions, tax paid to another state, historic preservation, or repayment of income previously taxed <i>OR</i> • Are subject to a Wisconsin penalty on an IRA or a qualified retirement plan or on a medical savings account <i>OR</i> • Are subject to the alternative minimum tax. 	<ul style="list-style-type: none"> • Were domiciled* in another state at any time during the year <i>OR</i> • Are married filing a joint return and your spouse was domiciled* in another state at any time during the year. <hr/> <p>*Your domicile is your true, fixed, and permanent home to which, whenever absent, you intend to return. You can be physically present or residing in one locality but maintain your domicile in another.</p> <p>Your domicile, once established, does not change unless all three of the following circumstances occur or exist:</p> <ol style="list-style-type: none"> (1) You intend to abandon your old domicile and take actions consistent with that intent <i>AND</i> (2) You intend to acquire a new domicile and take actions consistent with that intent <i>AND</i> (3) You are physically present in the new domicile.

When To File/Extension of Time to File

Your return is due April 15, 1998, unless you have an extension of time to file. The following extension of time to file options are available:

1. If you have an extension for filing your federal return, this automatically gives you a Wisconsin extension provided you attach a copy of your federal extension application to your Form 1.
2. If you are allowed an automatic 2-month extension for filing your federal return because you are outside the United States and Puerto Rico on April 15, 1998, or an extension because of service in a combat zone, this automatically gives you a Wisconsin extension. Attach a statement to your Wisconsin return explaining how you qualify.
3. Extensions available under federal law may be used for Wisconsin purposes, even if you do not need a federal extension because you file your federal return by April 15, 1998. To obtain an extension only for Wisconsin, you must attach a statement to your Form 1 indicating which federal extension provision you are using (e.g., automatic 4-month) or attach a copy of the appropriate federal extension application form with only the name, address, and signature areas completed.

Note Even though you may have an extension of time to file your return, you will owe interest on any tax not paid by April 15, 1998. Returns not filed by April 15, 1998, or during an extension period, are subject to additional interest and penalties. If you expect to owe additional tax, you can avoid the 1% per month interest charge during the extension period by paying the tax you will owe by April 15, 1998. Submit the payment with a 1997 Wisconsin Form 1-ES. A copy of Form 1-ES is available at any Department of Revenue office.

Farmers and fishers (individuals who earn at least two-thirds of their gross income from farming or fishing) who do not make payments of estimated income tax must file their 1997 Wisconsin income tax return and pay any tax due by March 2, 1998, to avoid paying interest for underpayment of estimated tax.

Seven Steps To Filing Your Return

- 1 **Get all of your records together** Make sure you have all of your income and expense records, including wage statements and interest and dividend statements, so you can fill in your return correctly.
- 2 **Fill in your federal return** Before completing Wisconsin Form 1, first fill in your federal return and its supporting schedules. If you are not required to file a federal return, list the sources and amounts of your income and your deductions on a separate attachment.
- 3 **Fill in your Wisconsin return** Follow the line instructions as you fill in your return.
- 4 **Sign your Wisconsin return** A joint return must be signed by both spouses.
- 5 **Check over your Wisconsin return** Check the following items on your return carefully. Your Form 1 will be returned to you or its processing delayed for:
 - missing wage statements,
 - missing signature,
 - missing copy of your federal return (a copy of your federal return must be attached to your Wisconsin return),
 - incomplete renter's or home owner's information (if school property tax credit claimed),
 - incomplete schedules for the itemized deduction and married couple credits (if credit claimed), or
 - missing list of sources and amounts of income if not required to file a federal return.
- 6 **Mail your return** If your Form 1 booklet has a mailing label with your name on the front cover, remove the label and place it in the name and address area of Form 1. Check to see if the information on the label is correct. If it isn't, enter your corrections on the label. Mail your return and all required attachments to the appropriate address listed on page 20 under "Where to File."

- 7 **Keep a copy of your return**

Additional Forms or Special Help

As you fill out your Form 1, if you find you need help or additional forms, these are available at any of the following Department of Revenue offices:

- Madison — 4638 University Ave. (zip code 53702-0001)
income tax information (608) 266-2772 or (608) 266-2486
forms requests (608) 266-1961
- Milwaukee — State Office Bldg., 819 N. 6th St., Rm. 408 (zip code 53203-1682)
income tax information (414) 227-4000
forms requests (414) 227-4440
- Appleton — 265 W. Northland Ave. (zip code 54911-2091)
telephone (920) 832-2727
- Eau Claire — State Office Bldg., 718 W. Clairemont Ave.
(zip code 54701-6190)
telephone (715) 836-2811

Other offices open on a limited schedule (generally Mondays) are: Baraboo, Beaver Dam, Elkhorn, Fond du Lac, Grafton, Green Bay, Hayward, Hudson, Janesville, Kenosha, LaCrosse, Lancaster, Manitowoc, Marinette, Marshfield, Monroe, Oshkosh, Racine, Rhineland, Rice Lake, Shawano, Sheboygan, Superior, Tomah, Watertown, Waukesha, Waupaca, Wausau, West Bend, and Wisconsin Rapids.

FAX To receive tax forms and publications by fax, call the Department of Revenue's Fax-A-Form Document Retrieval System at (608) 261-6229 from the telephone connected to your fax machine.

Internet Address <http://www.dor.state.wi.us>

Hearing-Impaired People Phone help is available for hearing-impaired people who have TTY equipment. Call (608) 267-1049 in Madison or (414) 227-4147 in Milwaukee. These numbers are to be used only when calling with TTY equipment.

Questions About Refunds — Call (608) 266-8100 in Madison or (414) 227-4907 in Milwaukee

If you must contact the Department of Revenue about your refund, please wait at least 10 weeks after filing your Form 1. You may call the number indicated above or write to: Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. When calling, be sure to have your social security number and the dollar amount of your refund available.

If you call from a touch-tone telephone, an automated response is available 24 hours a day, seven days a week. Operator assistance is available Monday through Friday from 7:45 a.m. to 4:15 p.m.

Informational Publications Available

Following is a list of some of the department publications. These publications provide detailed information relating to specific areas of Wisconsin tax law. They are available at any department office.

Number and Title	
102	Wisconsin Tax Treatment of Tax-Option (S) Corporation Shareholders
103	Reporting Capital Gains and Losses for Wisconsin
104	Wisconsin Taxation of Military Personnel
106	Wisconsin Tax Information for Retirees
109	Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1997
111	How to Get a Private Letter Ruling From the Wisconsin Department of Revenue
113	Federal and Wisconsin Income Tax Reporting Under the Marital Property Act
114	Wisconsin Taxpayer Bill of Rights
117	Guide to Wisconsin Information Returns
120	Net Operating Losses for Individuals, Estates, and Trusts
121	Reciprocity
122	Tax Information for Part-Year Residents and Nonresidents
125	Credit for Tax Paid to Another State
205	Do You Owe Wisconsin Use Tax?
400	Wisconsin's Temporary Recycling Surcharge
503	Wisconsin Farmland Preservation Credit
600	Wisconsin Taxation of Lottery Winnings
601	Wisconsin Taxation of Pari-Mutuel Wager Winnings

Line Instructions

Before completing Form 1, first fill in your federal return and its supporting attachments. If you are not required to file a federal return, list the sources and amounts of your income and deductions on a separate attachment and include it with your Form 1.

Follow these line instructions to complete your Form 1. Prepare one copy for your records and another copy to be filed with the Department of Revenue.

Name, Address, and Social Security Number If your booklet has a mailing label with your name on the front cover, remove the label and place it in the name and address area of the tax return that you file. If your name, address, or social security number is wrong, correct the label by drawing a line through the incorrect information and printing the correct information clearly on the label. If you are married filing a joint return, check that your spouse's name and social security number are also on the label and that they are correct. Do not use the label if your name is not on it.

If you did not receive a booklet with a label, print or type your name, address, and social security number in the spaces provided on Form 1. If you are married filing a joint return, fill in your spouse's name and social security number (even if your spouse did not have any income).

Quick Refund To receive your refund check in as little as two weeks, you **must use an unaltered and current label**. You must also:

- (1) have a Wisconsin address,
- (2) not claim homestead credit or farmland preservation credit,
- (3) not owe delinquent taxes, delinquent child support, or have debts to other state agencies, municipalities, or counties,
- (4) fill in the amount of your refund (using dollars and cents) from line 30 less any amount carried forward to your 1998 estimated tax from line 32, in the Quick Refund box,
- (5) file by April 1, 1998, and
- (6) mail your return to: Quick Refund, P.O. Box 38, Madison, WI 53787-0001.

Note If you qualify for the earned income credit and request that the department compute your credit (see line 24 instructions), you may not claim a Quick Refund.

If you receive a Quick Refund and you have an error in computation, an additional refund or a billing, with interest if appropriate, will be issued to you after processing of your tax return is completed.

Note An alternative to using the Quick Refund procedure is to file electronically. You may be able to get your refund even faster by filing electronically. See page 2 for further information.

State Election Campaign Fund You may designate \$1 to this fund by checking the box. If you are married, your spouse may also designate \$1 to this fund. Checking the box will neither change your tax nor reduce your refund.

Tax District Check the proper box and fill in the name of the Wisconsin city, village, or town and the county in which you lived on December 31, 1997.

School District Number Refer to page 28. Fill in the number of the school district in which you were living on December 31, 1997.

Filing Status Check one of the boxes to indicate your filing status for 1997. If more than one filing status applies to you, choose the one that will give you the lowest tax.

Note If you obtained a decree of divorce or separate maintenance during 1997 or are married and will file a separate return (including a married person filing as head of household), you should get Publication 109, Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1997, for information on what income you must report.

Single You are considered single if, on December 31, 1997:

- You were never married, or
- You were legally separated under a **final** decree of divorce or separate maintenance, or
- You were widowed before January 1, 1997, and did not remarry in 1997.

Married filing joint return Most married couples will pay less tax if they file a joint return. You and your spouse may file a joint return if:

- You were married as of December 31, 1997, or
- Your spouse died in 1997 and you did not remarry in 1997, or
- Your spouse died in 1998 before filing a 1997 return.

A husband and wife may file a joint return even if only one had income or if they did not live together all year. However, both spouses must sign the return, and both are responsible for any tax due on the joint return. This means that if one spouse does not pay the tax due, the other may have to.

A joint return cannot be filed if you and your spouse have different tax years.

If you file a joint return, you cannot, after the due date of the return, change your mind and file separate returns for that year.

Married filing separate return In most instances if you file a separate return, you will pay more state tax than if you file jointly. Some reasons a higher tax may be determined on separate returns are as follows:

- You cannot take the credit for a married couple when both spouses are employed.
- If you lived with your spouse at any time in 1997:
 - a. A greater amount of any unemployment compensation you received in 1997 may be taxable.
 - b. A greater amount of any social security benefits you received in 1997 may be taxable.
- You will not qualify for the disability income exclusion.
- You will not qualify for the earned income credit.

Head of household To use this filing status for Wisconsin purposes, you must qualify to file your federal income tax return using the head of household filing status. Use of this filing status is generally restricted to unmarried individuals, but certain married persons who lived apart from their spouses for the last 6 months of 1997 may also qualify. See the instructions for your federal return for complete details.

If you are not required to file a federal return, contact any Department of Revenue office to see if you qualify. If your federal filing status is qualifying widow(er) with dependent child, use the head of household filing status for Wisconsin.

Rounding Off to Whole Dollars You may round off cents to the nearest dollar. You can drop amounts under 50¢ and increase amounts from 50¢ to 99¢ to the next dollar. For example, \$1.39 becomes \$1 and \$2.69 becomes \$3.

■ Line 1 Federal Adjusted Gross Income

Fill in your federal adjusted gross income from:

- line 32 of your federal Form 1040,
- line 16 of federal Form 1040A,
- line 4 of federal Form 1040EZ, or
- line H of your federal TeleFile Tax Record.

Exception The federal adjusted gross income that you must fill in on line 1 of Form 1 may not always be the same as the amount reported as adjusted gross income on your federal Form 1040. Differences may occur because Wisconsin generally uses the provisions of federal law as amended to August 5, 1997. (**Note** The federal Taxpayer Relief Act of 1997 and the Balanced Budget Act of 1997 were enacted on August 5, 1997, and apply for Wisconsin for 1997.)

New federal laws enacted after August 5, 1997, may not be used for Wisconsin. If any federal legislation is enacted after August 5, 1997, see Wisconsin Schedule I for a listing of provisions which may not be used for Wisconsin.

Wisconsin law also provides that the following provision of federal law does not apply for Wisconsin (even though this provision was enacted into federal law prior to August 5, 1997):

- The exclusion for 50% of the gain from the sale or exchange of qualified small business stock issued after August 10, 1993, and held for more than five years. (This difference only affects 1997 returns for fiscal years which began on or after September 1, 1997.)

If any provision of federal law which does not apply for Wisconsin purposes affects your federal adjusted gross income, you must complete Wisconsin Schedule I and attach it to your Form 1. The amount you fill in on line 1 of Form 1 (and amounts filled in on Schedule 3 on page 2 of Form 1) should be the revised amount determined on Schedule I. Schedule I is available from any department office.

To the extent Schedule I adjustments in a prior year affect income or expense items in 1997 (for example, ACRS depreciation was not allowed to be claimed on residential real property or certain farm property placed in service during 1986), you must also make adjustments on Schedule I for 1997.

Line 1 instructions – continued

You may also be required to complete Schedule I if you sold assets during 1997, and the gain or loss from the sale is different for Wisconsin and federal purposes due to Schedule I adjustments made in a prior year. This would occur, for example, if different rates of depreciation were allowed for Wisconsin and federal purposes. See the instructions for Schedule I for more information.

■ Lines 2 and 4 Additions To and Subtractions From Income

Your federal adjusted gross income (line 1 of Wisconsin Form 1) may include items which are not taxable or deductible for Wisconsin, or it may not include items which are taxable or deductible for Wisconsin. You may have to add or subtract these items to arrive at the correct Wisconsin income. Listed below are items which are:

- (1) additions to federal adjusted gross income,
- (2) subtractions from federal adjusted gross income, and
- (3) items which may be additions or subtractions, depending on your situation.

Additions To Income

(Complete Schedule 1 on the reverse side of Form 1.)

Capital Gain/Loss Adjustment See the instructions for Additions To or Subtractions From Income, part (a) on page 10 for information on the capital gain/loss adjustment.

State and Municipal Bond Interest Fill in the amount of interest you received from state and municipal bonds. This will generally be the amount shown on line 8b of your federal Form 1040 or 1040A or the amount identified as tax-exempt interest on line 2 of Form 1040EZ. (If you were required for federal purposes to allocate expenses to this income, reduce the amount to be filled in by such expenses.)

Exception If you received interest income which is exempt for state and federal tax purposes, do not include this interest income on Schedule 1. Interest income which is exempt for federal and Wisconsin tax purposes includes interest from (1) public housing authority or community development authority bonds issued by municipalities located in Wisconsin, (2) Wisconsin Housing Finance Authority bonds, (3) Wisconsin municipal redevelopment authority bonds, (4) Wisconsin higher education bonds, (5) Wisconsin Housing and Economic Development Authority bonds issued before January 29, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds, (6) public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest therefrom qualifies for exemption from federal taxation for a reason other than or in addition to section 103 of the Internal Revenue Code, (7) local exposition district bonds, (8) Wisconsin professional baseball park district bonds, and (9) bonds issued by the Government of Puerto Rico, Guam, or the Virgin Islands. Interest from these sources is exempt from Wisconsin income tax whether received by a direct owner of these securities or by a shareholder in a mutual fund which invests in these securities.

Other Additions Fill in on Schedule 1 any of the additions described below that apply to you. Describe each addition. If more space is needed, attach a note to your Form 1.

Lines 2 and 4 instructions – continued

- (a) Farm Losses** An addition may be necessary if farm losses were deducted on your federal tax return. Wisconsin limits the amount of your combined net losses from farming if your nonfarm Wisconsin adjusted gross income is more than \$55,000 (\$27,500 if married filing separately). Figure the amount of your “combined net losses from farming” by adding together (1) farm losses from operating a farm, (2) farm rental losses if you materially participated in the operation or management of the farm, and (3) your share of any partnership, tax-option (S) corporation, estate, or trust farm losses. Do not reduce farm losses by any net farm gains. If the amount of your combined net losses from farming is more than the maximum allowable loss shown in the following tables, include the excess on Schedule 1.

Farm Loss Limits — Single persons and married persons filing joint return

Nonfarm Wisconsin Adjusted Gross Income		
More Than	But Not More Than	Maximum Allowable Loss
\$ 0	\$ 55,000	Full Amount
55,000	75,000	\$20,000
75,000	100,000	17,500
100,000	150,000	15,000
150,000	200,000	12,500
200,000	250,000	10,000
250,000	300,000	7,500
300,000	400,000	5,000
400,000		No Loss

Farm Loss Limits — Married persons filing separate returns (including married filing as head of household)

Nonfarm Wisconsin Adjusted Gross Income		
More Than	But Not More Than	Maximum Allowable Loss
\$ 0	\$ 27,500	Full Amount
27,500	37,500	\$10,000
37,500	50,000	8,750
50,000	75,000	7,500
75,000	100,000	6,250
100,000	125,000	5,000
125,000	150,000	3,750
150,000	200,000	2,500
200,000		No Loss

Example For 1997, a single taxpayer reports a loss of \$25,000 on Schedule E from a farm partnership, a \$10,000 loss on Schedule F from the operation of a farm, and a profit of \$5,000 on Schedule E from the rental of farmland. The taxpayer’s nonfarm Wisconsin adjusted gross income is \$60,000, and combined net losses from farming are \$35,000 (\$25,000 + \$10,000). The maximum farm loss which may be deducted for 1997 is \$20,000. The taxpayer must fill in \$15,000 (\$35,000 – \$20,000) on Schedule 1.

- (b) Federal Net Operating Loss Carryover** Fill in any amount deducted as a federal net operating loss carryover.

Lines 2 and 4 instructions – continued

(See the instructions for Subtractions From Income, part (g), for information about the Wisconsin net operating loss carryforward.)

(c) **Income (Lump-Sum Distributions) Reported on Federal Form 4972** Income from a lump-sum distribution is taxable to Wisconsin. If you reported a lump-sum distribution on federal Form 4972, you must also include the distribution in Wisconsin income. Fill in on Schedule 1 the total of (1) the capital gain part of the lump-sum distribution from line 6 of Form 4972 and (2) the taxable amount from line 10 of Form 4972. You may reduce this amount by any federal estate tax on line 18 of Form 4972.

CAUTION If the amount on line 10 of Form 4972 was computed using the rules for multiple recipients of a lump-sum distribution, include only your share of the taxable amount on line 10 less your share of any federal estate tax attributable to the lump-sum distribution on line 18.

Note No portion of a lump-sum distribution may be reported as a capital gain on Wisconsin Schedule WD.

(d) **Farmland Preservation Credit and Farmland Tax Relief Credit** The total amount of farmland preservation credit and farmland tax relief credit you received during 1997 must be reported as income. Fill in on Schedule 1 any portion of your farmland preservation credit and farmland tax relief credit which was not included as income on your federal tax return.

(e) **Development Zones Credits** Fill in the amount of your development zones credit(s) that you computed on Wisconsin Schedule DC. The amount of your credit(s) is income and must be reported on your Wisconsin Form 1, even if you cannot take the full credit this year and must carry part of it forward. **(Exception)** Do not include development zones credit(s) from a partnership or tax-option corporation. These credits are already included in the income of the partnership or tax-option corporation.)

New (f) **Excess Distribution From a Passive Foreign Investment Company** Fill in the amount of excess distribution from a passive foreign investment company which has not been included in federal adjusted gross income (see federal Form 8621.)

Subtractions From Income

(Complete Schedule 2 on the reverse side of Form 1.)

Capital Gain/Loss Adjustment If you reported a capital gain or loss on line 13 of your federal Form 1040, see the instructions for Additions To or Subtractions From Income, part (a) on page 10 for information on the capital gain/loss adjustment.

EXCEPTION If you reported a capital gain distribution on line 13 of your federal Form 1040 and have no additional capital gains or losses reportable to Wisconsin, you may claim a capital gain exclusion as a subtraction on Schedule 2. Fill in 60% of the amount of the capital gain distribution on Schedule 2. Do not complete Wisconsin Schedule WD.

United States Government Interest and Dividends Fill in the amount of interest on United States bonds and interest and

Lines 2 and 4 instructions – continued

dividends of certain United States government corporations which you included on line 1 of Form 1. This income is not taxable for Wisconsin purposes.

A distribution received from a mutual fund which invests in U.S. government securities may be partially or completely nontaxable for Wisconsin purposes. If information you received from a mutual fund advises you that any portion of a distribution is from investments in U.S. government securities, you may include that portion of the distribution as U.S. government interest on Schedule 2.

CAUTION Do not fill in on Schedule 2, interest from Ginnie Mae (Government National Mortgage Association) securities and other similar securities which are “guaranteed” by the United States government. You must include interest from these securities in your Wisconsin taxable income.

State Income Tax Refunds Refunds of state and local income taxes are not taxable for Wisconsin purposes. Fill in on Schedule 2 the amount from federal Form 1040, line 10.

Unemployment Compensation You may have a different amount of unemployment compensation taxable for Wisconsin and federal purposes. Complete the following worksheet to see if you can subtract any portion of the unemployment compensation which you included as income on your federal tax return.

Wisconsin Unemployment Compensation Worksheet

Check only one box

- A. Married filing a joint return—fill in \$18,000 on line 3 below.
- B. Married not filing a joint return and lived with your spouse at any time during the year—fill in -0- on line 3 below.
- C. Married not filing a joint return and DID NOT live with your spouse at any time during the year—fill in \$12,000 on line 3 below.
- D. Single—fill in \$12,000 on line 3 below.

1. Fill in unemployment compensation from line 19 of federal Form 1040 (line 12 of Form 1040A, line 3 of Form 1040EZ, or line D of your TeleFile Tax Record) 1. _____
2. Fill in your federal adjusted gross income from line 32 of federal Form 1040 (line 16 of Form 1040A, line 4 of Form 1040EZ, or line H of your TeleFile Tax Record) .. 2. _____
3. Fill in \$18,000 if you checked box A, or -0- if you checked box B, or \$12,000 if you checked box C or D 3. _____
4. Fill in taxable social security benefits, if any, from line 20b of federal Form 1040 (line 13b of Form 1040A) 4. _____
5. Fill in taxable refunds, credits, or offsets, if any, from line 10 of federal Form 1040 5. _____
6. Add lines 3, 4, and 5 6. _____
7. Subtract line 6 from line 2. If zero or less, fill in -0- here and on line 9 of this worksheet and do not complete line 8. Otherwise, go on to line 8 7. _____
8. Fill in one-half of the amount on line 7 .. 8. _____
9. Fill in the smaller of line 1 or line 8 9. _____
10. Subtract line 9 from line 1. Fill in this amount on Schedule 2 as your subtraction for unemployment compensation. If lines 1 and 9 are equal, fill in -0- 10. _____

Lines 2 and 4 instructions – continued

Disability Income Exclusion If you are retired on permanent and total disability and have included your disability income on line 1 of Form 1, you may be able to subtract up to \$5,200 of your disability income. You must meet ALL these tests:

- You did not reach mandatory retirement age before January 1, 1997.
- You were under age 65 on December 31, 1997.
- You were permanently and totally disabled —
 - a. when you retired, or
 - b. on January 1, 1976, or January 1, 1977, if you retired before January 1, 1977, on disability or under circumstances which entitled you to retire on disability.
- If you were married at the end of 1997, you must file a joint return.
- You did not in any year prior to 1984 choose to treat your disability income as a pension instead of taking the exclusion.

Compute your exclusion on Wisconsin Schedule 2440W (Disability Income Exclusion), which you can get from any department office. Attach Schedule 2440W to your Form 1.

Other Subtractions Fill in on Schedule 2 any of the subtractions described below that apply to you. Describe each subtraction. If more space is needed, attach a note to your Form 1.

(a) Medical Care Insurance If you paid medical care insurance costs during 1997 while you were self-employed or an employe whose employer did not contribute toward the cost of your medical care insurance, you may be able to subtract a portion of the cost of your medical care insurance.

“Medical care insurance” means a medical care insurance policy that covers you, your spouse, and dependents and provides surgical, medical, hospital, major medical, or other health service coverage. It does not include premiums for:

- Long-term care insurance,
- Life insurance policies,
- Policies providing payment for loss of earnings,
- Policies for loss of life, limb, sight, etc.,
- Policies that pay you a guaranteed amount each week for a stated number of weeks if you are hospitalized for sickness or injury, or
- The part of your car insurance premiums that provides medical insurance coverage for all persons injured in or by your car.

If you participate in your employer’s fringe benefit cafeteria plan and agree to a voluntary salary reduction in return for a medical care insurance benefit, you may not consider the amount of your salary reduction an amount you paid for medical care insurance. In this situation, your employer is considered to have paid for your medical care insurance. Such programs may be known as, for example, flexible spending accounts, employe reimbursement accounts, etc.

If you are an employe whose employer did not contribute toward the cost of your medical care insurance, complete Worksheet 1. If you are self-employed, complete Worksheet 2.

Worksheet 1 – Employes

1. Amount you paid for medical care insurance in 1997, but do not include amounts paid during any period in which your employer contributed toward the cost of the insurance 1. _____
2. Fill in one-half of the amount on line 1 . . . 2. _____
3. Net earnings from a trade or business** . . . 3. _____
4. Fill in the smaller of line 2 or 3 here and on Schedule 2 of Form 1. This is your subtraction for medical care insurance . . . 4. _____

Lines 2 and 4 instructions – continued

Worksheet 2 – Self-Employed Persons

1. Amount you paid for medical care insurance in 1997 while you were self-employed 1. _____
2. Self-employed health insurance deduction from line 27 of federal Form 1040* 2. _____
3. Amount of medical care insurance deducted on federal Schedule C or F for your employe spouse 3. _____
4. Add lines 2 and 3 4. _____
5. Subtract line 4 from line 1 5. _____
6. Net earnings from a trade or business** . . . 6. _____
7. Fill in the smaller of line 5 or 6 here and on Schedule 2 of Form 1. This is your subtraction for medical care insurance . . . 7. _____

* Do not include any amounts deducted for long-term care insurance.

** For a self-employed person, net earnings from a trade or business means income from self-employment, including ordinary income from a trade or business as reported on Form 4797, line 18, and less the deduction for one-half of self-employment tax. The total earnings from a trade or business of both spouses are included. Do not consider losses from a trade or business. For an employe, net earnings from a trade or business means wages, salaries, tips, and other employe compensation.

(b) Social Security Benefits You may have a different amount of social security benefits taxable for Wisconsin and federal purposes. If line 7 of your federal Social Security Benefits Worksheet in the Form 1040A or 1040 instructions is more than \$34,000 (\$44,000 if married filing jointly or \$0 if your filing status is married filing a separate return and you lived with your spouse at any time during 1997), complete the following worksheet to figure your subtraction.

Note Lines 2 and 3 of the worksheet below refer to lines on the federal Social Security Benefits Worksheets included in the federal Form 1040 and Form 1040A instructions. If you use one of the other federal worksheets (e.g., the worksheet for social security recipients who contribute to an IRA), use the equivalent lines on that worksheet. If you received a lump-sum payment of social security benefits in 1997 that included benefits for prior years and you used separate worksheets for each year to figure the amount of social security taxable on your federal return, contact any Department of Revenue office for information on how to figure the nontaxable amount.

Worksheet – Social Security Benefits

1. Taxable social security benefits from line 13b of federal Form 1040A or line 20b of Form 1040 1. _____
2. Amount from line 2 of your federal Social Security Benefits Worksheet 2. _____
3. Amount from line 9 of your federal Social Security Benefits Worksheet 3. _____
4. Fill in one-half of line 3 4. _____
5. Compare line 2 and line 4. Fill in the smaller amount 5. _____
6. Subtract line 5 from line 1. Fill in this amount on Schedule 2 6. _____

Lines 2 and 4 instructions – continued

(c) Retirement Benefits You may subtract any payments received from the retirement systems listed below, to the extent you have included such payments as income on your federal tax return, provided:

- (1) You were retired from the system before January 1, 1964, or
- (2) You were a member of the system as of December 31, 1963, retiring at a later date, or
- (3) You are receiving payments from the system as the beneficiary of an individual who met either condition 1 or 2.

The specific retirement systems are:

Local and state retirement systems — Milwaukee City Employees, Milwaukee City Police Officers, Milwaukee Fire Fighters, Milwaukee Public School Teachers, Milwaukee County Employees, Milwaukee Sheriff, and Wisconsin State Teachers retirement systems.

Federal retirement systems — United States government civilian employe and military personnel retirement systems. Examples of such retirement systems include the Civil Service Retirement System, Federal Employees' Retirement System, and Retired Serviceman's Family Protection Plan.

Note Do not subtract the following:

- Payments received as a result of voluntary tax-sheltered annuity deposits in any of the retirement systems listed above.
- Payments received from one of the retirement systems listed above if you first became a member after December 31, 1963, even though pre-1964 military service may have been counted as creditable service in computing your retirement benefit.

CAUTION Only retirement benefits based on qualified membership (i.e., membership which began before January 1964, as explained above) in one of the retirement systems listed above may be subtracted. Any portion of your retirement benefit based on membership in other retirement systems (or based on employment which began after December 31, 1963) is taxable and may not be subtracted from federal income.

Example 1 You were a member of the Wisconsin State Teachers Retirement System as of December 31, 1963. You left teaching after 1963 and withdrew the allowable amount from your retirement account, completely closing the account. Later you returned to teaching, and a new retirement account was established for you. Retirement benefits from this new account (established after 1963) do not qualify for the exemption.

Example 2 You were employed as a teacher and were a member of the Wisconsin State Teachers Retirement System from 1960-1965. From 1966 until retirement, you were employed by a state agency in a non-teaching capacity and were a member of the Wisconsin Retirement System. You receive an annuity from the Department of Employee Trust Funds based on employment in both retirement systems. Only the portion of the annuity attributable to the Wisconsin

Lines 2 and 4 instructions – continued

State Teachers Retirement System may be subtracted. Use the following formula to determine the exempt portion which may be subtracted:

$$\frac{\text{Years of creditable service in an exempt plan}}{\text{Total years of creditable service}} \times \text{Annuity included in federal income} = \text{Portion of annuity which may be subtracted}$$

Note If you received separate Forms 1099-R for the taxable and exempt portions of your annuity, you may use the Form 1099-R information instead of the above formula.

(d) Railroad Retirement Benefits, Railroad Unemployment Insurance, and Sickness Benefits Amounts received from the U.S. Railroad Retirement Board are not taxable for Wisconsin purposes. You may subtract such amounts to the extent included in your federal adjusted gross income.

However, if you included tier 1 railroad retirement benefits (RRB) as part of your taxable social security (SS), use the following formula to determine the subtraction for your tier 1 RRB.

$$\frac{\text{Tier 1 RRB}}{\text{Total tier 1 RRB and SS received}} \times \text{Taxable SS}^* = \text{Subtraction for RRB}$$

* From line 20b of federal Form 1040 or line 13b of Form 1040A. However, if you computed a subtraction for social security on the Social Security Benefits Worksheet in part (b) on page 8, use the amount from line 5 of that worksheet.

(e) Adoption Expenses If you adopted a child for whom a final order of adoption was entered by a Wisconsin court during 1997, you may subtract up to \$5,000 of the amount you paid for adoption fees, court costs, and legal fees relating to the adoption. You may include amounts paid during 1995, 1996, and 1997. Don't count amounts reimbursed under any adoption assistance program.

(f) Recoveries of Federal Itemized Deductions Fill in any amount included as income on your federal tax return that is a recovery of a federal itemized deduction for which you did not receive a Wisconsin tax benefit.

Example You claimed an itemized deduction on your 1996 federal tax return for a casualty loss of \$2,000. You could not claim the casualty loss for the itemized deduction credit on your 1996 Wisconsin income tax return. During 1997 you received a reimbursement of \$1,000 from your insurance company for part of the casualty loss. The \$1,000 reimbursement is included on your 1997 federal tax return as a recovery of an amount previously claimed as an itemized deduction. Because you did not claim the casualty loss for the itemized deduction credit for Wisconsin for 1996, the \$1,000 is not taxable to Wisconsin for 1997. Fill in the \$1,000 recovery on Schedule 2.

(g) Wisconsin Net Operating Loss Carryforward If you had a net operating loss (NOL) in an earlier year to carry forward to 1997, include the allowable amount on Schedule 2. Attach a statement showing how you figured the amount. Get Publication 120, Net Operating Losses for Individuals, Estates, and Trusts, from any Department of Revenue office for more details on computing the NOL and the allowable deduction.

Lines 2 and 4 instructions – continued

(h) Amounts Not Taxable by Wisconsin You may subtract any amounts not taxable by Wisconsin (less related expenses except those expenses which are used to calculate the Wisconsin itemized deduction credit) which have been included as income on your federal tax return or excluded from federal deductions.

Example Relocation assistance received by persons displaced by condemnation, subject to the conditions set forth in section 32.19 of the Wisconsin Statutes may be subtracted. Fill in such amounts on Schedule 2.

(i) Farm Loss Carryover If you were subject to farm loss limitations (see instruction for Additions to Income, part (a) for a description) on your 1986 or subsequent year Wisconsin income tax return, you may be able to claim a subtraction for all or a portion of the farm loss disallowed in those years. Farm losses disallowed as a deduction in 1986 or thereafter may be carried forward for 15 years to the extent that the farm losses are not offset against farm income of any year between the loss year and the year for which the carryover is claimed. The amount of carryover that can be subtracted is the lesser of (1) the farm loss carryover or (2) the net profits and net gains from the sale or exchange of capital or business assets in the current year from the same farming business or portion of that business to which the limits on deductible farm losses applied in the loss year.

Example You have a farm loss carryover from 1996 of \$30,000. For 1997 you report a net loss of \$2,000 on Schedule F and a net gain of \$6,000 from the sale of farm equipment on Form 4797. The gain and loss are from the same farming business to which the limitation applied in the loss year. You may subtract \$6,000 as a farm loss carryover on Schedule 2.

New **(j) College tuition prepayment program** You may subtract any amount included in federal adjusted gross income due to an increase in value of a tuition unit purchased under the Wisconsin college tuition prepayment program (EdVest Wisconsin).

Additions To or Subtractions From Income

The following items may be either an addition to or a subtraction from federal adjusted gross income, depending on your situation. Fill in any additions that apply to you on Schedule 1. Fill in any subtractions that apply to you on Schedule 2.

(a) Capital Gain/Loss Adjustment If your federal adjusted gross income includes capital gains and/or losses (see line 13, Form 1040), you must complete Schedule WD to determine if an adjustment is required to arrive at your Wisconsin income. For example, an adjustment may be required because Wisconsin law limits deductions for net capital losses to \$500 or because Wisconsin law allows an exclusion of 60% of the net capital gain from assets held more than one year. A copy of Schedule WD and instructions is included in this booklet.

(b) Tax-Option (S) Corporation Adjustments Fill in any of the following adjustments that apply to you:

(1) If you were a shareholder of a tax-option (S) corporation which is required to file a Wisconsin franchise or income tax return, you will receive a Wisconsin Schedule 5K-1

Lines 2 and 4 instructions – continued

from the S corporation informing you of any adjustments to be made for Wisconsin tax purposes.

(2) If you are a shareholder of a federal S corporation that elects not to be treated as a Wisconsin tax-option (S) corporation, you must reverse all items of S corporation income, loss, or deduction included on your federal return and then add your pro rata share of any distributions made by the corporation of earnings and profits. (**CAUTION** Do not reverse any item of S corporation income or loss reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD.)

(3) Instead of using tax-option (S) corporation items deductible on federal Schedule A to compute the Wisconsin itemized deduction credit, you may elect to treat these items as subtraction modifications. Your subtraction is limited to the amount actually deductible for federal purposes.

For more information, get Publication 102, Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders, which is available from any Department of Revenue office.

(c) Your Share of Partnership, Trust, or Estate Adjustments If you were a member of a partnership or you received income from an estate or trust, you will receive a statement from the partnership, trust, or estate notifying you of any additions or subtractions which you should make on your return. Fill in the amount of any such additions on Schedule 1 and any subtractions on Schedule 2.

(d) Differences in Federal and Wisconsin Basis of Assets Additions or subtractions may be necessary if there is a difference between the federal basis and the Wisconsin basis of your property. Additions or subtractions are necessary if:

(1) You acquired property after December 31, 1964, which may be depreciated or amortized (such as buildings and leaseholds), and the federal basis is greater or less than the Wisconsin basis.

(2) You sold (or otherwise disposed of) property which may not be depreciated or amortized (such as land, stocks, and bonds) in a taxable transaction, and your basis in the assets was greater or less for federal purposes than for Wisconsin.

Example You sold stock which you acquired by inheritance and your federal basis was greater than your Wisconsin basis. You must make an adjustment for the difference in basis.

Compute the amount of any addition or subtraction due to a difference in basis on Wisconsin Schedule T (Transitional Adjustments), which you can get from any department office. Attach a completed Schedule T to your Form 1.

(e) Differences in Federal and Wisconsin Basis of Partnership Interest An addition or subtraction may be necessary if you sold your interest in a partnership and any increases or decreases were made to the federal basis of your partnership interest in taxable years prior to 1975, which resulted from partnership business or property located outside Wisconsin. (Prior to 1975, Wisconsin did not tax income

Lines 2 and 4 instructions – continued

from business or property located outside Wisconsin.) Compute any addition or subtraction due to a difference in basis on Wisconsin Schedule T.

(f) Differences in Federal and Wisconsin Reporting of Marital Property (Community) Income If you are married filing a separate return or married filing as head of household or if you obtained a decree of divorce or separate maintenance during 1997, you may have to report a different amount of income on your Wisconsin Form 1 than on your federal Form 1040. Fill in on Schedule 1 any additional amount which is taxable to you rather than your spouse because of any difference in federal and state reporting of marital property (community) income. Fill in on Schedule 2 any amount which is taxable to your spouse rather than to you because of any difference in federal and state reporting of marital property (community) income. For further information, get Publication 109, Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1997, from any Department of Revenue office.

Line 6 Tax

Use the amount on line 5 to find your tax in the Tax Table on pages 22-26. Find your income-level bracket and read across to the column showing your filing status to find your tax. Be sure you use the correct column in the Tax Table for your filing status. Fill in your tax on line 6 and check the box to indicate the tax is from the “Tax Table.”

Note The Wisconsin standard deduction is built into the Tax Table. The Tax Table automatically allows you the correct standard deduction for your income and filing status.

EXCEPTION Because of this built-in standard deduction, certain taxpayers cannot use the Tax Table. If you are one of the persons listed below, DO NOT use the Tax Table. Instead, check the “Special Tax Worksheet” box on line 6 of Form 1 and use the worksheet which appears on this page to determine your tax.

1. Persons who have unearned income (such as interest or dividends) and can be claimed as a dependent on another person’s (for example, parents) income tax return.
2. Persons who file short period income tax returns.
3. Persons who file federal Form 4563 to claim an exclusion of income from sources within U.S. possessions.

Dependent With Unearned Income If you have unearned income (such as interest, dividends, unemployment compensation, etc.) and can be claimed as a dependent for income tax purposes by another person, there is a limit on the amount of standard deduction you may claim. You must use the Special Tax Worksheet to compute your standard deduction and your tax.

EXCEPTION If you are not required to file a return (see Who Must File on page 2), but are doing so to obtain a refund of Wisconsin withholding or estimated tax payments, fill in -0- on line 6 of Form 1. Do not use the worksheet to compute your tax.

Taxpayers Who File Short Period Returns or Claim an Exclusion of Income From Sources Within U.S. Possessions If you file a short period return or you file federal Form 4563 to claim an exclusion of income from sources within

Line 6 instructions – continued

U.S. possessions, you are not allowed any amount of standard deduction. Fill in -0- on lines 2, 3, and 4 of the worksheet below.

Special Tax Worksheet for Persons Who Cannot Use the Tax Table

1. Fill in the amount from line 5, Form 1 1. _____
2. Amount of earned income* included in line 1. If less than \$650, fill in \$650 2. _____
3. Use the amount from line 1 to find your standard deduction in the table on page 27 of these instructions. Fill in the standard deduction here 3. _____
4. Allowable standard deduction — compare lines 2 and 3 and fill in the lesser of the two amounts 4. _____
5. Subtract line 4 from line 1 5. _____
6. Use the amount on line 5 to compute your tax using the appropriate Tax Rate Schedule on page 27. Be sure to use the correct schedule for your filing status. Fill in the tax here and on line 6, Form 1 6. _____


* Earned income includes wages, salaries, tips, other employee compensation, scholarships and fellowships which are reported on a W-2, and net earnings from self-employment.

Line 7 Dependent Credit

The term “dependents” does NOT include you or your spouse.

Those persons who qualify as your dependents for federal income tax purposes may also be claimed as dependents on your Wisconsin return. Indicate the number of dependents that you are claiming in the space provided. Multiply the number of dependents by \$50, and fill in the answer on line 7.

Line 8 Senior Citizen Credit

 The senior citizen credit is available only to persons who were age 65 or older on December 31, 1997, and whose income is below certain amounts.

Single Person

- If the amount on line 5 of Form 1 is \$30,000 or less, fill in \$25 on line 8.
- If the amount on line 5 of Form 1 is more than \$30,000 but less than \$31,000, use the worksheet on page 12 to compute your credit.
- If the amount on line 5 of Form 1 is \$31,000 or more, fill in -0- on line 8.

Married Persons Filing a Joint Return

- If the amount on line 5 of Form 1 is \$40,000 or less, fill in \$25 on line 8 (\$50 if both spouses were age 65 or older on December 31, 1997).
- If the amount on line 5 of Form 1 is more than \$40,000 but less than \$41,000, use the worksheet on page 12 to compute your credit. (Note If both spouses were age 65 or older on December 31, 1997, the credit is two times the amount shown on line 6 of the worksheet.)
- If the amount on line 5 of Form 1 is \$41,000 or more, fill in -0- on line 8.

Married Person Not Filing a Joint Return

- If the amount on line 5 of Form 1 is \$20,000 or less, fill in \$25 on line 8.
- If the amount of line 5 of Form 1 is more than \$20,000 but less than \$21,000, use the worksheet on page 12 to compute your credit.
- If the amount on line 5 of Form 1 is \$21,000 or more, fill in -0- on line 8.

Line 8 instructions – continued

Senior Citizen Credit Worksheet

1. Amount of credit before phase-out 1. \$25.00
 2. Amount from line 5 of Form 1 2. .
 3. Fill in \$30,000 (\$40,000 if married filing a joint return or \$20,000 if married and are not filing a joint return) 3. .
 4. Subtract line 3 from line 2 4. .
 5. Multiply line 4 by .025 5. .
 6. Subtract line 5 from line 1. Fill in here and on line 8 of Form 1* 6. .
- * If a joint return and both spouses are 65 or older, multiply line 6 by 2 and enter result on line 8 of Form 1.

Line 9 Wisconsin Itemized Deduction Credit

If the total of certain federal itemized deductions exceeds your Wisconsin standard deduction, you may claim the Wisconsin itemized deduction credit.

Complete Schedule 3 on the reverse side of Form 1 to see if you can claim the credit. Schedule 3 lists the specific deductions to use from federal Schedule A (see exceptions below).

If you did not itemize deductions for federal tax purposes, use the amounts which would be deductible if you had itemized deductions. To determine the amounts to use, complete a federal Schedule A. Write "Wisconsin" at the top of this Schedule A and attach it to your Form 1.

Note **EXCEPTIONS** The following deductions from federal Schedule A cannot be used when completing Schedule 3:

- Medical expenses - the amount of medical care insurance claimed as a subtraction on Schedule 2.
- Interest - paid on a second home located outside Wisconsin.
 - paid on a residence which is a boat.
 - paid to purchase or hold U.S. Government securities.
- Miscellaneous deductions - the amount deducted as a repayment of income previously taxed if you are claiming a Wisconsin credit for this repayment.
- Contributions, miscellaneous, interest, and other itemized deductions allocated to you by a tax-option (S) corporation, if you treated the amount as a subtraction on Schedule 2.

Line 10 Renter's and Home Owner's School Property Tax Credit

You may claim a credit if you paid rent during 1997 for living quarters used as your primary residence OR you paid property taxes during 1997 on your home. You are eligible for a credit whether or not you claim homestead credit on line 27.

Special Cases

If You Paid Both Property Taxes and Rent You may claim both the renter's credit on line 10a and the home owner's credit on line 10b. The total combined credits claimed on lines 10a and 10b may not exceed \$200 (\$100 if married filing a separate return or married filing as head of household).

Married Persons Filing a Joint Return Determine your credits by using the rent and property taxes paid by both spouses.

Line 10 instructions – continued

Married Persons Filing Separate Returns or Married Persons Filing as Head of Household Each spouse may claim a credit. Each spouse may use only his or her own property taxes and rent to determine the credit. The maximum combined renter's and home owner's credit allowable on lines 10a and 10b to each spouse is \$100.

Persons Who Jointly Own a Home or Share Rented Living Quarters When two or more persons (other than husband and wife) jointly own a home or share rented living quarters, each may claim a credit. However, the property taxes and rent paid must be divided between the owners or occupants. See instructions for lines 10a and 10b.

Line 10a How to Determine the Renter's School Property Tax Credit

Step 1 Rent Paid in 1997 Fill in on the appropriate line(s) the total rent that you paid in 1997 for living quarters (1) where the heat was included in the rent, and (2) where the heat was not included in the rent. The living quarters must have been used as your principal home. Do not include any rent which you may claim as a business expense. Do not include rent paid for housing that is exempt from property taxes. (Property owned by a public housing authority is considered tax exempt unless that authority makes payments in place of property taxes to the city or town in which it is located. If you live in public housing, you may wish to check with your manager on this point.)

If the rent you paid included domestic, food, medical, or other services, reduce the amount filled in for rent paid in 1997 by the value of these items. If you shared living quarters with one or more persons (other than your spouse or dependents), fill in only the portion of the total rent which you paid in 1997. For example, if you and two other individuals rented an apartment and paid a total rent of \$3,000 in 1997, and you each paid \$1,000 of the rent, each could claim a credit based on \$1,000 of rent.

Step 2 Refer to the Renter's School Property Tax Credit Table on page 13 to determine your credit. If heat was included in your rent, use Column 1 of the table. If heat was not included in your rent, use Column 2. Fill in the amount of your credit on line 10a.

Exception If you paid both rent where heat was included and rent where heat was not included, complete the following worksheet.

1. Credit for rent with heat included (from Column 1 of Table) 1.
2. Credit for rent where heat not included (from Column 2 of Table) 2.
3. Add lines 1 and 2. Fill in on line 10a of Form 1. Do not fill in more than \$200 (\$100 if married filing a separate return or married filing as head of household) 3.

Line 10b How to Determine the Home Owner's School Property Tax Credit

Step 1 Property Taxes Paid on Home in 1997 Fill in the total amount of property taxes you paid during 1997 on your home. Do not include the following:

- Charges for special assessments, delinquent interest, or services which may be included on your tax bill (like trash removal, recycling fee, or a water bill).

Line 10b instructions – continued

- Property taxes which you may claim as a business expense (for example, farm taxes or rental property taxes).
- Property taxes paid on nonbusiness property (such as a cottage or vacant land) other than your home.

Renter’s School Property Tax Credit Table*

If Rent Paid is:		Your Line 10a Credit is:		If Rent Paid is:		Your Line 10a Credit is:	
		Col. 1	Col. 2			Col. 1	Col. 2
At Least	But Less Than	Heat In-cluded in Rent	Heat Not In-cluded in Rent	At Least	But Less Than	Heat In-cluded in Rent	Heat Not In-cluded in Rent
\$ 1	\$ 100	\$ 1	\$ 1	\$5,000	\$ 5,100	\$101	\$126
100	200	3	4	5,100	5,200	103	129
200	300	5	6	5,200	5,300	105	131
300	400	7	9	5,300	5,400	107	134
400	500	9	11	5,400	5,500	109	136
500	600	11	14	5,500	5,600	111	139
600	700	13	16	5,600	5,700	113	141
700	800	15	19	5,700	5,800	115	144
800	900	17	21	5,800	5,900	117	146
900	1,000	19	24	5,900	6,000	119	149
1,000	1,100	21	26	6,000	6,100	121	151
1,100	1,200	23	29	6,100	6,200	123	154
1,200	1,300	25	31	6,200	6,300	125	156
1,300	1,400	27	34	6,300	6,400	127	159
1,400	1,500	29	36	6,400	6,500	129	161
1,500	1,600	31	39	6,500	6,600	131	164
1,600	1,700	33	41	6,600	6,700	133	166
1,700	1,800	35	44	6,700	6,800	135	169
1,800	1,900	37	46	6,800	6,900	137	171
1,900	2,000	39	49	6,900	7,000	139	174
2,000	2,100	41	51	7,000	7,100	141	176
2,100	2,200	43	54	7,100	7,200	143	179
2,200	2,300	45	56	7,200	7,300	145	181
2,300	2,400	47	59	7,300	7,400	147	184
2,400	2,500	49	61	7,400	7,500	149	186
2,500	2,600	51	64	7,500	7,600	151	189
2,600	2,700	53	66	7,600	7,700	153	191
2,700	2,800	55	69	7,700	7,800	155	194
2,800	2,900	57	71	7,800	7,900	157	196
2,900	3,000	59	74	7,900	8,000	159	199
3,000	3,100	61	76	8,000	8,100	161	200
3,100	3,200	63	79	8,100	8,200	163	200
3,200	3,300	65	81	8,200	8,300	165	200
3,300	3,400	67	84	8,300	8,400	167	200
3,400	3,500	69	86	8,400	8,500	169	200
3,500	3,600	71	89	8,500	8,600	171	200
3,600	3,700	73	91	8,600	8,700	173	200
3,700	3,800	75	94	8,700	8,800	175	200
3,800	3,900	77	96	8,800	8,900	177	200
3,900	4,000	79	99	8,900	9,000	179	200
4,000	4,100	81	101	9,000	9,100	181	200
4,100	4,200	83	104	9,100	9,200	183	200
4,200	4,300	85	106	9,200	9,300	185	200
4,300	4,400	87	109	9,300	9,400	187	200
4,400	4,500	89	111	9,400	9,500	189	200
4,500	4,600	91	114	9,500	9,600	191	200
4,600	4,700	93	116	9,600	9,700	193	200
4,700	4,800	95	119	9,700	9,800	195	200
4,800	4,900	97	121	9,800	9,900	197	200
4,900	5,000	99	124	9,900	10,000	199	200
				10,000 or more		200	200

Line 10b instructions – continued

The property taxes for your home to be filled in are further limited as follows:

- If a home was purchased or sold during 1997, the property taxes of the seller and buyer are the taxes set forth for each in the closing agreement made at the sale or purchase of the home. If the closing agreement does not divide the taxes between the seller and buyer, divide the property taxes between the seller and the buyer on the basis of the number of months each one owned the home.
- If you owned a mobile home during 1997, property taxes include the mobile home parking permit fees paid to your municipality and/or the personal property taxes paid on your mobile home. Payments for space rental should be filled in as rent on line 10a.
- If you, or you and your spouse, owned a home jointly with one or more other persons, you may only use that portion of the property taxes which reflects your percentage of ownership. For example, if you and another person (other than your spouse) jointly owned a home on which taxes of \$1,500 were paid, each of you would claim a credit based on \$750 of taxes.

CAUTION Property taxes paid during 1997 must be reduced by any amounts received as a refund of such taxes. For example, a taxpayer claimed farmland preservation credit (which is considered a refund of property taxes) on his or her 1996 Wisconsin return. The taxpayer received a farmland preservation credit in 1997 of \$600 which was based

Home Owner's School Property Tax Credit Table*

If Property Taxes are:			If Property Taxes are:			If Property Taxes are:		
At Least	But Less Than	Line 10b Credit is	At Least	But Less Than	Line 10b Credit is	At Least	But Less Than	Line 10b Credit is
\$ 1	\$ 25	\$ 1	\$ 675	\$ 700	\$ 69	\$1,350	\$1,375	\$136
25	50	4	700	725	71	1,375	1,400	139
50	75	6	725	750	74	1,400	1,425	141
75	100	9	750	775	76	1,425	1,450	144
100	125	11	775	800	79	1,450	1,475	146
125	150	14	800	825	81	1,475	1,500	149
150	175	16	825	850	84	1,500	1,525	151
175	200	19	850	875	86	1,525	1,550	154
200	225	21	875	900	89	1,550	1,575	156
225	250	24	900	925	91	1,575	1,600	159
250	275	26	925	950	94	1,600	1,625	161
275	300	29	950	975	96	1,625	1,650	164
300	325	31	975	1,000	99	1,650	1,675	166
325	350	34	1,000	1,025	101	1,675	1,700	169
350	375	36	1,025	1,050	104	1,700	1,725	171
375	400	39	1,050	1,075	106	1,725	1,750	174
400	425	41	1,075	1,100	109	1,750	1,775	176
425	450	44	1,100	1,125	111	1,775	1,800	179
450	475	46	1,125	1,150	114	1,800	1,825	181
475	500	49	1,150	1,175	116	1,825	1,850	184
500	525	51	1,175	1,200	119	1,850	1,875	186
525	550	54	1,200	1,225	121	1,875	1,900	189
550	575	56	1,225	1,250	124	1,900	1,925	191
575	600	59	1,250	1,275	126	1,925	1,950	194
600	625	61	1,275	1,300	129	1,950	1,975	196
625	650	64	1,300	1,325	131	1,975	2,000	199
650	675	66	1,325	1,350	134	2,000 or more		200

*Caution The credit allowed certain persons may be less than the amount indicated. See “Special Cases” on page 12.

Line 10b instructions – continued

on 1996 property taxes accrued of \$6,000. The 1996 property taxes were paid in 1997 and 10% of such taxes were allocable to the personal residence and 90% to the farm property. Thus, for tax purposes, property taxes paid on the entire property during 1997 are \$5,400 (\$6,000 less \$600 farmland preservation credit). Of this amount, \$540 (10% of \$5,400) is used to compute the 1997 school property tax credit.

Step 2 After you have filled in the amount of property taxes paid on your home in 1997, refer to the Home Owner's School Property Tax Credit Table on page 13 to determine your credit. Fill in the amount of your credit on line 10b.

CAUTION If you are also claiming the renter's credit on line 10a, the total of your renter's and home owner's credits may not exceed \$200 (\$100 if married filing a separate return or married filing as head of household).

■ Line 13 Alternative Minimum Tax

You may owe Wisconsin alternative minimum tax if you benefit from certain deductions, credits, and the special tax treatment of some kinds of income. This tax is figured on Schedule MT. Use the worksheet below to see if you must complete Schedule MT.

Worksheet To See If You Should Fill In Schedule MT

Caution If you are married filing separately and line 3 of this worksheet is more than \$165,000, you should fill in Schedule MT.

1. Fill in the amount from Form 1, line 5 1. _____
2. Fill in the total of all adjustments and preference items listed below that apply to you . . . 2. _____
3. Add lines 1 and 2 3. _____
4. Fill in \$45,000 (\$22,500 if married filing separately; \$33,750 if single or head of household) 4. _____
5. Subtract line 4 from line 3. If zero or less, **stop here**; you don't need to fill in Schedule MT. . . 5. _____
6. Fill in \$150,000 (\$75,000 if married filing separately; \$112,500 if single or head of household) 6. _____
7. Subtract line 6 from line 3. If zero or less, fill in -0- here and on line 8 and go to line 9 . 7. _____
8. Multiply line 7 by 25% (.25) and fill in the result but **do not** fill in more than line 4 above. 8. _____
9. Add lines 5 and 8 9. _____
10. Multiply line 9 by 6.5% (.065) 10. _____

NEXT: If line 10 is more than the amount on Form 1, line 12, fill in Schedule MT to see if you owe the alternative minimum tax. If line 10 is equal to or less than the amount on Form 1, line 12, do not fill in Schedule MT.

Include the following adjustments and preference items on line 2 of the above worksheet.

Adjustment and Tax Preference Items

1. Accelerated depreciation.
2. Amortization of certified pollution control facilities or depletion.
3. Income from incentive stock options.
4. Intangible drilling, circulation, research, experimental, or mining exploration and development costs.

Line 13 instructions – continued

5. Income or (loss) from tax shelter farm activities or passive activities.
6. Percentage of completion income from long-term contracts.
7. Interest paid on a home mortgage not used to buy, build, or substantially improve your home.
8. Investment interest expense.
9. Wisconsin net operating loss deduction.

You may get Schedule MT from any department office.

■ Line 15 Married Couple Credit

You can claim the married couple credit if:

- You are married filing a joint return, and
- Both you and your spouse have qualified earned income, and
- You do not file federal Form 2555 or Form 2555EZ to claim an exclusion of foreign earned income or Form 4563 to claim an exclusion of income from sources in U.S. possessions.

To compute the credit, fill in Schedule 4 on the the back of Form 1. Figure earned income separately for yourself and your spouse on lines 1 through 3 in Columns (A) and (B) of Schedule 4.

“Earned income” includes taxable wages, salaries, tips, scholarships or fellowships (only amounts reported on a W-2), other employe compensation, disability income treated as wages, and net earnings from self-employment. It does not include interest, dividends, IRA distributions, deferred compensation, unemployment compensation, rental income, social security, pensions, annuities, or nontaxable income. Do not consider marital property law, marital property agreements, or unilateral statements in figuring each spouse's earned income.

The credit is based on qualified earned income. You must figure qualified earned income separately for yourself and your spouse. Figure it on lines 4 and 5 of Schedule 4 by subtracting the total of certain adjustments from earned income. These adjustments (and the related lines on federal Form 1040) are:

- IRA deduction (line 23),
- Keogh and self-employed SEP and SIMPLE plans (line 28),
- Repayment of sub-pay (included in the total on line 31),
- Employe expenses of qualified performing artists and of fee-basis state or local government officials, and contributions to Section 501(c)(18) pension plans (included in the total on line 31), and
- Disability income exclusion (from Wisconsin Schedule 2).

■ Line 17 Temporary Recycling Surcharge

Who is subject to the surcharge The surcharge applies to individuals who must file a Wisconsin income tax return and have:

- Nonfarm trade or business activities (as defined later) in Wisconsin, or
- Income as a statutory employe (as defined later) in Wisconsin, or
- Farming activities in Wisconsin.

Line 17 instructions – continued

Exceptions The surcharge does not apply to an individual who:

- has less than \$4,000 of gross receipts (as defined later) for federal income tax purposes and isn't engaged in farming, or
- is engaged only in farming and has less than \$1,000 of net farm profit for federal income tax purposes, or
- is engaged in both farming and other trade or business activities with less than \$4,000 of gross receipts from all nonfarm trade or business activities and less than \$1,000 of net farm profit for federal income tax purposes, or
- is a duly ordained, commissioned, or licensed minister, member of a religious order, or Christian Science practitioner. (**Note** This exception to the surcharge is limited to income related to the performance of ministerial services, duties required by the order, or service as a Christian Science practitioner.)

If any of the above exceptions apply, do not fill in any amounts on line 17.

Definitions

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 is not considered farming.

Net farm profit Net farm profit is all farm income less all farm expenses for federal income tax purposes. It includes the amount identified as "Net farm profit or (loss)" on federal Schedule F plus any ordinary income (loss) from farming reported on federal Form 4797, line 18, less the deduction for one-half of the federal self-employment tax paid on the farm income and the federal self-employed health insurance deduction if the insurance plan was established under the farm business.

Gross receipts Gross receipts include:

- total receipts or sales from all nonfarm trade or business activities (as defined later) reportable for federal income tax purposes, before deducting returns and allowances and any other business expenses (for example, line 1 of federal Schedule C plus the sales price of business assets producing ordinary income (loss) reported on federal Form 4797), and
- total wages received as a statutory employe, before deducting any business expenses.

Net business income Net business income is the net profit from a trade or business (as defined later) except farming. It includes net income received as a statutory employe, reportable on 1997 federal Schedule C, line 31, or Schedule C-EZ, line 3. The net profit is all business income less all deductible business expenses for federal income tax purposes, even though some business activities may be conducted outside Wisconsin. It includes ordinary income (loss) reported on Form 4797, line 18. For purposes of computing the surcharge, net business income is reduced by the deduction for 50% of federal self-employment taxes paid on the business income and for the federal self-employed health insurance deduction if the insurance plan was established under the business.

Line 17 instructions – continued

Statutory employe An individual who receives a wage statement, Form W-2, that has the "Statutory employe" box checked is a statutory employe. Statutory employes report their income and expenses related to that income on federal Schedule C or Schedule C-EZ. Statutory employes include:

- agent-drivers or commission-drivers who distribute meat products, vegetable products, bakery products, or beverages (other than milk), or pick-up or deliver laundry or dry cleaning,
- full-time life insurance salespeople,
- certain homeworkers, and
- certain traveling or city salespeople.

Trade or business A trade or business is an activity regularly carried on for a livelihood or with the intention of making a profit. Trade or business income includes:

- net profit from operating a trade or business or practicing a profession as a sole proprietorship, reportable on federal Schedule C or Schedule C-EZ.
- other federal self-employment income, such as directors fees and wages received by a U.S. citizen employed by a foreign government in the United States.
- guaranteed payments from a partnership, received by:
 - (1) a partner, for services performed in the capacity as a partner, and
 - (2) a general partner, for the use of capital.

Guaranteed payments are amounts figured without regard to the income of the partnership and are reportable on federal Schedule E.

Note The surcharge does not apply to payments from a partnership received by a partner who is not acting in the capacity as a partner. The partnership is subject to the surcharge on these payments.

Temporary recycling surcharge for individuals other than farmers In the space provided on line 17, fill in the amount of your net business income (as defined earlier). Fill in -0- if you have a net loss. (You are still subject to a \$25 minimum surcharge even if you have a net loss.)

Exception If you have less than \$4,000 of gross receipts (as defined earlier) 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, see "Temporary recycling surcharge for farmers" on page 16.

Note Individuals operating more than one business must combine the net income or loss from all trades or businesses, except farming, and enter the result.

Trade or business income is to be reported by the operator of the business, without regard to marital property law. If you and your spouse file a joint return and each operate separate businesses, you must compute your surcharge on the worksheet on page 16.

Multiply the amount of your net business income by 0.4345% (0.004345) and fill in the result on line 17. **Exception** If the result

Line 17 instructions – continued

is less than \$25 or if you have a net loss from trade or business activities, fill in \$25. If the result is more than \$9,800, fill in \$9,800.

Temporary recycling surcharge for farmers If you are engaged in farming in Wisconsin and have a net farm profit of \$1,000 or more for federal income tax purposes, fill in \$25 on line 17.

Temporary recycling surcharge for individuals engaged in both farming and other trade or business activities If you are engaged in both farming and some other trade or business in Wisconsin, you may owe the \$25 farm surcharge in addition to any surcharge based on your net business income. You must compute your surcharge by completing the worksheet below.

Worksheet

The following persons are required to use the worksheet below to compute their temporary recycling surcharge. If you are one of the persons listed below, check the box on line 17 of Form 1 and use the worksheet to compute your surcharge.

- You are engaged in both farming and some other trade or business.
- You are married filing a joint return and both spouses are subject to the temporary recycling surcharge. In this case, each spouse must complete a separate worksheet. Add the amounts from line 4 of both worksheets and fill in the total on line 17 of Form 1.

Temporary Recycling Surcharge Worksheet

1. Fill in your net business income (if a net loss, fill in -0- and enter \$25 on line 2)* . . . 1. _____
2. Multiply the amount on line 1 by .004345 and fill in the result but not less than \$25 or more than \$9,800 2. _____
3. If you are engaged in farming in Wisconsin and have net farm profit of \$1,000 or more for federal income tax purposes, fill in \$25 . . . 3. _____
4. Add lines 2 and 3. Fill in here and on line 17 of Form 1. Be sure to check the worksheet box on line 17 4. _____

*Do not complete this line if your gross receipts from all trade or business activities are less than \$4,000.

Additional information For more information, get Publication 400, Wisconsin’s Temporary Recycling Surcharge, from any Department of Revenue office.

Line 18 Sales and Use Tax Due on Out-of-State Purchases

If, during 1997, you made any taxable purchases from out-of-state firms on which sales and use tax was not charged, you must report Wisconsin sales and use tax on these purchases on line 18. Taxable purchases include furniture, carpet, clothing, computers, books, CDs, cassettes, video tapes, jewelry, coins purchased for more than face value, etc. For example, if you purchased \$300 of clothing through a catalog from an out-of-state company, no sales and use tax was charged, and you reside in a county with a 5% tax rate, you are liable for \$15 Wisconsin tax (\$300 x 5% = \$15) on this purchase. Complete the following worksheet to determine whether you are liable for Wisconsin sales and use tax.

Line 18 instructions – continued

Worksheet for Computing Wisconsin Sales and Use Tax

1. Total amount of purchases subject to Wisconsin tax (i.e., purchases on which no sales and use tax was charged by the seller) \$ _____
2. Sales and use tax rate (see rate chart below) x _____ %
3. Amount of sales and use tax due for 1997 (line 1 multiplied by tax rate filled in on line 2). Fill in this amount on line 18 of Form 1 if \$1 or more \$ _____

Sales and Use Tax Rate Chart

In all Wisconsin counties except those shown in a, b, and c below, the tax rate was 5.5% for 1997.

a. If you resided in 1997 in one of the following counties, the tax rate was 5.6%:

Milwaukee Ozaukee

b. If you resided in 1997 in one of the following counties, the tax rate was 5.1%:

Racine Washington Waukesha

c. If you resided in 1997 in one of the following counties, the tax rate was 5%:

Brown	Florence	Green Lake	Marinette	Sheboygan
Calumet	Fond du Lac	Kewaunee	Menominee	Taylor
Clark	Grant	LaFayette	Outagamie	Winnebago
Eau Claire	Green	Manitowoc	Rock	Wood

Line 19 Endangered Resources Donation

Your donation supports the preservation and management of more than 200 endangered and threatened Wisconsin plants and animals. It helps ensure a future for trumpeter swans, timber wolves, calypso orchids, and Karner blue butterflies, to name a few. It also helps protect Wisconsin’s finest remaining examples of prairies, forests, and wetlands. All gifts (up to a total of \$500,000) will be matched by general purpose revenue, which makes your gift twice as important to endangered resources.

Consider a gift of \$15, \$25, \$50, or \$75, or choose your own amount, and support endangered resources in Wisconsin. Fill in line 19 with the amount you wish to donate. Your gift will either reduce your refund or be added to tax due. Or, send a check directly to: Endangered Resources Fund, Department of Natural Resources, P.O. Box 7921, Madison, WI 53707.

Line 20 Penalties on Retirement Plans and MSAs

The Wisconsin penalty on retirement plans and medical savings accounts (MSAs) is equal to 33% of the following federal taxes:

- Tax on qualified retirement plans (including IRAs) and MSAs (line 50 of federal Form 1040).
- Total tax due from federal Form 5329 (include only if the tax due on this form was paid separately and is not included on line 50 of your federal Form 1040).
- Tax on excess contributions (line 2 of federal Form 5330).
- Tax on prohibited transactions (line 6 of federal Form 5330).
- Section 72(m)(5) excess benefits tax (included in the total on line 53 of federal Form 1040).

Line 20 instructions – continued

If you were subject to any of the above federal taxes for 1997, fill in the total of such taxes in the space provided on line 20. Multiply the amount filled in by .33 (33%) and fill in the result on line 20.

Note You are not subject to the penalty on payments from certain retirement plans if the payments are exempt from Wisconsin tax. See Subtractions From Income, part (c), for information on retirement payments which are exempt from Wisconsin tax.

If you were required to file federal Form 5329 or 5330, attach a copy of your Form 5329 and/or 5330 to your Form 1.

■ Line 22 Wisconsin Income Tax Withheld

Add the **Wisconsin** income tax withheld shown on your withholding statements (Forms W-2, W-2G, 1099-G, 1099-R, and 1099-MISC). Fill in the total on line 22. Attach readable copies of your withholding statements to the back of Form 1.

DO NOT claim credit for tax withheld for other states. DO NOT claim amounts marked social security or Medicare tax withheld. DO NOT claim credit for federal tax withheld. DO NOT include withholding statements from other tax years. DO NOT write on or change or attempt to correct the amounts on your withholding statements.

It is your responsibility to ensure that your employer or other payer has provided withholding statements that:

1. Are clear and easy to read.
2. Show withholding was paid to Wisconsin.

If you do not have a withholding statement or need a corrected withholding statement, contact your employer or other payer.

■ Line 23 1997 Wisconsin Estimated Tax Payments and Amount Applied From 1996 Return

Fill in the total of (1) any overpayment of 1996 income tax you were allowed as a credit on your 1997 Wisconsin estimated tax plus (2) any Wisconsin estimated tax payments you made for 1997. If you are married and file a joint return, add together (1) the total of both spouses' separate estimated tax payments, (2) any joint estimated tax payments you made, and (3) the total overpayments of 1996 income tax you and your spouse were allowed as credit to your 1997 estimated tax account(s).

If you are filing a separate tax return, you may not claim any part of your spouse's separate estimated tax payments or credits. However, you and your spouse may split your joint estimated tax payments and credits between you as you choose on your separate returns. If you cannot agree on how joint amounts are to be split between you, the department will split them between you according to your respective income tax liabilities.

Follow the above instructions even if your spouse died during 1997.

Name Change If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1 explaining all the payments you and your spouse made for 1997 and the name(s) and social security number(s) under which you made the payments.

■ Line 24 Earned Income Credit

If you qualify for the federal earned income credit and you have at least one qualifying child, you also qualify for the Wisconsin earned income credit.

To claim the Wisconsin earned income credit, complete the following steps and fill in the required information in the spaces provided on line 24.

Step 1 Fill in the number of children who meet the requirements of a "qualifying child" for purposes of the federal earned income credit (see federal Schedule EIC for definition of a "qualifying child").

CAUTION For federal purposes only your first two qualifying children are counted. For Wisconsin purposes all of your qualifying children are counted.

Note If your qualifying child is not claimed as a dependent on your return, write the child's name(s) to the right of line 24.

Step 2 Fill in the earned income credit from line 29c of federal Form 1040A or line 56a of Form 1040. (**Exception** If you were required to reduce your federal earned income credit because you owe alternative minimum tax, fill in the amount of your earned income credit before the reduction for alternative minimum tax.)

Step 3 Fill in the percentage rate which applies to you.

Number of qualifying children (see Step 1 above)	Fill in this percentage rate
1	4%
2	14%
3 or more	43%

Step 4 Multiply the amount of your federal credit (Step 2) by the percentage determined in Step 3. Fill in the result on line 24. This is your Wisconsin earned income credit.

Note If the IRS is computing your federal earned income credit and you want the department to compute your Wisconsin earned income credit for you, fill in the number of your qualifying children in the space provided on line 24. Write EIC in the space to the right of line 24. Complete your return through line 28 of Form 1. Attach a copy of your federal return (Form 1040A or Form 1040) to your Form 1.

■ Line 25 Farmland Preservation Credit

If you are claiming farmland preservation credit, include a completed Schedule FC with your Form 1. Fill in on line 25 of Form 1 the amount from line 16 of your Schedule FC.

Note For a description of the farmland preservation credit program, see Special Instruction G on page 21.

■ Line 26 Net Income Tax Paid to Another State

If you were a Wisconsin resident in 1997 and paid income tax to another state or the District of Columbia, you may be able to claim a credit for such tax on your Wisconsin return. To qualify for a credit, the income that was taxed by the other state must also be included in income on Form 1 and be taxed by Wisconsin. You

Line 26 instructions – continued

may not claim credit for other taxes paid such as city tax, county tax, severance tax, foreign tax, etc. If you paid “minimum tax” to another state, you may be able to claim a credit for this tax. For more information get Publication 125, Credit for Tax Paid to Another State, from any Department of Revenue office.

If you earned wages in Illinois, Indiana, Kentucky, Michigan, or Minnesota, see Reciprocal States below.

How to Compute Your Credit for Tax Paid to Other States

Complete an income tax return from the other state to determine the net tax due, and fill in that amount on line 26 of your Wisconsin Form 1. The amount filled in on line 26 cannot be more than the amount shown on line 16. **Do not fill in on line 26 either the amount of tax withheld as shown on the W-2 form (wage statement) or other withholding statement from the other state or the amount of estimated tax you paid to the other state.**

Example A Wisconsin resident worked part of 1997 in another state. The amount of tax withheld for the other state (or the estimated tax payments to the other state) was \$140. The net tax liability computed on the other state’s form was \$100. The person will receive a \$40 refund from the other state. Therefore, the credit to fill in on line 26 of Form 1 is \$100.

Note If only part of the income taxed by the other state is taxed by Wisconsin (for example, capital gains on assets held more than 1 year are taxed 100% for Illinois but only 40% for Wisconsin), you must limit the credit claimed on line 26. Use the following formula to determine the amount of credit you may claim.

Income taxable to both Wisconsin and other state	x	Total net income tax paid to other state	=	Amount of net income tax allowable as a credit against Wisconsin tax
Total income taxable to other state				

Fill in the amount of your credit on line 26.

Attachments You must attach to your Form 1 a copy of your income tax return from the other state and your W-2 form (wage statement) or other withholding statement from the other state. If you are claiming credit for tax paid to other states by a limited liability company (LLC) treated as a partnership of which you are a member or tax-option (S) corporation of which you are a shareholder, attach a copy of the Wisconsin Schedule 3K-1 you received from the LLC or the 5K-1 you received from the tax-option (S) corporation. If the LLC or corporation did not file a Wisconsin return, submit federal Schedule K-1 plus a statement from the LLC or (S) corporation listing the states where tax was paid and the amount of each state’s tax allocable to you. Attach copies of any combined or composite individual income tax returns filed by the LLC or corporation on your behalf to your Wisconsin return.

Reciprocal States Credit cannot be claimed for taxes paid to **Illinois, Indiana, Kentucky, Michigan, or Minnesota** on wages earned in those states. Generally, under agreements with those states, they do not tax the wages of Wisconsin residents. If income taxes were withheld from your wages by any of those states, you must file a return with that state to obtain a refund. On that state’s return, be sure to explain that you were a Wisconsin resident when earning the wages in that state.

Line 26 instructions – continued

For more information get Publication 121, Reciprocity, from any Department of Revenue office.

Credit for Repayment of Income Previously Taxed If you had to repay during 1997, an amount that you had included in income in an earlier year because at that time you thought you had an unrestricted right to it, you may be able to claim a credit based on the amount repaid. To qualify for the credit, the amount repaid must be over \$3,000 and the amount repaid cannot have been subtracted in computing Wisconsin adjusted gross income or used in computing the Wisconsin itemized deduction credit.

Use the following steps to compute your credit:

- (1) Refigure your tax from the earlier year without including in income the amount you repaid in 1997.
- (2) Subtract the tax in (1) from the tax shown on your return for the earlier year. The difference is the amount of your credit.

Fill in the amount of your credit on line 26 of Form 1, and write “Repayment Credit” in the area to the left of line 26.

Line 27 Homestead Credit

If you are claiming homestead credit, attach your completed Schedule H to your Form 1. Fill in on line 27 of Form 1 the amount from line 19 of your Schedule H.

Note To see if you qualify for homestead credit, refer to Special Instruction F on page 20.

Line 28 Farmland Tax Relief Credit

If you qualify for the farmland tax relief credit, complete line 28 and attach a copy of your 1997 property tax bill(s) to Form 1.

Qualifications You may qualify for the farmland tax relief credit if you meet the following conditions:

- You or a member of your household must have been the owner of at least 35 acres of Wisconsin farmland during the 1997 taxable year. Household means an individual, his or her spouse, and all dependents while they are under age 18.
- Your 1996 property taxes for the farmland on which the credit is based must have been paid.
- The farmland must be in agricultural use. The farm of which the farmland is a part must have produced at least \$6,000 of gross farm profits during 1997 or at least a total of \$18,000 of gross farm profits for 1995, 1996, and 1997 combined. However, if at least 35 acres of your farmland was enrolled in the Conservation Reserve Program during all or part of 1997, you do not have to meet this gross farm profits requirement.

Gross farm profits means gross receipts, excluding rent, from the land’s agricultural use, less the cost or other basis of livestock or other items purchased for resale which are sold or otherwise disposed of during the taxable year. Gross farm profits include the fair market value, at the time of disposition, of payments-in-kind received for placing land in federal programs. If you rent out your farmland, the renter’s gross profits are used to satisfy this requirement. Gross farm profits do not

Line 28 instructions – continued

include the fair market value of crops grown but not sold during the year, fuel tax credits or refund, or a previous year's farmland preservation or farmland tax relief credit.

Who May Claim the Credit Only one member of a household may claim the credit. If two or more members of a household each qualify (for example, where a husband and wife have entered into a farm partnership agreement), they must determine between themselves who the claimant will be. If they are unable to agree, the matter may be referred to the Secretary of Revenue, whose decision will be final.

A claimant may be (1) an individual, (2) each member of a partnership (except publicly traded partnerships) having a joint or common interest in land, (3) a shareholder in a tax-option (S) corporation, (4) the vendee under a land contract, or (5) a guardian on behalf of a ward. When farmland is subject to a life estate, the person who has an ownership interest and is operating the farm and paying the property taxes is the owner who may claim the credit.

Property Taxes to Use Fill in the property taxes on your farmland (exclusive of improvements) in the space provided on line 28, but do not fill in more than \$10,000. The credit is based on property taxes levied on your farmland during the 1997 calendar year less any lottery credit. This is your 1997 property tax bill (payable in 1998). You can use up to \$10,000 of property taxes to compute the credit. This includes property taxes on all land which is in agricultural use, less any state aid or credit. Do not include property taxes on any improvements (for example, farm buildings or a residence), special assessments, special charges, or interest.

Note Your property tax bill may include property taxes on both the farmland and improvements. Use the following formula to determine the portion of the property taxes attributable only to the land. *If you have more than one property tax bill, apply the formula to each bill separately.*

$$\frac{\text{Assessed value of farmland}}{\text{Total assessed value of land and improvements}} \times \text{1997 property taxes levied in 1997 after lottery credit} = \text{Portion of property taxes to be used for the credit}$$

If the farmland is co-owned with someone other than a member of your household, you may use only those taxes on the farmland which reflect your ownership percentage.

If you sold the farmland on which this claim is based during the taxable year, fill in only that portion of the property taxes on the farmland which is allocated to you in the closing agreement pertaining to the sale of the property (use the above formula if improvements are included). If the amount is not set forth in a closing agreement, you may not use any of these taxes in your computation. Do not fill in more than \$10,000.

If you purchased the farmland on which this claim is based during the taxable year, fill in the property taxes on the farmland less any amount allocated to the seller in the closing agreement (use the above formula if improvements are included). If the amount is not set forth in a closing agreement, fill in the total taxes on the farmland. Do not fill in more than \$10,000.

When property is transferred during the claim year by a method other than a sale, such as through gift, divorce, death, bank-

Line 28 instructions – continued

ruptcy, foreclosure, or repossession, the owner of the property on the tax levy date is the owner who may claim the credit. The tax levy date is the date the property tax roll is delivered to the local treasurer for collection, usually in early December of each year.

If the farmland is owned by a tax-option (S) corporation or by a partnership, fill in the portion of property taxes on the farmland that reflects the ownership percentage of you and your household. You may have to contact the tax-option (S) corporation or the partnership to get information on the amount of taxes levied on the farmland during 1997.

Computing the Credit Fill in the amount of your credit on line 28 of Form 1. The credit is equal to 10% of the property taxes on your farmland up to a maximum credit of \$1,000. (**CAUTION** If you are claiming farmland preservation credit on line 25, the total of your farmland preservation credit and your farmland tax relief credit cannot exceed 95% of the property taxes on the farm. If your credits exceed this amount, you should reduce your farmland tax relief credit accordingly.)

Attachments Attach a copy of your 1997 property tax bill(s) to your Wisconsin Form 1. (**Note** If you are also claiming farmland preservation credit or homestead credit on Form 1 and have attached a copy of your 1997 property tax bill(s) to your Schedule FC or Schedule H, you do not have to attach an additional copy.) If the farmland on which the credit is based was purchased or sold during the year, only the buyer must attach a copy of the 1997 property tax bill(s); however, both the buyer and seller must attach a copy of the closing agreement relating to the sale.

If any of the 1997 property tax bills show unpaid prior year taxes, attach a statement signed by your county treasurer indicating the date the 1996 property taxes were paid in full.

■ Line 30 or 31 Refund or Amount You Owe

Complete line 30 or 31 to determine your refund or the amount you owe. Amounts less than \$1 cannot be refunded. If you owe less than \$1, send in your return, but do not pay the tax. If you owe \$1 or more with your return, you may pay by check or money order made payable to the Wisconsin Department of Revenue. Write your social security number on your check or money order, then paper clip it to the front of your Form 1.

■ Line 32 Amount of Line 30 to be Applied to Your 1998 Estimated Tax

Fill in on line 32 the portion of your refund from line 30 that you want to apply to your 1998 estimated income tax. The difference between line 32 and line 30 will be refunded to you. (**Note** The amount applied to your 1998 estimated tax will reduce your refund.)

If you are married filing a joint return, we will apply the amount on line 32 to your joint estimated tax. If you are married filing a separate return, we will apply the amount on line 32 to your separate estimated tax.

Sign and Date Your Return Sign and date your return at the bottom of the page. Form 1 is not considered a valid return unless you sign it. Your spouse must also sign it if it is a joint return. Keep a copy of your return for your records.

Attachments Attach the following to Form 1:

- The appropriate copy of each of your withholding statements (Forms W-2, W-2G, 1099-G, 1099-R, and 1099-MISC).
- If you owe \$1 or more with your return, paper clip your payment to the front of Form 1.
- Copies of appropriate Wisconsin schedules and supporting documents, such as Schedule H (homestead credit) or Schedule FC (farmland preservation credit).
- A complete copy of your federal return and its supporting schedules and forms. If you itemize deductions on your federal return but do not claim the itemized deduction credit on your Wisconsin return, you do not have to attach federal Schedule A.
- A copy of your federal extension application form or required statement if you are filing under an extension of time to file.
- *Persons divorced after June 20, 1996, who compute a refund* If your judgment of divorce apportions any tax liability owned to the Department of Revenue to your former spouse, attach a copy of the judgment to your Form 1 and write "Divorce decree" in the space below line 21. This will prevent your refund from being applied against such tax liability.

- If you are filing federal Form 8379, Injured Spouse Claim and Allocation, attach a copy to your Form 1 and write "Form 8379" in the space below line 21.

Where to File If you qualify for a Quick Refund, see page 4. Otherwise, mail your return to the Wisconsin Department of Revenue at:

(if tax is due)	(if refund or no tax due)	(if homestead credit claimed)
P. O. Box 268 Madison, WI 53790-0001	P. O. Box 59 Madison, WI 53785-0001	P. O. Box 34 Madison, WI 53786-0001

Penalties for Not Filing Returns or Filing Incorrect Returns

If you do not file an income tax return which you are required to file, or if you file an incorrect return due to negligence or fraud, penalties and interest may be assessed against you. The interest rate on delinquent taxes is 18% per year. Civil penalties can be as much as 100% of the amount of tax not reported on the return. Criminal penalties for failing to file or filing a false return include a fine up to \$10,000 and imprisonment.

Special Instructions**A. Effect of Wisconsin Law Changes for 1996**

If you made Schedule I adjustments on your 1996 Wisconsin income tax return, you may now be required to file an amended return for 1996.

The instructions for 1996 Form 1 stated that changes to federal law enacted during 1996 did not apply for Wisconsin purposes. However, Wisconsin law was subsequently amended to provide that many of the changes made to federal law during 1996 also apply for Wisconsin for 1996. A complete listing of the changes made to federal law during 1996 is found in the instructions for 1996 Schedule I.

Exception Wisconsin law specifically provides that the following federal provisions cannot be used for Wisconsin tax purposes for 1996.

- The exclusion for the value of lodging furnished by an academic health center.
- The exclusion for benefits under an employer's educational assistance plan.
- The repeal of the exclusion for punitive damages and for damages not attributable to physical injuries or sickness.

If you made Schedule I adjustments for any of the federal law changes enacted in 1996 (except the three listed above), file an amended 1996 return (Wisconsin Form 1X) anytime within four years of the unextended due date of your 1996 return.

B. Internal Revenue Service Adjustments

If any of your federal income tax returns were adjusted by the Internal Revenue Service and the adjustments affect your Wisconsin income, any credit, or tax payable, you must notify the Department of Revenue of such adjustments within 90 days after they become final. A copy of the final federal audit report must be submitted to the Department of Revenue. The federal audit report and any associated amended Wisconsin return (Form 1X) should be mailed to the Wisconsin Department of Revenue, Audit Bureau, P. O. Box 8906, Madison, WI 53708-8906.

C. Amended Returns

If you filed an amended return with the Internal Revenue Service or another state and the changes on such return affect your Wisconsin

income, any credit, or tax payable, you must file an amended Wisconsin return (Form 1X) within 90 days. Mail your amended return to the Wisconsin Department of Revenue:

(if tax is due)	(if refund or no tax due)
P. O. Box 268 Madison, WI 53790-0001	P. O. Box 8991 Madison, WI 53708-8991

D. Wisconsin Estimated Tax (Form 1-ES)

If your 1998 Wisconsin income tax return will show a balance due of \$200 or more, you must prepay your 1998 tax in installments beginning April 15, 1998 (or increase your withholding) using Wisconsin Form 1-ES. For example, you may have a tax balance due with your return if you have income from which Wisconsin tax is not withheld. If you do not make required installment payments, you may be charged interest.

For more information, contact the department's Estimated Tax Unit at (608) 266-9940 or any Department of Revenue office.

If you filed Form 1-ES for 1997, you will automatically receive Form 1-ES at the end of January 1998. If you must file Form 1-ES for 1998 and do not receive the form in the mail, contact any Department of Revenue office.

E. Armed Forces Personnel

If you were a Wisconsin resident on the date you entered military service, you are considered a Wisconsin resident during your entire military career unless you take action to change your legal residency.

For more information, get Publication 104, Wisconsin Taxation of Military Personnel, from any Department of Revenue office.

F. Homestead Credit

The Wisconsin homestead credit program provides direct relief to home owners and renters. You may qualify if you were:

- At least 18 years old on December 31, 1997.
- A Wisconsin resident for all of 1997.
- Not claimed as a dependent on anyone's 1997 federal tax return (unless you were 62 or older on December 31, 1997).

- Not living in tax-exempt public housing for all of 1997. (Note Some exceptions apply to this rule and are explained in the instructions for the homestead credit form.)
- Not living in a nursing home and receiving medical assistance (Title XIX) when you file for homestead credit.
- Had a total household income (including wages, interest, social security, and certain other sources of income) below \$19,154 in 1997.

For more information about homestead credit, contact our Homestead Unit in Madison at (608) 266-8641 or any Department of Revenue office. A copy of Schedule H, which you must complete to apply for the credit, is available at any Department of Revenue office or by writing: Homestead, P. O. Box 8903, Madison, WI 53708. Schedule H is also available at many banks and libraries.

G. Farmland Preservation Credit

The farmland preservation credit program provides an income tax credit to Wisconsin residents who own at least 35 acres of farmland in Wisconsin. If you claim homestead credit, you are not eligible for farmland preservation credit. For more information about farmland preservation credit, contact our Farmland Preservation Unit in Madison at (608) 266-2442 or any Department of Revenue office. A copy of Schedule FC, which you must complete to apply for the credit, is available at any Department of Revenue office.

H. Development Zones Credits

Special tax credits may be available for persons doing business in Wisconsin development zones.

If you qualify for any of the development zones credits, complete Wisconsin Schedule DC. Copies of Schedule DC are available from any Department of Revenue office.

To claim development zones credits: Add the amount of your development zones credits from Schedule DC to the amount of your married couple credit which would otherwise be reported on line 15 of Form 1. Fill in the total on line 15 of Form 1. In the space to the left of line 15, write "Schedule DC."

Note If you are required to recapture development zones investment credit (see Schedule DC), add the increase in tax due to the recapture of the investment credit to the amount which would otherwise be reported on line 20 of Form 1. Write the amount of the recapture and "DC" on the dotted line next to line 20.

I. Historic Rehabilitation Credits

Any individual who has received certification or approval of a project from the State Historical Society of Wisconsin may be eligible for the credits. Credits attributable to a partnership or tax-option (S) corporation pass through to the partners or shareholders (see Schedule 3K-1 or 5K-1). Credits may also be allocated to beneficiaries of estates and trusts (see Schedule 2K-1).

If you qualify to claim either of the historic rehabilitation credits, complete Wisconsin Schedule HR. Add the total amount of your historic rehabilitation credits from Schedule HR to the amount which would otherwise be reported on line 11 of Form 1. In the space above line 11, write "HR." Attach Schedule HR and the required certification to Form 1.

Exception If you are only claiming historic rehabilitation credits which are passed through from an estate or trust, partnership,

or tax-option (S) corporation, you do not have to complete Schedule HR. Add the total historic rehabilitation credits from your Schedule 2K-1, 3K-1, or 5K-1 to the amount which would otherwise be reported on line 11 of Form 1. In the space above line 11, write "HR/K-1." Attach a copy of Schedule K-1 to Form 1.

Note If you are required to repay all or a portion of a historic rehabilitation credit claimed in a previous year, add the amount you must repay to the amount which would otherwise be reported on line 20 of Form 1. Write the amount of the repayment and the words "Repayment - HRC" on the dotted line next to line 20.

J. Death of a Taxpayer

A return for a taxpayer who died in 1997 should be filed on the same form which would have been used if he or she had lived. Include only the income received by the taxpayer up to the date of his or her death.

If there is no estate to probate, a surviving heir may file Form 1 for the person who died. If there is an estate, the personal representative for the estate must file the return. The person filing the Form 1 should sign it and indicate his or her relationship to the person who died (e.g., "surviving heir" or "personal representative").

When a surviving heir files a Form 1 claiming a refund on behalf of a person who died and the refund is larger than \$100, attach a completed Form I-804, "Claim for Decedent's Wisconsin Income Tax Refund," to the front of Form 1. You may get Form I-804 from any Department of Revenue office. If the refund is \$100 or less and you are claiming the refund, attach a note to the front of Form 1. List your name, address, social security number, relationship to the person who died, and sign the note.

The person who files the return should write "deceased" after the deceased's name in the name and address area at the top of the return.

If the taxpayer did not have to file a return but paid estimated tax or had tax withheld, a return must be filed to get a refund.

If your spouse died during 1997 and you did not remarry in 1997, you can file a joint return. You can also file a joint return if your spouse died in 1998 before filing a 1997 return. A joint return should show your spouse's 1997 income before death and your income for all of 1997. Write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

If you are claiming a refund as a surviving spouse filing a joint return with the deceased and you follow the above instructions, you do not have to file the Form I-804.

For more information about the final income tax return to be filed for a deceased person or about estate tax returns which may also be required, contact any department office or call (608) 266-2772.

K. Requesting Copies of Your Returns

The Department of Revenue will provide copies of your returns for prior years for a fee of \$5.00 per return. Requests must be made in person or in writing. Call (608) 267-1266 for more information.

1997 TAX TABLE FOR FORM 1 FILERS

(Caution Not all taxpayers can use this table. See instructions below.)

IMPORTANT - The Wisconsin standard deduction has been built into this Tax Table. The table automatically allows most taxpayers the correct amount of standard deduction. However, certain taxpayers (see the three categories listed below) cannot use this table.

This Tax Table cannot be used by taxpayers who:

- Have unearned income (for example, interest income) and can be claimed as a dependent on another person's income tax return
- Are filing a short period income tax return
- Are filing federal Form 4563 to claim an exclusion of income from sources within U.S. possessions

All other taxpayers must use this Tax Table.

If you cannot use this Tax Table, compute your tax by completing the "Special Tax Worksheet" which appears on page 11 of the instructions.

Example Mr. and Mrs. Smith are filing a joint return. Their Wisconsin income on line 5 of Form 1 is \$28,653. First they find the \$28,000 heading in the table. Then they find the \$28,600 - 28,700 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and the filing status line meet is \$1,383. This is the tax amount they must write on line 6 of their return.

At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your tax is—					
28,400	28,500	1,605	1,367	1,851	1,605
28,500	28,600	1,612	1,375	1,858	1,612
28,600	28,700	1,620	1,383	1,865	1,620
28,700	28,800	1,628	1,392	1,872	1,628

If line 5 (Wisconsin income) is—		And you are—				If line 5 (Wisconsin income) is—		And you are—				If line 5 (Wisconsin income) is—		And you are—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
						6,000						9,000					
						6,000	6,100	42	0	102	0	9,000	9,100	198	7	289	116
						6,100	6,200	47	0	108	0	9,100	9,200	203	12	297	122
						6,200	6,300	51	0	114	0	9,200	9,300	209	17	305	128
						6,300	6,400	56	0	119	0	9,300	9,400	214	22	312	134
						6,400	6,500	61	0	125	0	9,400	9,500	220	27	320	140
						6,500	6,600	66	0	131	0	9,500	9,600	225	32	328	146
						6,600	6,700	71	0	137	0	9,600	9,700	231	37	336	152
						6,700	6,800	76	0	143	0	9,700	9,800	236	42	344	158
						6,800	6,900	81	0	149	0	9,800	9,900	242	47	352	164
						6,900	7,000	86	0	155	0	9,900	10,000	247	51	360	170
								7,000				10,000					
						7,000	7,100	91	0	160	0	10,000	10,100	253	57	367	176
						7,100	7,200	96	0	166	5	10,100	10,200	258	63	375	182
						7,200	7,300	100	0	172	10	10,200	10,300	264	69	383	188
						7,300	7,400	105	0	178	15	10,300	10,400	269	74	391	194
						7,400	7,500	110	0	184	20	10,400	10,500	275	80	399	200
						7,500	7,600	115	0	190	26	10,500	10,600	280	86	407	206
						7,600	7,700	121	0	196	32	10,600	10,700	286	92	414	212
						7,700	7,800	126	0	202	38	10,700	10,800	291	98	422	218
						7,800	7,900	132	0	207	44	10,800	10,900	297	104	430	224
						7,900	8,000	137	0	213	50	10,900	11,000	302	110	438	230
								8,000				11,000					
						8,000	8,100	143	0	219	56	11,000	11,100	308	116	446	236
						8,100	8,200	148	0	225	62	11,100	11,200	313	121	454	242
						8,200	8,300	154	0	231	68	11,200	11,300	319	127	462	248
						8,300	8,400	159	0	237	74	11,300	11,400	324	133	469	254
						8,400	8,500	165	0	243	80	11,400	11,500	329	139	477	260
						8,500	8,600	170	0	250	86	11,500	11,600	335	145	485	266
						8,600	8,700	176	0	258	92	11,600	11,700	340	151	493	272
						8,700	8,800	181	0	265	98	11,700	11,800	346	157	501	278
						8,800	8,900	187	0	273	104	11,800	11,900	351	162	509	284
						8,900	9,000	192	2	281	110	11,900	12,000	357	168	516	290

If line 5 (Wisconsin income) is—		And you are—				If line 5 (Wisconsin income) is—		And you are—				If line 5 (Wisconsin income) is—		And you are—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
66,000						72,000						78,000					
66,000	66,100	4,397	4,336	4,457	4,397	72,000	72,100	4,812	4,752	4,873	4,812	78,000	78,100	5,228	5,168	5,288	5,228
66,100	66,200	4,403	4,343	4,464	4,403	72,100	72,200	4,819	4,759	4,879	4,819	78,100	78,200	5,235	5,175	5,295	5,235
66,200	66,300	4,410	4,350	4,471	4,410	72,200	72,300	4,826	4,766	4,886	4,826	78,200	78,300	5,242	5,182	5,302	5,242
66,300	66,400	4,417	4,357	4,478	4,417	72,300	72,400	4,833	4,773	4,893	4,833	78,300	78,400	5,249	5,189	5,309	5,249
66,400	66,500	4,424	4,364	4,484	4,424	72,400	72,500	4,840	4,780	4,900	4,840	78,400	78,500	5,256	5,196	5,316	5,256
66,500	66,600	4,431	4,371	4,491	4,431	72,500	72,600	4,847	4,787	4,907	4,847	78,500	78,600	5,263	5,203	5,323	5,263
66,600	66,700	4,438	4,378	4,498	4,438	72,600	72,700	4,854	4,794	4,914	4,854	78,600	78,700	5,270	5,209	5,330	5,270
66,700	66,800	4,445	4,385	4,505	4,445	72,700	72,800	4,861	4,801	4,921	4,861	78,700	78,800	5,277	5,216	5,337	5,277
66,800	66,900	4,452	4,392	4,512	4,452	72,800	72,900	4,868	4,808	4,928	4,868	78,800	78,900	5,284	5,223	5,344	5,284
66,900	67,000	4,459	4,399	4,519	4,459	72,900	73,000	4,875	4,814	4,935	4,875	78,900	79,000	5,290	5,230	5,351	5,290
67,000						73,000						79,000					
67,000	67,100	4,466	4,406	4,526	4,466	73,000	73,100	4,882	4,821	4,942	4,882	79,000	79,100	5,297	5,237	5,358	5,297
67,100	67,200	4,473	4,412	4,533	4,473	73,100	73,200	4,889	4,828	4,949	4,889	79,100	79,200	5,304	5,244	5,365	5,304
67,200	67,300	4,480	4,419	4,540	4,480	73,200	73,300	4,895	4,835	4,956	4,895	79,200	79,300	5,311	5,251	5,372	5,311
67,300	67,400	4,487	4,426	4,547	4,487	73,300	73,400	4,902	4,842	4,963	4,902	79,300	79,400	5,318	5,258	5,378	5,318
67,400	67,500	4,494	4,433	4,554	4,494	73,400	73,500	4,909	4,849	4,970	4,909	79,400	79,500	5,325	5,265	5,385	5,325
67,500	67,600	4,500	4,440	4,561	4,500	73,500	73,600	4,916	4,856	4,977	4,916	79,500	79,600	5,332	5,272	5,392	5,332
67,600	67,700	4,507	4,447	4,568	4,507	73,600	73,700	4,923	4,863	4,983	4,923	79,600	79,700	5,339	5,279	5,399	5,339
67,700	67,800	4,514	4,454	4,575	4,514	73,700	73,800	4,930	4,870	4,990	4,930	79,700	79,800	5,346	5,286	5,406	5,346
67,800	67,900	4,521	4,461	4,582	4,521	73,800	73,900	4,937	4,877	4,997	4,937	79,800	79,900	5,353	5,293	5,413	5,353
67,900	68,000	4,528	4,468	4,588	4,528	73,900	74,000	4,944	4,884	5,004	4,944	79,900	80,000	5,360	5,300	5,420	5,360
68,000						74,000						80,000					
68,000	68,100	4,535	4,475	4,595	4,535	74,000	74,100	4,951	4,891	5,011	4,951	80,000 or more	5,363	5,303	5,424	5,363	
68,100	68,200	4,542	4,482	4,602	4,542	74,100	74,200	4,958	4,898	5,018	4,958	plus 6.93% of taxable income over \$80,000					
68,200	68,300	4,549	4,489	4,609	4,549	74,200	74,300	4,965	4,905	5,025	4,965						
68,300	68,400	4,556	4,496	4,616	4,556	74,300	74,400	4,972	4,911	5,032	4,972						
68,400	68,500	4,563	4,503	4,623	4,563	74,400	74,500	4,979	4,918	5,039	4,979						
68,500	68,600	4,570	4,510	4,630	4,570	74,500	74,600	4,986	4,925	5,046	4,986						
68,600	68,700	4,577	4,517	4,637	4,577	74,600	74,700	4,992	4,932	5,053	4,992						
68,700	68,800	4,584	4,523	4,644	4,584	74,700	74,800	4,999	4,939	5,060	4,999						
68,800	68,900	4,591	4,530	4,651	4,591	74,800	74,900	5,006	4,946	5,067	5,006						
68,900	69,000	4,597	4,537	4,658	4,597	74,900	75,000	5,013	4,953	5,074	5,013						
69,000						75,000											
69,000	69,100	4,604	4,544	4,665	4,604	75,000	75,100	5,020	4,960	5,080	5,020						
69,100	69,200	4,611	4,551	4,672	4,611	75,100	75,200	5,027	4,967	5,087	5,027						
69,200	69,300	4,618	4,558	4,679	4,618	75,200	75,300	5,034	4,974	5,094	5,034						
69,300	69,400	4,625	4,565	4,685	4,625	75,300	75,400	5,041	4,981	5,101	5,041						
69,400	69,500	4,632	4,572	4,692	4,632	75,400	75,500	5,048	4,988	5,108	5,048						
69,500	69,600	4,639	4,579	4,699	4,639	75,500	75,600	5,055	4,995	5,115	5,055						
69,600	69,700	4,646	4,586	4,706	4,646	75,600	75,700	5,062	5,002	5,122	5,062						
69,700	69,800	4,653	4,593	4,713	4,653	75,700	75,800	5,069	5,008	5,129	5,069						
69,800	69,900	4,660	4,600	4,720	4,660	75,800	75,900	5,076	5,015	5,136	5,076						
69,900	70,000	4,667	4,607	4,727	4,667	75,900	76,000	5,083	5,022	5,143	5,083						
70,000						76,000											
70,000	70,100	4,674	4,613	4,734	4,674	76,000	76,100	5,090	5,029	5,150	5,090						
70,100	70,200	4,681	4,620	4,741	4,681	76,100	76,200	5,096	5,036	5,157	5,096						
70,200	70,300	4,688	4,627	4,748	4,688	76,200	76,300	5,103	5,043	5,164	5,103						
70,300	70,400	4,695	4,634	4,755	4,695	76,300	76,400	5,110	5,050	5,171	5,110						
70,400	70,500	4,701	4,641	4,762	4,701	76,400	76,500	5,117	5,057	5,177	5,117						
70,500	70,600	4,708	4,648	4,769	4,708	76,500	76,600	5,124	5,064	5,184	5,124						
70,600	70,700	4,715	4,655	4,776	4,715	76,600	76,700	5,131	5,071	5,191	5,131						
70,700	70,800	4,722	4,662	4,782	4,722	76,700	76,800	5,138	5,078	5,198	5,138						
70,800	70,900	4,729	4,669	4,789	4,729	76,800	76,900	5,145	5,085	5,205	5,145						
70,900	71,000	4,736	4,676	4,796	4,736	76,900	77,000	5,152	5,092	5,212	5,152						
71,000						77,000											
71,000	71,100	4,743	4,683	4,803	4,743	77,000	77,100	5,159	5,099	5,219	5,159						
71,100	71,200	4,750	4,690	4,810	4,750	77,100	77,200	5,166	5,105	5,226	5,166						
71,200	71,300	4,757	4,697	4,817	4,757	77,200	77,300	5,173	5,112	5,233	5,173						
71,300	71,400	4,764	4,704	4,824	4,764	77,300	77,400	5,180	5,119	5,240	5,180						
71,400	71,500	4,771	4,710	4,831	4,771	77,400	77,500	5,187	5,126	5,247	5,187						
71,500	71,600	4,778	4,717	4,838	4,778	77,500	77,600	5,193	5,133	5,254	5,193						
71,600	71,700	4,785	4,724	4,845	4,785	77,600	77,700	5,200	5,140	5,261	5,200						
71,700	71,800	4,792	4,731	4,852	4,792	77,700	77,800	5,207	5,147	5,268	5,207						
71,800	71,900	4,798	4,738	4,859	4,798	77,800	77,900	5,214	5,154	5,275	5,214						
71,900	72,000	4,805	4,745	4,866	4,805	77,900	78,000	5,221	5,161	5,281	5,221						

1997 STANDARD DEDUCTION TABLE

IMPORTANT—This standard deduction table should only be used by the two groups of taxpayers identified below. Other taxpayers should not use this table. Use this standard deduction table **only** if you:

- Are completing Schedule 3 on the reverse side of Form 1 to compute an itemized deduction credit, or
- Have unearned income (for example, interest income) and can be claimed as a dependent on another person's income tax return.

If your income (line 5 of Form 1) is—		And you are—				If your income (line 5 of Form 1) is—		And you are—				If your income (line 5 of Form 1) is—		And you are—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
		Your standard deduction is—						Your standard deduction is—						Your standard deduction is—			
0	4,750	5,200	8,900	4,230	7,040	22,000	22,500	3,430	6,477	769	3,719	40,000	40,500	1,270	2,917	0	1,270
4,750	5,000	5,200	8,900	4,205	7,040	22,500	23,000	3,370	6,378	670	3,606	40,500	41,000	1,210	2,818	0	1,210
5,000	5,500	5,200	8,900	4,131	7,040	23,000	23,500	3,310	6,279	571	3,494	41,000	41,500	1,150	2,719	0	1,150
5,500	6,000	5,200	8,900	4,032	7,040	23,500	24,000	3,250	6,181	472	3,381	41,500	42,000	1,090	2,620	0	1,090
6,000	6,500	5,200	8,900	3,933	7,040	24,000	24,500	3,190	6,082	373	3,269	42,000	42,500	1,030	2,522	0	1,030
6,500	7,000	5,200	8,900	3,834	7,040	24,500	25,000	3,130	5,983	274	3,156	42,500	43,000	970	2,423	0	970
7,000	7,500	5,200	8,900	3,736	7,040	25,000	25,500	3,070	5,884	176	3,070	43,000	43,500	910	2,324	0	910
7,500	8,000	5,170	8,900	3,637	6,984	25,500	26,000	3,010	5,785	77	3,010	43,500	44,000	850	2,225	0	850
8,000	8,500	5,110	8,900	3,538	6,871	26,000	26,500	2,950	5,686	0	2,950	44,000	44,500	790	2,126	0	790
8,500	9,000	5,050	8,900	3,439	6,759	26,500	27,000	2,890	5,587	0	2,890	44,500	45,000	730	2,027	0	730
9,000	9,500	4,990	8,900	3,340	6,646	27,000	27,500	2,830	5,488	0	2,830	45,000	45,500	670	1,928	0	670
9,500	10,000	4,930	8,900	3,241	6,533	27,500	28,000	2,770	5,389	0	2,770	45,500	46,000	610	1,829	0	610
10,000	10,500	4,870	8,851	3,142	6,421	28,000	28,500	2,710	5,291	0	2,710	46,000	46,500	550	1,730	0	550
10,500	11,000	4,810	8,752	3,043	6,308	28,500	29,000	2,650	5,192	0	2,650	46,500	47,000	490	1,632	0	490
11,000	11,500	4,750	8,653	2,944	6,196	29,000	29,500	2,590	5,093	0	2,590	47,000	47,500	430	1,533	0	430
11,500	12,000	4,690	8,554	2,846	6,083	29,500	30,000	2,530	4,994	0	2,530	47,500	48,000	370	1,434	0	370
12,000	12,500	4,630	8,455	2,747	5,971	30,000	30,500	2,470	4,895	0	2,470	48,000	48,500	310	1,335	0	310
12,500	13,000	4,570	8,356	2,648	5,858	30,500	31,000	2,410	4,796	0	2,410	48,500	49,000	250	1,236	0	250
13,000	13,500	4,510	8,257	2,549	5,745	31,000	31,500	2,350	4,697	0	2,350	49,000	49,500	190	1,137	0	190
13,500	14,000	4,450	8,158	2,450	5,633	31,500	32,000	2,290	4,598	0	2,290	49,500	50,000	130	1,038	0	130
14,000	14,500	4,390	8,059	2,351	5,520	32,000	32,500	2,230	4,499	0	2,230	50,000	50,500	70	939	0	70
14,500	15,000	4,330	7,961	2,252	5,408	32,500	33,000	2,170	4,401	0	2,170	50,500	51,000	10	840	0	10
15,000	15,500	4,270	7,862	2,153	5,295	33,000	33,500	2,110	4,302	0	2,110	51,000	51,500	0	742	0	0
15,500	16,000	4,210	7,763	2,054	5,183	33,500	34,000	2,050	4,203	0	2,050	51,500	52,000	0	643	0	0
16,000	16,500	4,150	7,664	1,956	5,070	34,000	34,500	1,990	4,104	0	1,990	52,000	52,500	0	544	0	0
16,500	17,000	4,090	7,565	1,857	4,957	34,500	35,000	1,930	4,005	0	1,930	52,500	53,000	0	445	0	0
17,000	17,500	4,030	7,466	1,758	4,845	35,000	35,500	1,870	3,906	0	1,870	53,000	53,500	0	346	0	0
17,500	18,000	3,970	7,367	1,659	4,732	35,500	36,000	1,810	3,807	0	1,810	53,500	54,000	0	247	0	0
18,000	18,500	3,910	7,268	1,560	4,620	36,000	36,500	1,750	3,708	0	1,750	54,000	54,500	0	148	0	0
18,500	19,000	3,850	7,169	1,461	4,507	36,500	37,000	1,690	3,609	0	1,690	54,500	55,000	0	49	0	0
19,000	19,500	3,790	7,071	1,362	4,394	37,000	37,500	1,630	3,510	0	1,630	55,000 or more		0	0	0	0
19,500	20,000	3,730	6,972	1,263	4,282	37,500	38,000	1,570	3,412	0	1,570						
20,000	20,500	3,670	6,873	1,164	4,169	38,000	38,500	1,510	3,313	0	1,510						
20,500	21,000	3,610	6,774	1,066	4,057	38,500	39,000	1,450	3,214	0	1,450						
21,000	21,500	3,550	6,675	967	3,944	39,000	39,500	1,390	3,115	0	1,390						
21,500	22,000	3,490	6,576	868	3,832	39,500	40,000	1,330	3,016	0	1,330						

1997 TAX RATE SCHEDULES

(Caution Not all taxpayers should use these schedules. See instructions below.)

IMPORTANT — These tax rate schedules should only be used by taxpayers who compute their tax by using the Special Tax Worksheet on page 11 of the instructions. These are the three groups of taxpayers identified below. Other taxpayers should use the Tax Table on page 22 to figure their tax.

Use these tax rate schedules only if you:

- Have unearned income (for example, interest income) and can be claimed as a dependent on another person's income tax return
- Are filing a short period return
- Are filing federal Form 4563 to claim an exclusion of income from sources within U.S. possessions

Schedule For Single Taxpayers and Head of Household			
LINE 5 OF THE SPECIAL TAX WORKSHEET IS:		YOUR 1997 TAX IS:	
over—	but not over—	of the amount over—	of the amount over—
\$ 0	\$ 7,500 4.9%	\$ 0
7,500	15,000	\$367.50 + 6.55%	7,500
15,000 or over		858.75 + 6.93%	15,000

Schedule For Married Taxpayers Filing Joint Return			
LINE 5 OF THE SPECIAL TAX WORKSHEET IS:		YOUR 1997 TAX IS:	
over—	but not over—	of the amount over—	of the amount over—
\$ 0	\$10,000 4.9%	\$ 0
10,000	20,000	\$ 490.00 + 6.55%	10,000
20,000 or over		1,145.00 + 6.93%	20,000

Schedule For Married Taxpayers Filing Separate Returns			
LINE 5 OF THE SPECIAL TAX WORKSHEET IS:		YOUR 1997 TAX IS:	
over—	but not over—	of the amount over—	of the amount over—
\$ 0	\$ 5,000 4.9%	\$ 0
5,000	10,000	\$245.00 + 6.55%	5,000
10,000 or over		572.50 + 6.93%	10,000

WISCONSIN SCHOOL DISTRICT NUMBER

Appearing below is an alphabetical listing of Wisconsin school districts. Refer to this listing and find the number of the district in which you lived on December 31, 1997. Fill in this number in the name and address area of your return. Failure to include your school district number may delay the processing of your return and any refund due.

The listing is divided into two sections. SECTION I lists all districts which operate high schools. SECTION II lists those districts which operate schools having only elementary grades.

Your school district will generally be the name of the municipality where the public high school is located which any children at your home would be entitled to attend. However, if such high school is a "union high school," refer to SECTION II and find the number of your elementary district.

The listing has the names of the school districts only to help you find your district number. Don't write in the name of your school district or the name

of any specific school. Fill in only your school district's number on the school district line in the name and address area of your return. For example:

- 1. If you lived in the city of Milwaukee, you will fill in the number 3619 on the school district line.
2. If you lived in the city of Hartford, you would refer to SECTION II and find the number 2443, which is the number for Jt. No. 1 Hartford elementary district.

The following are other factors to be considered in determining your school district number:

- 1. If you lived in one school district but worked in another, fill in the district number where you lived.
2. If you were temporarily living away from your permanent home, fill in the district number of your permanent home.

Note If you can't identify your school district, contact your municipal clerk or local school for help.

SECTION I--SCHOOL DISTRICTS OPERATING HIGH SCHOOLS

Table with 10 columns: School District, No., School District, No., School District, No., School District, No., School District, No., School District, No. Lists various Wisconsin school districts and their corresponding numbers.

*This is a "Union High School" district. Refer to Section II of this listing and determine the number of your elementary school district.

SECTION II--SCHOOL DISTRICTS OPERATING ONLY ELEMENTARY SCHOOLS

Table with 10 columns: School District, No., School District, No., School District, No., School District, No., School District, No., School District, No. Lists Wisconsin school districts operating only elementary schools and their numbers.