

## INSTRUCTIONS FOR 1997 WISCONSIN SCHEDULE WD

**Purpose of Schedule:** Schedule WD is used to determine the amount of capital gain or loss which you must include in Wisconsin income. Generally, all amounts reported on your federal Schedule D must be reported on Schedule WD. However, for Wisconsin tax purposes, you may exclude 60% of the net capital gain from assets held more than one year.

The amount of net capital loss that can be applied against other income after offsetting capital gains is limited to \$500. Unused capital losses are carried over to later years until fully used.

**Note:** If your capital gain or loss reportable to Wisconsin consists only of a capital gain distribution from a mutual fund, you do not have to complete Schedule WD. See the instructions for Form 1 or Form 1NPR for information on claiming an exclusion on a portion of the capital gain distribution.

Attach Schedule WD to your Wisconsin Form 1 or Form 1NPR.

Get Publication 103 from any department office for further information on reporting capital gains and losses for Wisconsin.

### Specific Instructions:

#### Part I and Part II, Capital Gains and Losses

If you are not affected by any of the items listed below under "Items Which Require Adjustment," fill in the net short-term capital gain or (loss) from line 7 of your federal Schedule D on line 7 of Schedule WD. Fill in the net long-term capital gain or (loss) from line 16 of your federal Schedule D on line 15 of Schedule WD. Write "Same as federal" in the space by line 1 of Schedule WD, and go on to Part III on page 2 of Schedule WD.

If you are affected by any of the items listed below under "Items Which Require Adjustment," fill in each separate amount from lines 1, 2, 4, and 5, column (f), of Part I and lines 8, 9, 11, 12, and 13, column (f), of Part II of your federal Schedule D on the appropriate lines of Schedule WD. Amounts from lines 2 and 9, column (f), of Schedule D should be filled in on lines 1 and 8 of Schedule WD. However, for those items which require adjustment, fill in the amount indicated in these instructions instead of the amount reported on your federal Schedule D.

#### Items Which Require Adjustment

The following items require adjustments to the amounts reported on your federal Schedule D or as to whether an amount is reported as a short-term or long-term capital gain or loss:

**Capital Loss Carryovers:** Fill in your capital loss carryover from assets held one year or less from line 26 of your 1996 Schedule WD on line 5 of Schedule WD. Fill in your capital loss carryover from assets held more than one year from line 31 of your 1996 Schedule WD on line 13 of Schedule WD.

#### Note:

- If you and your spouse are filing a joint return for 1997, but filed separate returns for 1996, combine the capital loss carryovers from your separate 1996 Schedule WD's.
- If you and your spouse are filing separate returns for 1997, but filed a joint return for 1996, any capital loss carryover can be deducted only on the return of the spouse who actually had the loss. For a

capital loss carryover incurred during a year before the Wisconsin marital property law applies to you, title to the property determines which spouse may deduct the loss. For a capital loss carryover incurred during a year to which the marital property law applies, the classification of the property determines which spouse may deduct the loss. 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.

- Capital losses attributable to a deceased spouse cannot be carried over to the surviving spouse's returns for any tax year beginning after the date of death.
- You may have to reduce your capital loss carryover to 1997 if you excluded income from discharge of indebtedness from your 1997 taxable income. Contact any Department of Revenue office for further information.

**Nonresidents and Part-Year Residents:** Nonresidents should include only gain or loss from Wisconsin sources on Schedule WD. Part-year residents should include the amount of gain or loss received from all sources while a Wisconsin resident and the amount of gain or loss from Wisconsin sources while a nonresident.

Gain or loss from Wisconsin sources includes gain or loss from the sale of land, buildings, and machinery located in Wisconsin, gain from the sale of stock acquired under an incentive stock option or employee stock purchase plan to the extent attributable to personal services performed in Wisconsin, and your share of gain or loss from an estate or trust, partnership, or tax-option (S) corporation which has been reported to you on Wisconsin Schedule 2K-1, 3K-1, or 5K-1. It doesn't include losses from nonbusiness bad debts and worthless securities, and gains or losses from sales of stocks (except gain on stock acquired under an incentive stock option or employee stock purchase plan as explained above) while a nonresident.

#### Gain From Installment Sales:

- Taxable gain from installment sales reported on lines 4 and 11, column (f), of federal Schedule D must be reported on lines 2 and 9 of Schedule WD, as appropriate. Gain from an installment sale is reported on line 2 of Schedule WD if, at the time of sale or other disposition, you held the property for one year or less. If, at the time of sale or other disposition, you held the property for more than one year, the gain is reported on line 9 of Schedule WD.
- Taxable gain from installment sales which is from Form 4797 and included on line 11, column (f), of federal Schedule D is also included on line 9 of Schedule WD. However, if, at the time of sale or other disposition, you held the property for one year or less, report the installment sale gain on line 1 of Schedule WD. The remaining portion of the amount on line 11, column (f), of federal Schedule D should be reported on line 9 of Schedule WD.

**Gain or Loss From Partnerships, S Corporations, and Fiduciaries:** Fill in on line 3 or 10 the amount of capital gain or loss from partnerships, tax-option (S) corporations, estates, and trusts.

- If the partnership, S corporation, estate, or trust has informed you of any adjustment to be made to the capital gain or loss for Wisconsin, be sure to use the gain or loss as adjusted.
- If you are a shareholder in a federal S corporation that elects not to be treated as a Wisconsin tax-option corporation, do not include on Schedule WD any capital gain or loss distributed to you by that

federal S corporation. See page 10 of Form 1 or page 10 of Form 1NPR instructions for additions and subtractions you must make to adjust for tax-option (S) corporation income.

**Adjustment for Differences Between Wisconsin and Federal Basis of Assets:** Gain or loss from the sale or other disposition of assets may be different for Wisconsin and federal purposes because of a difference in the federal and Wisconsin basis of your property.

- If you have a difference in the federal and Wisconsin basis of property and that property is your principal residence, complete a federal Form 2119 using the Wisconsin basis instead of the federal basis. Fill in any taxable gain from the "Wisconsin" Form 2119 on line 2 or 9 of Schedule WD, as appropriate.
- If you have a difference in the Wisconsin and federal basis of property (other than your principal residence) and that property is a capital asset (sale or other disposition is reported on federal Schedule D), fill in the federal gain or loss in Part I or Part II of Schedule WD, as appropriate. You must also complete Part I of Wisconsin Schedule T to compute the amount to fill in on line 4 or 12 of Schedule WD.
- If you have a difference in the Wisconsin and federal basis of property and the sale or other disposition of such property is reported on federal Form 4797, see the instructions for Part II of Wisconsin Schedule T and recompute a Form 4797 as instructed. If you filled in a gain on line 7 or 9 of your "Wisconsin" Form 4797, you must use the amount from the "Wisconsin" Form 4797 to complete line 9 of Schedule WD.

**Net Capital Gain on the Sale of Small Business Stock:** Do not include on Schedule WD any net capital gain from the sale of qualified small business stock which you acquired on or after January 1, 1986, and held for at least 5 years, and which you did not acquire by gift. To be qualified small business stock, the corporation must have met certain requirements at the time you acquired the stock from the corporation. You must attach to your Form 1 or 1NPR a copy of the certification you received from the corporation which indicates the requirements were met.

**Marital Property:** Do not include on Schedule WD any gain or loss on the exchange of marital property by a surviving spouse and distributee under s. 857.03(2) of the Wisconsin Statutes.

### Part III, Summary of Parts I and II

Complete lines 16 through 20 to compute the amount of capital gain or loss that must be included in Wisconsin taxable income.

**Note:** To determine your Wisconsin ordinary income (line 20), figure the amount from Form 1, line 5 (line 27 of Form 1NPR), without regard to capital gains and losses. If this amount is a loss, fill in -0- on line 20.

*Form 1 Filers* — Go on to Part IV. (**Exception:** If the gain on line 19 or the loss on line 20 is the same as the amount on line 13 of your federal Form 1040, you do not have to complete Part IV. However, complete Part V if you have a net loss and the loss on line 16 is more than the loss on line 20.)

*Form 1NPR Filers* — Fill in the amount from line 19 or 20 of Schedule WD on line 7, column B, of Form 1NPR. Do not complete Part IV of Schedule WD. However, complete Part V if you have a net loss and the loss on line 16 is more than the loss on line 20.

### Part IV, Computation of Wisconsin Adjustment to Income

Complete Part IV to figure the amount you must report as a capital gain/loss adjustment on Schedule 1 or 2 of Form 1. When completing Part IV, do not put brackets around losses. All amounts should be entered as positive numbers.

- If you have a net gain for both federal and Wisconsin purposes, fill in lines 21a and 21b. Also, fill in either line 21c or line 21d, whichever applies.
- If you have a net loss for both federal and Wisconsin purposes, fill in lines 21e and 21f. Also, fill in either line 21g or line 21h, whichever applies.
- If you have a net gain for federal purposes and a net loss for Wisconsin, fill in your federal gain on lines 21a and 21d. Fill in your Wisconsin loss on lines 21f and 21g. Add the amounts on lines 21d and 21g. Fill in the total on Schedule 2 of Form 1.
- If you have a net loss for federal purposes and a net gain for Wisconsin, fill in your federal loss on lines 21e and 21h. Fill in your Wisconsin gain on lines 21b and 21c. Add the amounts on lines 21c and 21h. Fill in the total on Schedule 1 of Form 1.

### Part V, Computation of Capital Loss Carryovers From 1997 to 1998

If you have a net loss and the loss on line 16 is more than the loss on line 20, complete Part V to figure the amount of your capital loss carryover. Complete lines 22 through 26 to figure your short-term capital loss carryover. Complete lines 27 through 31 to figure your long-term capital loss carryover.