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SCHEDULE 2440W

Wisconsin Department of Revenue

Attach to Wisconsin Form 1 or 1NPR

Disability Income Exclusion

(Applies Only to Disabled Retirees Under Age 65)
See instructions on back.

1998

Name(s) shown on Form 1 or Form 1NPR	Your social security number

	Date you retired	Employer's name (also give payer's name, if other than employer)
Yourself		
Spouse		

		(1) YOURSELF	(2) SPOUSE
1 Fill in the amount of your disability pay which is included in your federal adjusted gross income	1		
2 Excludable disability pay (see instructions):			
(a) Multiply $100 by the number of weeks for which your disability payments were at least $100. Fill in the total	2a		
(b) If you received disability payments of less than $100 for any week, fill in the total amount you received for all such weeks	2b		
(c) If you received disability payments for less than a week, fill in the smaller amount of either the amount you received or the highest exclusion allowable for the period (see instructions)	2c		
(d) Add lines 2a, 2b, and 2c. Fill in the total	2d		
3 Add amounts on line 2d, columns (1) and (2). Fill in the total in column (2)		3	
4 Fill in the smaller of line 1 (total of columns (1) and (2)) or line 3		4	
5 Limit on exclusion (see instructions):			
(a) Fill in adjusted gross income from line 33 of federal Form 1040, line 18 of Form 1040A, or line 4 of Form 1040EZ	5a		
(b) Amount used to figure any exclusion decrease	5b	$15,000.00	
(c) Subtract line 5b from line 5a. If line 5b is more than line 5a, fill in -0-		5c	
6 Subtract line 5c from line 4 and fill in here. If line 5c is more than line 4, fill in -0-. Full-year residents — This is your disability income exclusion. Fill in this amount on line 11 of Form 1. If filing Form 1NPR, see the instructions for line 1 or line 10 of Form 1NPR. (Part-year residents — complete lines 7 and 8 below.)		6	
7 Part-year residents — Divide line 6 by the number of weeks you received disability payments		7	
8 Part-year residents — Multiply line 7 by the number of weeks you were a Wisconsin resident and received disability payments. This is your disability income exclusion. Fill in here and see the instructions for line 1 or line 10 of Form 1NPR.		8	

9 If you filed a physician's statement for this disability in an earlier year, please check this box. ☐
You do not have to file another statement. If you have not, you must file a physician's statement (see instructions).

Tab Out Before Printing

FYI - use mouse to check applicable boxes

Physician's Statement of Permanent and Total Disability

Please complete and return to taxpayer.

Name of disabled taxpayer	Social security number

I certify that the taxpayer named above was (check only one box – please see instructions below)

(1) ☐ Permanently and totally disabled on January 1, 1976, or January 1, 1977.

(2) ☐ Permanently and totally disabled on the date he or she retired. Date retired ▶

Physician's name	Physician's address

Physician's signature	Date

Instructions for Statement

Taxpayer

Please fill in your name and social security number. If you retired after December 31, 1976, fill in your retirement date in the space after box (2).

Physician

Box (1) applies to taxpayers who retired before January 1, 1977.

Box (2) applies to taxpayers who retired after December 31, 1976.

What is Permanent and Total Disability?

A person is permanently and totally disabled when —

- He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and
- A physician determines that the disability (a) has lasted or can be expected to last continuously for at least a year; or (b) can be expected to lead to death.

Return to Form

General Instructions

A. Purpose of Schedule—Persons who receive disability income may be able to exclude a portion of it from their taxable income. Complete this schedule to determine the amount, if any, of your exclusion.

B. What is Disability Income—Generally, disability income is the total amount you were paid under your employer's accident and health plan or pension plan instead of wages for the time you were absent from work because of permanent and total disability. However, any payment you received from a plan that does not provide for disability retirement is not disability income.

C. Who Can Exclude Disability Income—You can take the exclusion for 1998 if you meet ALL these tests:

- You received disability income which is not otherwise exempt from Wisconsin tax.
- You were not yet 65 when your 1998 tax year ended.
- You retired on disability and were permanently and totally disabled when you retired. (See Instruction D, What is Permanent and Total Disability? Also see instructions for Physician's Statement.)
- On January 1, 1998, you had not yet reached the age when your employer's retirement program would have required you to retire.
- You did not in any year prior to 1984 choose to treat your disability income as a pension instead of taking the exclusion.
- If you were married at the end of 1998, you must file a joint return.
- You were a Wisconsin resident when you received the disability income.

If you meet these tests, you can take the exclusion until the earliest of the following dates:
(1) The first day of the tax year in which you turn 65.
(2) The day you reach the age when your employer's retirement program would have required you to retire.

D. What is Permanent and Total Disability?—A person is permanently and totally disabled when:

- He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and

- A physician determines that the condition (1) has lasted or can be expected to last continuously for at least a year; or (2) can be expected to lead to death.

The examples below show substantial gainful activity. In such cases, the disability income exclusion cannot be taken.

Example 1: Sue, who was a sales clerk, retired on disability. She now works as a full-time babysitter at the minimum wage. Although Sue does different work, she babysits on ordinary terms for the minimum wage. She cannot take the exclusion because she is engaged in a substantial gainful activity.

Example 2: Mary, president of the XYZ Corporation, retired on disability because of terminal illness. On her doctor's advice, she works part-time as a manager and is paid more than the minimum wage. Her employer sets her days and hours. Although Mary's illness is terminal and she works part-time, the work is done at her employer's convenience. She is considered engaged in a substantial gainful activity and cannot take the exclusion.

The following example shows a person who might not be considered to be engaged in a substantial gainful activity.

Example: John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. Because of John's disability, he was given only light duties of a nonproductive, make-work nature. Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. More facts are needed to establish John's ability to engage in a substantial gainful activity.

Specific Instructions

Lines 2a and 2b—You can exclude either your actual weekly disability pay or $100 a week, whichever is less. The following table shows how to figure your weekly disability pay.

Pay period	Your weekly pay is the following part of what you receive each pay period
Weekly	All
Every 2 weeks ...	Half
Twice a month ...	Multiply your pay by 24, and divide the result by 52
Each month	Multiply your pay by 12, and divide the result by 52
Other	Divide your yearly pay by 52

Line 2c—If you received disability pay for part of a week, follow the steps below.

Step 1. Divide $100 by the number of days a week you normally worked before you retired.

Step 2. Divide the disability pay you received by the number of days it covered in that week.

Step 3. Compare the Step 1 and Step 2 amounts. The smaller amount is your daily rate. Your exclusion for the week is based on it.

Step 4. Multiply your daily rate by the number of days you received disability pay in the short week. The result is your exclusion for that week.

Step 5. Add your exclusion for that week to your exclusion for any other short weeks. Fill in the total on line 2c.

Disability payments are made for part of a week when one of the following happens after the first day of the taxpayer's normal workweek:
(1) The disability retirement begins.
(2) The disability retirement ends because the taxpayer reaches required retirement age.
(3) The taxpayer dies.

Line 5—Generally, the most a person can exclude is $5,200. This exclusion goes down, dollar for dollar, by any amount over $15,000 on line 5a.

Generally, no exclusion is left if line 5a is—
- $20,200 or more, and one person could take the exclusion.
- $25,400 or more, and both husband and wife could take the exclusion.

Physician's Statement—If you did not check the box on line 9 of Schedule 2440W, you must have your physician complete a statement of permanent and total disability. You can use the statement on Schedule 2440W for this purpose. However, if you are filing federal Schedule R and your physician completed a Physician's Statement for use with that form, you may submit a copy of that statement instead of completing the physician's statement on Schedule 2440W.

If both husband and wife take the exclusion, each must file a statement.

If you retired on disability before January 1, 1977, the physician's statement must show that you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

If you retired on disability after 1976, the physician's statement must show that you were permanently and totally disabled when you retired.

If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can file VA Form 21-0172 instead of the physician's statement. VA Form 21-0172 must be signed by a person authorized by the VA to do so. You can get VA Form 21-0172 from your local VA regional office.