

# 2001

## Combined Wisconsin Individual Income Tax Return For Nonresident Members of Professional Athletic Teams

### Form 1CNA Instructions

#### New for 2001 . . .

- ***Tax Rates Reduced***

The income tax rates for individuals and fiduciaries have been reduced for 2001. This results in an adjustment to the tax computation worksheet on page 5.

#### Important . . .

- ***Extensions of time to file***

The team may receive an extension of time to file Form 1CNA. See page 1 for more information.

- ***Composite Estimated Tax Vouchers***

Use the Wisconsin Composite Estimated Tax Vouchers, Forms CN-ES, included in this booklet to make estimated tax payments for nonresident team members who will be participating in a combined return, Form 1CNA, for 2002. See page 2.

#### For More Information . . .

- ***Visit the Department of Revenue's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us)***

At this site you may obtain additional information about the Department of Revenue and answers to the most frequently asked questions. You may also download or request tax forms and publications.

- ***Subscribe to the Department of Revenue's publications***

The ***Wisconsin Tax Bulletin*** is a quarterly newsletter that provides information about new Wisconsin tax laws, court decisions, and interpretations of law. Subscriptions cost \$7 per year.

The ***Topical and Court Case Index*** gives references to Wisconsin statutes, administrative rules, *Wisconsin Tax Bulletin* tax releases and private letter rulings, publications, and court decisions. The index is published in December, with an addendum provided in May. The annual cost is \$18, plus sales tax.

To order the bulletin or index, send a check made payable to "Document Sales" to the Wisconsin Department of Administration, P.O. Box 7840, Madison, WI 53707-7840.



# Instructions for Form 1CNA

## General Instructions

### Purpose of Form 1CNA

A professional athletic team having **two or more** qualifying nonresident team members uses Form 1CNA to report and pay the Wisconsin income tax owed by those team members. In order to file Form 1CNA, the team and team members must agree to the rules prescribed by the Wisconsin Department of Revenue as set forth below.

The combined return replaces the separate Wisconsin individual income tax return, Form 1NPR, that otherwise would be filed by each of the qualifying and participating nonresident team members.

### Filing Requirements for Nonresidents of Wisconsin

Nonresidents of Wisconsin having \$2,000 or more of Wisconsin gross income during 2001 must file a Wisconsin income tax return, Form 1NPR or Form 1CNA. A nonresident who is married has a Wisconsin filing requirement if the combined Wisconsin gross income of both spouses is \$2,000 or more.

Gross income means all income (before deducting expenses) reportable to Wisconsin which is received in the form of money, property, or services. Gross income includes a team member's compensation for services rendered in Wisconsin as a member of a professional athletic team. See the definition of compensation on page 3.

If gross income (or the combined gross income of spouses) is less than \$2,000, a Wisconsin income tax return doesn't have to be filed.

### Who May Participate in Combined Return

A professional athletic team having activities in Wisconsin may file Form 1CNA on behalf of its nonresident team members who derive no taxable income or deductible loss from Wisconsin other than their compensation from the team.

**Exception:** Nonresident team members whose only other source of Wisconsin income is from other professional athletic teams may be included on the Form 1CNA for each team of which they were members during the calendar year. In this case, the team member is subject to tax on all Wisconsin income at the highest individual tax rate of 6.75%.

A professional athletic team includes, but is not limited to, any professional baseball, basketball, football, hockey, or soccer team.

Members of a professional athletic team include employees who are active players, players on the disabled list, or any other persons such as coaches, managers, and trainers, and who are required to and do travel with and perform services on behalf of a professional athletic team on a regular basis.

### Who May Not Participate in Combined Return

A team member may not participate in this combined return in any of the following cases:

- The team member files his or her individual income tax return on a fiscal year basis.
- The team member is a Wisconsin resident during any part of 2001.
- The team member derives taxable income from Wisconsin in 2001 other than his or her compensation from professional athletic teams.
- The team member derives compensation from more than one professional athletic team in Wisconsin in 2001 and wishes to compute the Wisconsin tax due using the graduated tax rates rather than the highest tax rate.
- The team member wishes to claim any deductions or tax credits.

Team members who are full-year Wisconsin residents must file Wisconsin Form 1. Part-year resident team members, and nonresident team members who may not participate in Form 1CNA, must file Wisconsin Form 1NPR to report their own income.

### What Income Is Reportable on Form 1CNA

Report each qualifying and participating team member's compensation for the taxable year ending December 31, 2001, on a 2001 Form 1CNA.

### When to File

Form 1CNA is due April 15, 2002.

### Extensions of Time to File

The following extensions of time to file are available:

- The team may receive an extension of time to file Form 1CNA by attaching a statement to Form 1CNA

which includes the following information: the federal extension provision being used (such as the automatic 4-month extension) and the name, address, and signature of each team member covered by the extension.

- Extensions to file allowed by the Internal Revenue Service to individual team members will also give Wisconsin extensions *to those particular team members*, provided a copy of the federal extension is attached to Form 1CNA. Other team members who don't have an extension may be subject to late filing fees and delinquent interest if Form 1CNA is filed after April 15, 2002. A separate \$30 late filing fee may be imposed on each team member who doesn't have an extension.

### Where to File

Mail Form 1CNA to the Wisconsin Department of Revenue, P.O. Box 8912, Madison, WI 53708-8912.

### Estimated Tax Payments

If a team member will owe tax of \$200 or more on his or her 2002 Wisconsin income, after subtracting Wisconsin tax withheld, estimated tax payments must be made to avoid an interest charge. The team may make estimated tax payments on behalf of any or all of the team members who will participate in the combined return. The team must use the Forms CN-ES, Wisconsin Composite Estimated Tax Vouchers, included in this booklet. Attach a schedule to Form CN-ES showing the name, address, social security number, and estimated tax payment to be credited to each member's account.

Send all estimated tax payments for team members who will be participating in a combined return to the Wisconsin Department of Revenue, P.O. Box 8912, Madison, WI 53708-8912.

**Note:** Do not combine payments for residents and non-residents. Use Form CN-ES only for nonresident team members who will file on Form 1CNA. Full-year residents, part-year residents, and nonresidents who file on Form 1NPR must make their estimated tax payments individually using Form 1-ES.

### Internal Revenue Service Adjustments and Amended Returns

Wisconsin law requires the following information to be provided to the Department of Revenue:

- Adjustments made to a team member's federal tax return by the Internal Revenue Service that affect the Wisconsin net tax payable must be reported within 90 days after they become final.
- Changes made on a team member's amended return filed with the Internal Revenue Service that affect the Wisconsin net tax payable must be reported on an amended Wisconsin return within 90 days after filing the amended federal return.

Either the team or the team members must report this information as follows:

- The team must file an amended Form 1CNA to report federal adjustments or amendments to a team member's federal return that affect the amount of the team member's compensation or tax reported on the team's original Form 1CNA.

To amend Form 1CNA, file another Form 1CNA clearly marked "AMENDED RETURN" at the top of the form. Attach to the amended return a copy of the final federal audit reports if the amended return is being filed as a result of a federal audit. Otherwise, attach an explanation of the changes made and the reasons for the changes. Send the amended return to the Wisconsin Department of Revenue, P.O. Box 8991, Madison, WI 53708-8991. Don't attach it to the return for the current year.

- The team member must file an amended Form 1NPR to report federal adjustments or amendments to the member's federal return that affect Wisconsin items of income or loss other than compensation reported on Form 1CNA.

To amend Form 1NPR, file a Form 1NPR clearly marked "AMENDED RETURN" at the top of the form. Include any compensation previously reported on Form 1CNA. Attach to the amended return a copy of the final federal audit report if the amended return is being filed as a result of a federal audit. Otherwise, attach an explanation of the changes made and the reasons for the changes. If claiming credit for taxes previously paid on your behalf on Form 1CNA, include a statement indicating the team's name and federal employer identification number and amount of tax paid. Send the amended return to the Wisconsin Department of Revenue using the address specified in the Form 1NPR instructions.

## Refunds, Assessments, and Correspondence

By filing Form 1CNA, the signing officer declares that the professional athletic team has a power of attorney or other written authorization from each qualifying and participating team member to file a combined return. The Department of Revenue will mail refund checks, assessments, and all correspondence to the team at the address indicated on Form 1CNA. If an issue cannot be resolved between the team and the department, the team must agree to be responsible for the payment of any additional tax due, interest, and penalties, as finally determined. In unusual circumstances, the department may contact the individual team members.

## Additional Information

If you need help with the combined return, you may:

- call (608) 266-2772 [TTY (608) 267-1049]
- write to the Customer Service and Education Bureau, Wisconsin Department of Revenue, P.O. Box 8949, Madison, WI 53708-8949
- send a FAX to (608) 261-7049
- e-mail your question to [income@dor.state.wi.us](mailto:income@dor.state.wi.us)

## Additional Forms

If you need forms or publications, you may:

- call (608) 266-1961
- write to the Forms Request Office, Wisconsin Department of Revenue, P.O. Box 8951, Madison, WI 53708-8951
- use your fax telephone to call the department's Fax-A-Form Retrieval System at (608) 261-6229
- download forms and publications from the department's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us)
- use the Tax Forms and Publications Request Form on the department's Internet web site

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## Wisconsin Taxation of Compensation Received by Members of Professional Athletic Teams Who are Nonresidents of Wisconsin

### Definitions

**Duty days** means all days during the taxable year from the beginning of a professional athletic team's official pre-season training period through the last game in which the team competes or is scheduled to compete and days on which a member of a professional athletic team renders a service for a team on a date outside this time period. Rendering a service includes conducting training and rehabilitation activities at the facilities of the team.

Included in duty days are game days, practice days, days spent at team meetings, promotional caravans, and pre-season training camps, days spent participating in instructional leagues, days spent at special games such as the "Pro Bowl" or an "all-star" game, and days served with the team through all post-season games in which the team competes or is scheduled to compete.

The following exceptions to this definition apply:

1. Duty days for any person who joins a professional athletic team after the beginning of the team's official pre-season training period begin on the day the person joins the team. Duty days for any person who leaves a professional athletic team before the last scheduled game end on the day the person leaves the team.
2. Days for which a member of a professional athletic team is not compensated and is not rendering services for the team in any manner, including days when the member has been suspended without pay and prohibited from performing any services for the team, are not treated as duty days.

**Total compensation for services rendered as a member of a professional athletic team** means the total compensation received during the taxable year by the member for services rendered from the beginning of the official pre-season training period through the last game in which the team competes or is scheduled to compete during that taxable year, and during the taxable year on a date outside this time period.

Compensation includes, but is not limited to, salaries, wages, bonuses (as described below), and any other type of compensation paid during the taxable year to a member of a professional athletic team for services performed in that year. Compensation does not include strike benefits, severance pay, termination pay, contract or option year buy-out payments, expansion or relocation payments, or any other payments not related to services rendered for the team.

Bonuses are defined as follows:

1. Performance bonuses earned as a result of play during the season, including bonuses paid for championship, playoff, or "bowl" games played by a team or for selection to all-star league or other honorary positions.
2. Bonuses paid for signing a contract, unless all 3 of the following conditions are met:

- a. The payment of the signing bonus is not conditional upon the signee playing any games for the team or performing any subsequent services for the team, or even making the team;
- b. The signing bonus is payable separately from the salary and any other compensation; and
- c. The signing bonus is nonrefundable.

### Allocation of Income to Wisconsin

Compensation earned by a nonresident for services rendered as a member of a professional athletic team is allocated to Wisconsin based on a fraction, the numerator of which is the number of duty days spent in Wisconsin rendering services for the team in any manner during the taxable year and the denominator of which is the total number of duty days spent both in and outside Wisconsin during the taxable year.

Duty days are included in the fraction for the taxable year in which they occur, including where a team's official pre-season training period through the last game in which the team competes, or is scheduled to compete, occurs during more than one taxable year.

Days during which a member of a professional athletic team is on the disabled list, does not conduct rehabilitation activities at facilities of the team, and is not otherwise rendering services for the team in Wisconsin, may not be considered duty days spent in Wisconsin. However, all days on the disabled list are included in the total duty days spent both in and outside Wisconsin.

Travel days that do not involve either a game, practice, team meeting, promotional caravan, or other similar team event may not be considered duty days spent in Wisconsin but are considered in the total duty days spent both in and outside Wisconsin.

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### Line-by-Line Instructions

Fill in Schedule 2 of Form 1CNA first; then enter the totals from Schedule 2 on Schedule 1.

#### Schedule 2

■ **Columns A through C. Name and Address, Social Security Number, and State of Legal Residence** – Enter the information requested concerning the nonresident team members who qualify and are

participating in this combined return. Complete names, addresses, and social security numbers are required. Attach a separate schedule, if necessary.

■ **Column D. Total Duty Days** – Calculate each team member's total duty days, as defined earlier, and enter the number on Schedule 2, column D.

■ **Column E. Wisconsin Duty Days** – Calculate each team member's Wisconsin duty days, as defined earlier, and enter the number on Schedule 2, column E.

■ **Column F. Wisconsin Percentage** – Divide the amount in column E by the amount in column D, and enter the result, carried to 4 decimal places, on Schedule 2, column F.

■ **Column G. Total Compensation** – Calculate each team member's total compensation, as defined earlier, and enter the amount on Schedule 2, column G.

■ **Column H. Wisconsin Compensation** – Multiply the amount in column G by the percentage in column F, and enter the result on Schedule 2, column H.

■ **Column I. Federal Adjusted Gross Income** – *For each team member who is participating only in this Form 1CNA*, enter the member's federal adjusted gross income from federal Form 1040 on Schedule 2, column I. **Note:** If this information is not available, you must compute the team member's Wisconsin tax using the alternate method described in the instructions below for Schedule 2, column K.

*For each team member who is participating in more than one Form 1CNA*, **do not** fill in column I. You must compute the team member's Wisconsin tax using the alternate method described in the instructions below for Schedule 2, column K.

■ **Column J. Filing Status** – For each team member whose federal adjusted gross income was reported in column I, enter the appropriate designation for the member's filing status in 2001: S for single, H for head of a household, MFJ for married filing a joint return, and MFS for married filing a separate return.

**Note:** To use the joint return filing status, the team member's spouse cannot have any income taxable by Wisconsin.

**Do not** fill in column J for any team member whose tax must be computed under the alternate method.

Tax Computation Worksheet – Individuals		
1	If your filing status is: • Single or head of household, fill in \$8,060 • Married filing joint return, fill in \$10,750 • Married filing separate return, fill in \$5,380	
2	Divide the amount from Schedule 2, column H, by the amount from Schedule 2, column I, and enter the ratio	
3	Multiply line 1 by line 2	
4	Fill in the amount from Schedule 2, column H	
5	Fill in the smaller of line 3 or line 4	
6	Multiply line 5 by 4.60% (.0460). (round to the nearest cent)	
7	Subtract line 5 from line 4. If the result is zero, skip lines 8 through 20 and go to line 21	
8	If your filing status is: • Single of head of household, fill in \$8,070 • Married filing joint return, fill in \$10,750 • Married filing separate return, fill in \$5,370	
9	Fill in the ratio from line 2 above	
10	Multiply line 8 by line 9	
11	Fill in the smaller of line 7 or line 10	
12	Multiply line 11 by 6.15% (.0615). (round to the nearest cent)	
13	Subtract line 11 from line 7. If the result is zero, skip lines 14 through 20 and go to line 21	
14	If your filing status is: • Single or head of household, fill in \$100,200 • Married filing joint return, fill in \$133,600 • Married filing separate return, fill in \$66,800	
15	Fill in ratio from line 2 above	
16	Multiply line 14 by line 15	
17	Fill in the smaller of line 13 or line 16	
18	Multiply line 17 by 6.50% (.0650). (round to the nearest cent)	
19	Subtract line 17 from line 13. If the result is zero, skip line 20 and go to line 21	
20	Multiply line 19 by 6.75% (.0675). (round to the nearest cent)	
21	Add lines 6, 12, 18, and 20. Fill in total here and on Schedule 2, column K.	

■ **Column K. Tax** – If the team member’s federal adjusted gross income has been entered on Schedule 2, column I, figure the tax on the income in column H by using the tax computation worksheet in the column to the left. Don’t use the tax tables in the Form WI-Z, 1A, or 1 booklets because a standard deduction is built into those tables. No standard deduction or itemized deductions are allowed for purposes of this combined filing.

**Alternate Method:** If the team member’s federal adjusted gross income is unknown or the team member is participating in more than one Form 1CNA, multiply the Wisconsin compensation in column H by 6.75% (0.0675) and enter the result on Schedule 2, column K.

**Note:** If a team member is subject to the Wisconsin alternative minimum tax, complete a Wisconsin Schedule MT, Alternative Minimum Tax, for that member. Include the amount of alternative minimum tax in column K. Attach a copy of Schedule MT to Form 1CNA.

■ **Column L. Wisconsin Tax Withheld** – Enter any Wisconsin income tax withheld from a team member’s compensation. Attach a legible copy of the team member’s wage statement to Form 1CNA.

Include in column L any estimated tax payments made by the team member or by the team on each member’s behalf. Attach a schedule showing the member’s name, social security number, and amount of Wisconsin estimated tax payments made.

**Amended Return:** If this is an amended return, enter the Wisconsin income tax previously paid.

■ **Column M. Balance Due or Overpayment** – Compute the balance due or overpayment for each team member.

**Schedule 1**

■ **Line 1. Wisconsin Compensation of Qualifying and Participating Nonresident Team Members** – Enter the total Wisconsin compensation from Schedule 2, column H.

■ **Line 2. Tax** – Enter the total tax from Schedule 2, column K.

■ **Line 3. Wisconsin Tax Withheld** – Enter the total Wisconsin tax withheld from Schedule 2, column L.

■ **Line 4 or 5. Balance of Tax Due or Overpayment** – Complete line 4 or 5 to determine the amount you owe or your overpayment.

If you owe an additional amount, you may pay by check or money order made payable to the Wisconsin Department of Revenue. Write the team's federal employer identification number on the check and attach it to the front of Form 1CNA.

■ **Line 6. Amount to Apply to 2002 Estimated Tax** – Enter the amount of any overpayment from line 5 that is to be applied to the team members' 2002 estimated tax. Attach to Form 1CNA a schedule showing each member's name, social security number, and share of the amount on line 6. The balance will be refunded.

■ **Signatures** – An officer of the team must sign and date Form 1CNA at the bottom of page 1. If the return is prepared by someone other than an employee of the team, the preparer's signature is also required.

■ **Attachments** – Attach a copy of the team members' wage statements showing the amount of Wisconsin income tax withheld. Also attach any application for an extension of time to file the return.