

Wisconsin Corporation Franchise and Income Tax Form 4 Instructions

New . . .

- ***With limited exceptions, federal laws enacted after 1999 do not apply for Wisconsin purposes***

The Wisconsin Legislature has adopted the provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16).

In addition, the Legislature has adopted the provisions of the federal Community Renewal Tax Relief Act of 2000 (Public Law 106-554), with two exceptions. The provisions relating to (1) the expensing of environmental remediation costs (Act section 162), and (2) the enhanced deduction for corporate donations of computer technology (Act section 165) do not apply for Wisconsin.

Both of these federal laws apply for Wisconsin purposes at the same time as for federal purposes. Other federal laws enacted after December 31, 1999, do not apply for Wisconsin. For more information, see page 5.

- ***Depreciation and amortization provisions amended***
For property placed in service in taxable years beginning on or after January 1, 2001, corporations are required to compute depreciation or amortization under the Internal Revenue Code as amended to December 31, 2000. Corporations may not claim the special 30% bonus depreciation allowed by the federal Job Creation and Worker Assistance Act of 2002 (Public Law 107-147) for property placed in service after September 10, 2001. See page 6.
- ***Simplified procedures enacted for the merger and conversion of business entities***
Effective October 1, 2002, simplified procedures apply to business corporations, nonstock corporations, limited partnerships, and limited liability companies that wish to merge into or convert to another form of business entity. For Wisconsin income tax purposes, the merger of a business entity into another form of business entity is treated in the same manner as for federal income tax purposes. The conversion of a business entity to another form of business entity is treated in the same manner as for federal purposes. For more information, contact the Corporation Section, Division of Corporate and Consumer Services, Wisconsin Department of Financial Institutions.

- ***Technology zone credit program created***

For taxable years beginning on or after January 1, 2002, corporations doing business in Wisconsin technology zones may be eligible for a tax credit. For more information, see page 10.

Important . . .

- ***Electronic Funds Transfer mandated for certain tax payments***
Corporations may be required to pay or deposit taxes or fees using the electronic funds transfer (EFT) method. See page 3.
- ***Extensions of time to file***
An extension of time to file a federal income tax return automatically extends the time for filing the Wisconsin return to 30 days after the federal due date, **if the corporation attaches a copy of the federal extension to the Wisconsin return it files.** See page 3.
- ***Wisconsin use tax***
Corporations that purchase taxable tangible personal property or taxable services for storage, use, or consumption in Wisconsin without payment of a state sales or use tax are subject to a Wisconsin use tax. See page 16.

For More Information . . .

Visit the Department of Revenue's Internet web site at www.dor.state.wi.us

At this site you may download tax forms and instructions, Department of Revenue publications, and the *Wisconsin Tax Bulletin*, which is a quarterly newsletter that provides information about new Wisconsin tax laws, administrative rules, court decisions, tax releases, and private letter rulings. The site also provides information about the Department of Revenue, answers to frequently asked questions, and links to Wisconsin laws and tax rules.

Don't Forget . . .

- Use the preprinted label if you received one
- Fill in your federal employer ID number
- Fill out the form completely
- Attach a copy of your federal return and any other required forms, schedules, or statements
- ***Attach a copy of any extension***
- Sign the return



Wisconsin Business Activity Codes

Using the list below, determine the proper code to enter in item D, Wisconsin Business Activity Code, on page 1 of your return. Enter the code which reflects the corporation's major business activity (the activity which accounted for the largest percentage of total receipts).

AGRICULTURE, FORESTRY, AND FISHING

0100 Agricultural Production – Crops
 0200 Agricultural Production – Livestock
 0710 Soil Preparation Services
 0720 Crop Services
 0740 Veterinary Services
 0750 Animal Services, except Veterinary
 0760 Farm Labor and Management Services
 0780 Landscape and Horticultural Services
 0800 Forestry
 0900 Fishing, Hunting, and Trapping

MINING

1000 Metal Mining
 1200 Coal Mining
 1300 Oil and Gas Extraction
 1400 Nonmetallic Minerals, except Fuels

CONSTRUCTION

1500 General Building Contractors
 1610 Highway and Street Construction
 1620 Heavy Construction, except Highway
 1710 Plumbing, Heating, Air Conditioning
 1720 Painting and Paper Hanging
 1730 Electrical Work
 1740 Masonry, Stonework, and Plastering
 1750 Carpentry and Floor Work
 1760 Roofing, Siding, Sheet Metal Work
 1770 Concrete Work
 1780 Water Well Drilling
 1790 Miscellaneous Special Trade Contractors

MANUFACTURING

Food and Kindred Products

2010 Meat Products
 2020 Dairy Products
 2030 Preserved Fruits and Vegetables
 2040 Grain Mill Products
 2050 Bakery Products
 2060 Sugar and Confectionery Products
 2070 Fats and Oils
 2080 Beverages
 2090 Miscellaneous Food and Kindred Products

Tobacco, Textile, and Apparel Products

2100 Tobacco Products
 2200 Textile Mill Products
 2300 Apparel and Other Textile Products

Lumber and Wood Products

2410 Logging
 2420 Sawmills and Planing Mills
 2430 Millwork, Plywood, Structural Members

2440 Wood Containers
 2450 Wood Buildings and Mobile Homes
 2490 Miscellaneous Wood Products
 2500 Furniture and Fixtures
 2600 Paper and Allied Products

Printing and Publishing

2710 Newspapers
 2720 Periodicals
 2730 Books
 2740 Miscellaneous Publishing
 2750 Commercial Printing
 2760 Manifold Business Forms
 2770 Greeting Cards
 2780 Blankbooks and Bookbinding
 2790 Printing Trade Service

Other Manufacturing

2800 Chemicals and Allied Products
 2900 Petroleum and Coal Products
 3000 Rubber and Miscellaneous Plastic Products
 3100 Leather and Leather Products
 3200 Stone, Clay, and Glass Products
 3300 Primary Metal Industries
 3400 Fabricated Metal Products
 3500 Industrial Machinery and Equipment
 3570 Computer and Office Equipment
 3600 Electronic and Other Electric Equipment
 3700 Transportation Equipment
 3800 Instruments and Related Products
 3900 Miscellaneous Manufacturing Industries

TRANSPORTATION AND PUBLIC UTILITIES

Transportation

4000 Railroad Transportation
 4100 Local and Interurban Passenger Transit
 4200 Trucking and Warehousing
 4400 Water Transportation
 4500 Transportation by Air
 4600 Pipelines, except Natural Gas
 4700 Transportation Services

Communications

4810 Telephone Communication
 4820 Telegraph and Other Communications
 4830 Radio and Television Broadcasting
 4840 Cable and Other Pay TV Services
 4890 Other Communication Services

Electric, Gas, and Sanitary Services

4910 Electric Services
 4920 Gas Production and Distribution
 4930 Combined Utility Services
 4940 Water Supply
 4950 Sanitary Services
 4960 Steam and Air Conditioning Supply
 4970 Irrigation Systems

WHOLESALE TRADE

Wholesale Trade – Durable Goods

5010 Motor Vehicles, Auto Parts, and Supplies
 5020 Furniture and Home Furnishings
 5030 Lumber and Construction Materials
 5040 Professional and Commercial Equipment
 5050 Metals and Minerals, except Petroleum
 5060 Electrical Goods
 5070 Hardware, Plumbing, and Heating Equipment
 5080 Machinery, Equipment, and Supplies
 5090 Miscellaneous Durable Goods

Wholesale Trade – Nondurable Goods

5110 Paper and Paper Products
 5120 Drugs, Drug Proprietaries, and Sundries
 5130 Apparel, Piece Goods, and Notions
 5140 Groceries and Related Products
 5150 Farm-Product Raw Materials
 5160 Chemicals and Allied Products
 5170 Petroleum and Petroleum Products
 5180 Beer, Wine, and Distilled Beverages
 5190 Miscellaneous Nondurable Goods

RETAIL TRADE

Building Materials and Garden Supplies

5210 Lumber and Other Building Supplies
 5230 Paint, Glass, and Wallpaper Stores
 5250 Hardware Stores
 5260 Retail Nurseries and Garden Stores
 5270 Mobile Home Dealers

General Merchandise Stores

5310 Department Stores
 5330 Variety Stores
 5390 Miscellaneous General Merchandise Stores

Food Stores

5410 Grocery Stores
 5420 Meat and Fish Markets
 5430 Fruit and Vegetable Markets
 5440 Candy, Nut, and Confectionery Stores

Automotive Dealers and Service Stations

5450 Dairy Products Stores
 5460 Retail Bakeries
 5490 Miscellaneous Food Stores
 5510 New and Used Car Dealers
 5520 Used Car Dealers
 5530 Auto and Home Supply Stores
 5540 Gasoline Service Stations
 5550 Boat Dealers
 5560 Recreational Vehicle Dealers
 5570 Motorcycle Dealers
 5590 Automotive Dealers, not elsewhere classified

Apparel and Accessory Stores

5600 Apparel and Accessory Stores

Furniture and Home Furnishings Stores

5710 Furniture and Home Furnishings Stores

5720 Household Appliance Stores
 5730 Radio, TV, and Computer Stores

Eating and Drinking Places

5812 Eating Places
 5813 Drinking Places

Miscellaneous Retail

5910 Drug Stores and Proprietary Stores
 5920 Liquor Stores
 5930 Used Merchandise Stores
 5941 Sporting Goods and Bicycle Shops
 5942 Book Stores
 5943 Stationery Stores
 5944 Jewelry Stores
 5945 Hobby, Toy, and Game Shops
 5946 Camera and Photographic Supply Stores
 5947 Gift, Novelty, and Souvenir Shops
 5948 Luggage and Leather Goods Stores
 5949 Sewing, Needlework, and Piece Goods Stores

5961 Catalog and Mail Order Houses
 5962 Merchandising Machine Operators
 5963 Direct Selling Establishments
 5983 Fuel Oil Dealers
 5984 Liquefied Petroleum Gas Dealers
 5989 Fuel Dealers, not elsewhere classified

FINANCE, INSURANCE, AND REAL ESTATE

5992 Florists
 5993 Tobacco Stores and Stands
 5994 News Dealers and News Stands
 5995 Optical Goods Stores
 5999 Miscellaneous Retail Stores, not elsewhere classified

FINANCE, INSURANCE, AND REAL ESTATE

6000 Depository Institutions
 6100 Nondepository Institutions
 6200 Security and Commodity Brokers
 6300 Insurance Carriers
 6400 Insurance Agents, Brokers, and Service
 6510 Real Estate Operators and Lessors
 6530 Real Estate Agents and Managers
 6540 Title Abstract Offices
 6550 Subdividers and Developers
 6700 Holding and Other Investment Offices

SERVICES

Hotels and Other Lodging Places

7010 Hotels and Motels
 7020 Rooming and Boarding Houses
 7030 Camps and Recreational Vehicle Parks
 7040 Membership-Basis Organization Hotels

Personal Services

7210 Laundry, Cleaning, and Garment Services
 7220 Photographic Studios, Portrait
 7230 Beauty Shops
 7240 Barber Shops
 7250 Shoe Repair and Shoeshine Parlors
 7260 Funeral Services and Crematories
 7291 Tax Return Preparation Services
 7299 Miscellaneous Personal Services, not elsewhere classified

Business Services

7310 Advertising
 7320 Credit Reporting and Collection
 7330 Mailing, Reproduction, Stenographic
 7342 Disinfecting and Pest Control
 7349 Building Maintenance Services, not elsewhere classified
 7350 Miscellaneous Equipment Rental and Leasing
 7360 Personnel Supply Services
Computer and Data Processing Services
 7371 Computer Programming Services
 7372 Prepackaged Software
 7373 Computer Integrated Systems Design
 7374 Data Processing and Preparation
 7375 Information Retrieval Services
 7376 Computer Facilities Management
 7377 Computer Rental and Leasing
 7378 Computer Maintenance and Repair
 7379 Computer Related Services

Miscellaneous Business Services

7381 Detective and Armored Car Services
 7382 Security Systems Services
 7383 News Syndicates
 7384 Photo Finishing Laboratories
 7389 Business Services, not elsewhere classified

Auto Repair, Services, and Parking

7510 Automotive Rentals, No Drivers
 7520 Automobile Parking
 7530 Automotive Repair Shops
 7540 Automotive Services, except Repair

Miscellaneous Repair Services

7620 Electrical Repair Shops
 7630 Watch, Clock, and Jewelry Repair
 7640 Reupholstery and Furniture Repair
 7690 Miscellaneous Repair Shops

Motion Pictures

7810 Motion Picture Production and Services
 7820 Motion Picture Distribution and Services
 7830 Motion Picture Theaters
 7840 Video Tape Rental

Amusement and Recreational Services

7910 Dance Studios, Schools, and Halls
 7920 Producers, Orchestras, Entertainers
 7930 Bowling Centers
 7940 Commercial Sports
 7991 Physical Fitness Facilities
 7992 Public Golf Courses
 7993 Coin-Operated Amusement Devices
 7996 Amusement Parks
 7997 Membership Sports and Recreation Clubs
 7999 Amusement and Recreation, not elsewhere classified

Health Services

8010 Offices and Clinics of Medical Doctors
 8020 Offices and Clinics of Dentists
 8030 Offices of Osteopathic Physicians
 8040 Offices of Other Health Practitioners
 8050 Nursing and Personal Care Facilities
 8060 Hospitals
 8070 Medical and Dental Laboratories
 8080 Home Health Care Services
 8090 Health and Allied Services, not elsewhere classified

Other Services

8100 Legal Services
 8210 Elementary and Secondary Schools
 8220 Colleges and Universities
 8230 Libraries
 8240 Vocational Schools
 8290 Schools and Educational Services, not elsewhere classified
 8320 Individual and Family Services
 8330 Job Training and Related Services
 8350 Child Day Care Services
 8390 Social Services, not elsewhere classified
 8400 Museums, Botanical, and Zoological Gardens
 8610 Business Associations
 8620 Professional Organizations
 8630 Labor Organizations
 8640 Civic and Social Organizations
 8650 Political Organizations
 8660 Religious Organizations
 8690 Membership Organizations, not elsewhere classified
 8710 Engineering and Architectural Services
 8720 Accounting, Auditing, and Bookkeeping
 8730 Research and Testing Services
 8740 Management and Public Relations
 8900 Services, not elsewhere classified
PUBLIC ADMINISTRATION
 9100 Executive, Legislative, and General Government
 9200 Justice, Public Order, and Safety

Purpose of Form 4

Corporations engaged in business in and outside Wisconsin use Form 4 to report their income, gains, losses, deductions, and credits and to compute their franchise or income tax and recycling surcharge liability.

Definition of Corporation

“Corporation” includes corporations, publicly traded partnerships treated as corporations in section 7704 of the Internal Revenue Code (IRC), limited liability companies (LLCs) treated as corporations under the Internal Revenue Code, joint stock companies, associations, common law trusts, and all other entities treated as corporations under IRC section 7701.

A single-owner entity that is disregarded as a separate entity under IRC section 7701 is disregarded as a separate entity for Wisconsin franchise or income tax purposes, and its owner is subject to the tax on or measured by the entity’s income.

Franchise or Income Tax

Franchise tax applies to –

- All domestic corporations (those organized under Wisconsin law) and
- Foreign corporations (those not organized under Wisconsin law) doing business in Wisconsin, except where taxation is exempted by statute or barred by federal law.

The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities is included in income under the franchise tax law.

Income tax applies only to foreign corporations which are not subject to the franchise tax and which own property in Wisconsin or whose business in Wisconsin is exclusively in foreign or interstate commerce. The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities isn’t included in income under the income tax law.

Recycling Surcharge

The recycling surcharge applies to corporations having gross receipts from all activities of \$4 million or more during the taxable year. Corporations that must file Wisconsin franchise or income tax returns must pay the recycling surcharge, with certain exceptions. The surcharge doesn’t apply to:

- Domestic corporations that don’t have any business activities in Wisconsin.
- Foreign corporations that don’t have nexus with Wisconsin.
- Corporations that have less than \$4 million of gross receipts from all activities. “Gross receipts from all activities” means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.
- Nuclear decommissioning trust funds.

For more information, refer to Publication 400, *Wisconsin’s Recycling Surcharge*.

Who Must File

- Corporations organized under Wisconsin law.
- Foreign corporations licensed to do business in Wisconsin.

- Unlicensed corporations doing business in Wisconsin.
- Foreign corporations owning, directly or indirectly, a general or limited partnership interest in a partnership that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations owning, directly or indirectly, an interest in a limited liability company treated as a partnership that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations that are the sole owner of an entity that is disregarded as a separate entity under IRC section 7701 and does business in Wisconsin.

Who Is Not Required to File

- Corporations and associations exempt under sec. 71.26(1), Wis. Stats., except those with (a) unrelated business taxable income as defined in IRC section 512, or (b) income derived from a health maintenance organization or a limited service health organization. This includes insurers exempt from federal income taxation under IRC section 501(c)(15), town mutuals organized under Chapter 612, Wis. Stats., foreign insurers, domestic insurers engaged exclusively in life insurance business, domestic mortgage insurers, some cooperatives, and religious, scientific, educational, benevolent, or other corporations or associations of individuals not organized or conducted for profit.
- Corporations that are completely inactive in and outside Wisconsin and have filed Form 4H.
- Credit unions that don’t act as a public depository for state or local government funds and have filed Form CU.

Which Form to File

Form 4 Corporations (other than tax-option corporations) reporting under the apportionment or separate accounting methods.

Form 4H Corporations that have been completely inactive in and outside Wisconsin for the entire taxable year and don’t anticipate any activity in future years. No other return is required until a corporation is activated, reactivated, or requested to file by the Department of Revenue.

Note: Foreign corporations licensed to transact business in Wisconsin that have no property or activity in Wisconsin but are active outside Wisconsin may not file Form 4H. They must file Form 4, 5, or 5S but need only enter “No business transacted in Wisconsin” on the front of the return and attach a copy of their federal return.

Form 4I Insurance companies, health maintenance organizations, and limited service health organizations.

Form 4T Exempt corporations and associations of individuals that have unrelated business taxable income as defined in IRC section 512.

Form 5 Corporations (other than tax-option corporations) whose entire business income is attributable to Wisconsin.

Form 5E Corporations that have elected and qualified to be S corporations for federal tax purposes but are electing not to be tax-option corporations for Wisconsin franchise or income tax purposes. In addition, such corporations must file Form 4 or 5.

Form 5R Federal S corporations that elected not to be tax-option corporations for Wisconsin and subsequently are revoking their “opt-out” elections. In addition, such corporations must file Form 5S.

General Instructions (continued)

Form 5S	Tax-option (S) corporations.
Form 5S-1	Tax-option (S) corporations that are subject to the additional tax on built-in gains or claim a manufacturer's sales tax credit. File this form with Form 5S.
Form CU	Credit unions that don't act as a public depository for state or local government funds. These credit unions are exempt from taxation by Wisconsin. Once a Form CU has been filed, no other return must be filed unless requested by the Department of Revenue or the credit union subsequently acts as a public depository.
Sch. CU-1	Credit unions that act as a public depository. File this schedule with Form 4.
Sch. DC	Corporations claiming a Wisconsin development zones credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
Sch. FC	Corporations claiming a Wisconsin farmland preservation credit. File this schedule with Form 4, 4I, 4T, or 5.
Sch. FT	Corporations claiming a Wisconsin farmland tax relief credit. File this schedule with Form 4, 4I, 4T, or 5.
Sch. HR	Corporations claiming a Wisconsin historic rehabilitation credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
Sch. R	Corporations claiming a Wisconsin research credit. File this schedule with Form 4, 4I, 4T, or 5.
Sch. TC	Corporations claiming a Wisconsin technology zone credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
Sch. Z-1	Corporations claiming a Wisconsin manufacturer's sales tax credit passed through from a partnership. File this schedule with Form 4, 4I, 4T, 5, or 5S.

How to Obtain Forms

If you need forms or publications, you may:

- Download them from the Department's Internet web site at www.dor.state.wi.us
- Use your fax telephone to call the Department's Fax-A-Form Retrieval System at (608) 261-6229
- Request them online at www.dor.state.wi.us/html/formsreq.html
- Call (608) 266-1961
- Write to the Forms Request Office, Wisconsin Department of Revenue, Mail Stop 1-151, P.O. Box 8951, Madison, WI 53708-8951
- Call or visit any Department of Revenue office

How to Obtain Assistance

If you need help in preparing a corporation franchise or income tax return, you may:

- E-mail your question to corp@dor.state.wi.us
- Send a FAX to (608) 267-0834
- Call (608) 266-2772 [TTY (608) 267-1049]
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, P.O. Box 8906, Madison, WI 53708-8906
- Call or visit any Department of Revenue office

Period Covered by Return

The return must cover the same period as the corporation's federal income tax return. A 2002 Wisconsin return must be filed by a corporation for calendar year 2002 or a fiscal year that begins in 2002. A

fiscal year may end only on the last day of a month. The period covered by the return can't exceed 12 months.

However, corporations reporting on a 52 to 53 week period for federal tax purposes must file on the same reporting period for Wisconsin. The Department of Revenue will consider the reporting period as ending on the last day of the month closest to the end of the 52 to 53 week period for purposes of due dates, extensions, and assessments of interest and penalties.

Change in Accounting Period

Any change in accounting period made for federal purposes must also be made for Wisconsin purposes. Attach to the Wisconsin return, for the first taxable year for which the change applies, a copy of the Internal Revenue Service's notice of approval of accounting period change if the IRS's approval is required or an explanation of the change if the IRS's approval isn't required.

Accounting Methods

In computing net income, the method of accounting must be the same method used in computing federal net income. However, if the method used for federal purposes isn't authorized under the Internal Revenue Code in effect for Wisconsin, use a method authorized under the Internal Revenue Code in effect for Wisconsin.

A corporation entitled to use the installment method of accounting must take the unreported balance of gain on installment obligations into income in the taxable year of their distribution, transfer, or acquisition by another person or for the final taxable year for which it files or is required to file a Wisconsin franchise or income tax return, whichever year occurs first.

Change in Accounting Method

A change in accounting method made for federal purposes must also be made for Wisconsin purposes, unless the change isn't authorized under the Internal Revenue Code in effect for Wisconsin. Adjustments required federally as a result of a change made while the corporation is subject to Wisconsin taxation must also be made for Wisconsin purposes, except in the last year that a corporation is subject to taxation by Wisconsin it must take into account all remaining adjustments required. Attach to the Wisconsin return, for the first taxable year for which the change applies, either a copy of the application for change in accounting method filed with the Internal Revenue Service and a copy of the IRS's consent if the IRS's approval is required or an explanation of the change if the IRS's approval isn't required.

Elections

As explained above, a corporation can't make different elections for federal and Wisconsin purposes with respect to accounting periods and accounting methods, unless the federal method isn't permitted under the Internal Revenue Code in effect for Wisconsin. In situations where a corporation has an option under the Internal Revenue Code and the IRS doesn't consider that option to be a method of accounting, a different election may be made for Wisconsin than that made for federal purposes. If federal law specifies the manner or time period in which an election must be made, those requirements also apply for Wisconsin purposes.

If different elections are made, adjustments are required on the Wisconsin return on Schedule V or Schedule W to account for any differences. Differences in elections could also result in a different contribution deduction since that deduction is limited to 10% of federal taxable income determined for Wisconsin purposes. This would also require an entry on either Schedule V or W.

When to File

Generally, a corporation must file its franchise or income tax return by the 15th day of the 3rd month following the close of its taxable year. If a return is filed late, without an extension, the corporation may be subject to penalties and interest.

Returns for short taxable years (periods of less than 12 months) are due on or before the federal due date. A corporation that becomes, or ceases to be, a member of an affiliated group and as a result must file two short period returns for federal purposes must also file two short period returns for Wisconsin. The Wisconsin returns are due at the same time as the federal returns. Each short period is considered a taxable year, the same as for federal purposes.

Caution: The due date for paying franchise or income tax and recycling surcharge is explained below.

Extension of Time to File

Any extension allowed by the Internal Revenue Service for filing the federal return automatically extends the Wisconsin due date to 30 days after the federal extended due date. *You don't need to submit either a copy of the federal extension or an application for a Wisconsin extension to the Department by the original due date of your return.* However, you must attach a copy of the federal extension to the Wisconsin return that you file.

If you aren't requesting a federal extension, but you need additional time for Wisconsin, you may request a 30-day extension by submitting Wisconsin Form IC-830, Application for Extension of Time to File, to the Department on or before the original due date of the return.

If your original federal due date is after the 15th day of the 3rd month following the close of the taxable year, you may request a Wisconsin extension to the federal due date by submitting Wisconsin Form IC-830, Application for Extension of Time to File, to the Department by the original due date of the Wisconsin return. For example, a foreign corporation having no office or place of business in the United States may request a 3-month extension and a cooperative may request a 6-month extension.

Where to File

Mail your franchise or income tax return to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.

When to Pay Franchise or Income Tax and Recycling Surcharge

The franchise or income tax and recycling surcharge must be paid by the 15th day of the 3rd month following the close of the taxable period, *regardless of the due date of the return.* Corporations may be required to make quarterly estimated payments to prepay their franchise or income tax and recycling surcharge.

An extension for filing the return doesn't extend the time to pay the franchise or income tax and recycling surcharge. Interest will be charged on the tax and surcharge not paid by the 15th day of the 3rd month following the close of the taxable year. You can avoid interest charges during the extension period by paying the tax and surcharge due by that date. Submit your payment with Wisconsin Form 4-ES, Corporation Estimated Tax Voucher. If you have received a set of vouchers from the Department, use the 5th voucher to make the estimated tax and surcharge extension payment.

During the extension period, 12% annual interest generally applies to the unpaid tax and surcharge. However, if the sum of the net tax

and surcharge shown on the return is \$500 or more, 12% annual interest applies only to 10% of the net tax and surcharge. Interest of 18% per year applies to the remainder of the unpaid tax and surcharge. See Form 4U, Part II.

Payment of Estimated Tax

If the total of a corporation's franchise or income tax and recycling surcharge due is \$500 or more, it generally must make quarterly estimated tax payments using Wisconsin Form 4-ES. Failure to make required estimated tax payments may result in an interest charge. If a corporation filed Form 4-ES for the current year, it will automatically receive estimated tax vouchers before the first payment of the next year's tax is due.

A corporation that overpaid its estimated tax may apply for a refund **before** filing its tax return if its overpayment is (1) at least 10% of the expected Wisconsin tax liability and (2) at least \$500. To apply, file Wisconsin Form 4466W, Corporation Application for Quick Refund of Overpayment of Estimated Tax, after the end of the taxable year and before the corporation files its tax return. **Do not** file Form 4466W at the same time as your tax return.

A corporation that has a tax due when filing its tax return as a result of receiving a "quick refund" will be charged 12% annual interest on the amount of unpaid tax from the date the refund is issued to the earlier of the 15th day of the 3rd month after the close of the taxable year or the date the tax liability is paid. Any tax that remains unpaid after the unextended due date of the tax return continues to be subject to 18% or 12% annual interest, as appropriate.

Electronic Funds Transfer Mandated for Certain Tax Payments

Section Tax 1.12, Wisconsin Administrative Code, mandates the payment of certain taxes by electronic funds transfer (EFT). A corporation must pay its estimated franchise or income taxes and recycling surcharge by EFT if its net tax less refundable credits on its prior year return was \$40,000 or more. A corporation may also be required to pay sales and use taxes, withholding taxes, fuel taxes, excise taxes, or unemployment insurance using EFT. The Department will notify a corporation when EFT payments are required. The corporation will have 90 days after being notified to register for EFT. The first EFT payment is due on the first tax due date following the end of the 90-day registration period.

Corporations not required to pay by EFT may elect to do so. For more information, visit the Department's web site at www.dor.state.wi.us/eserv/eft1.html, e-mail eft@dor.state.wi.us, call (608) 264-9918, or write to the EFT Unit, Wisconsin Department of Revenue, Mail Stop 3-14, P.O. Box 8912, Madison, WI 53708-8912.

Note: For EFT payments of estimated franchise or income tax and recycling surcharge, enter the last day of your **taxable year**, not the last day of the quarterly installment period, for which the payment is being made. To pay the balance due on your tax return by EFT, treat it as an additional estimated tax payment and be sure to indicate the ending date of the taxable year. Otherwise, your payments may be applied to the wrong taxable year.

Information Returns That May Be Required

Form 8 Report of stock transfers.

Form 9b Report of rents, royalties, and miscellaneous compensation paid to individuals. (Note: You may use federal

General Instructions (continued)

Forms 1099 instead of Forms 9b. Mail Forms 1099 to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.)

If you must file federal information returns on magnetic media and you file at least 250 Forms 9b with Wisconsin, you generally must file Forms 9b on magnetic media. For more information, call (608) 267-3327 or write to the Data Center Magnetic Media Coordinator, Office of Information Technology Services, Wisconsin Department of Revenue, Mail Stop 4-163, P.O. Box 8903, Madison, WI 53708-8903.

Final Return

If the corporation liquidated during the taxable year, check the box on the front of the return marked "Final return – corporation dissolved." Attach a copy of your plan of liquidation along with a copy of federal Form 966 to the Wisconsin return. Generally, the final return is due on or before the federal due date. In most cases, this is the 15th day of the 3rd month after the date the corporation dissolved. The tax is payable by the 15th day of the 3rd month after the date of dissolution, regardless of the due date of the final return.

Internal Revenue Service Adjustments

If any of your federal tax returns are adjusted by the Internal Revenue Service and the adjustments affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net business loss carryforward, or a Wisconsin capital loss carryforward, you must report the adjustments to the Department of Revenue within 90 days after they become final.

Send a copy of the final federal audit reports and any associated amended Wisconsin returns to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908. If submitting a federal audit report without an amended return, mail it to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, P.O. Box 8906, Madison, WI 53708-8906. Don't attach these items to the tax return for the current year.

Amended Returns

After you have filed a complete, original tax return, you may file an amended return to correct a tax return as you originally filed it or as it was later adjusted by an amended return, a claim for refund, or an office or field audit.

If you file an amended federal return and the changes affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net business loss carryforward, or a Wisconsin capital loss carryforward, you must file an amended Wisconsin return with the Department of Revenue within 90 days after filing the amended federal return.

To file an amended Wisconsin return for 1997 and following years, use Form 4 or 5, as appropriate, and check the "amended return" box on the front of the return or clearly mark it "AMENDED RETURN" at the top of the form. To amend a return for 1996 or prior years, you should use Wisconsin Form 4X. Attach an explanation of any changes made. Show computations in detail. If the change involves an item of income, deduction, or credit that you were required to support with a form or schedule on your original return, attach the corrected form or schedule. Also attach worksheets, similar to those on page 11, showing how you figured your refund or additional amount owed.

A claim for refund must be filed within 4 years of the unextended due date of the return. However, a claim for refund to recover all or

part of any tax or credit paid as a result of an office or field audit must be filed within 4 years after such an assessment. That assessment must have been paid and must not have been protested by filing a petition for redetermination. See section Tax 2.12, Wisconsin Administrative Code, for more information.

Send amended returns to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908. Don't attach amended returns to other tax returns that you are filing.

Capital Losses

If a corporation has a net capital loss, the loss must be carried to other taxable years and deducted from capital gains in those years, as provided in IRC section 1212. However, a corporation can't carry back a loss to taxable years before 1987. Losses that can't be carried back may be carried forward 5 years.

Personal Holding Company

The intangible income of a personal holding company is assigned to its state of incorporation. "Personal holding company" has the meaning prescribed in IRC section 542 in effect on December 31, 1974.

Foreign Sales Corporations (FSCs)

Wisconsin has not adopted federal Public Law 106-519, which repealed the FSC provisions and created an exclusion for extraterritorial income, effective October 1, 2000, with transitional provisions. A FSC continues to compute its net income as provided under IRC sections 921 to 927 in effect on December 31, 1999. There is no Wisconsin exclusion for extraterritorial income.

Interest Charge Domestic International Sales Corporations (IC-DISCs)

IC-DISCs have no special status for Wisconsin tax purposes. An IC-DISC that is a viable corporation with substance and has nexus in Wisconsin is taxed like any other corporation. However, if an IC-DISC doesn't carry on any substantial business activities and does nothing to earn the income that it reports, its net income is allocated to the corporation that earned the income.

Urban Transit Companies

Certain urban transit companies are subject to a special tax under sec. 71.39, Wis. Stats. Contact the Department for further information.

Consolidated Returns

Wisconsin law doesn't permit corporations that are members of an affiliated group, as defined in IRC section 1504, to file consolidated returns. Each corporation organized under Wisconsin law, licensed to do business in Wisconsin, or doing business in Wisconsin must file a separate Wisconsin franchise or income tax return. In addition, each corporation must make its own estimated tax payments.

Penalties for Not Filing or Filing Incorrect Returns

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

You must complete page 1 of Form 4 and make appropriate entries in the schedules on page 2 to explain the adjustments to federal income. (The numbering corresponds with the line numbers on Form 4, page 1, unless otherwise indicated.)

Caution: The Internal Revenue Service hasn't finalized the 2002 federal corporation tax forms at the time of this printing. Therefore, federal line numbers referred to on Form 4 and in these instructions may change.

Rounding Off to Whole Dollars

You may round cents to the nearest whole dollar by eliminating amounts less than 50 cents and increasing amounts from 50 cents through 99 cents to the next higher dollar.

■ **Period Covered** – File the 2002 return for calendar year 2002 and fiscal years that begin in 2002. For a fiscal year, a 52 to 53 week period, or a short-period return, fill in the taxable year beginning and ending dates in the taxable year space at the top of the form.

■ **Name and Address** – If the front cover of your booklet has a mailing label with the corporation's name and address, remove the label and place it in this area. Make any necessary corrections on the label.

If you didn't receive a booklet with a label, print or type the corporation's name and address. Indicate a change in the corporation's name or address from that shown on last year's Wisconsin return filed by checking the appropriate box. If you don't check the box to indicate that the name or address differs from the one used in prior years, the change will not be made.

Corporations that change their name must also notify the Department of Financial Institutions to recognize the change. Write to the Corporation Section, Division of Corporate and Consumer Services, Department of Financial Institutions, P.O. Box 7846, Madison, WI 53707-7846 or call (608) 261-7577.

■ **A. Federal Employer Identification Number** – Enter the corporation's federal employer identification number (EIN). If you haven't yet applied for a federal EIN, you may do so by filing federal Form SS-4 with the Internal Revenue Service or by calling the IRS toll-free number (866) 816-2065.

■ **B. Seller's Permit or Use Tax Number** – Enter the corporation's Wisconsin seller's permit, use tax, or consumer's use tax number.

■ **C. Wisconsin Employer Identification Number** – Enter the corporation's Wisconsin employer identification (withholding) number.

■ **D. Wisconsin Business Activity Code** – Enter the corporation's Wisconsin business activity code from the table on back of the front cover of this booklet. Don't enter the federal business activity code.

■ **E. First Return, Final Return, Short Period – Change in Accounting Period, and Short Period – Stock Purchase or Sale** – If this is the first year that you are filing a Wisconsin return because the corporation wasn't in existence or didn't do business in Wisconsin in prior years, check the "First return" box. If the corporation ceased to exist or withdrew from Wisconsin during the year, check the "Final return" box. Indicate that a short period return is being filed due to a change in the corporation's accounting period or a stock purchase or sale by checking the appropriate box.

■ **F. State and Year of Incorporation** – Enter the state under whose laws the corporation is organized and the year of incorporation.

■ **G. Amended Return** – If this is an amended return, check the box. Circle the number in front of the line(s) that you are changing, and attach a detailed explanation of the changes made, including any supporting form or schedule.

For example, if you are amending the manufacturer's sales tax credit, circle the "15" before "Nonrefundable credits" and attach a corrected Schedule Z along with an explanation of the change.

IMPORTANT – The Wisconsin corporate franchise and income tax law is based on the federal Internal Revenue Code (IRC). Although federal taxable income is indicated as the starting point on the Wisconsin return, Wisconsin net income must be determined using the Internal Revenue Code as amended to December 31, 1999, with certain exceptions.

Computing Federal Taxable Income for Wisconsin Purposes

The following federal law changes enacted after December 31, 1999, **apply** for Wisconsin purposes at the same time as for federal purposes:

- Community Renewal Tax Relief Act of 2000 (Public Law 106-554), enacted December 21, 2000, with certain exceptions. The following provisions of this Act **do not apply** for Wisconsin:
 - Section 162 of the Act, which affects IRC section 198(c), relating to the expensing of environmental remediation costs and the extension of the termination date to 2003.
 - Section 165 of the Act, which affects IRC section 170(e), relating to the enhanced deduction for corporate donations of computer technology and the extension of the termination date to 2003.
- Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), enacted June 7, 2001.

The following federal law changes enacted after December 31, 1999, **do not apply** for Wisconsin purposes:

- Trade and Development Act of 2000 (Public Law 106-200), enacted May 18, 2000.
- Public Law 106-230, enacted July 1, 2000.
- FSC Repeal and Extraterritorial Income Exclusion Act of 2000 (Public Law 106-519), enacted November 15, 2000.

For Wisconsin purposes, the FSC provisions remain in effect, and the extraterritorial income exclusion does not apply.

- Installment Tax Correction Act of 2000 (Public Law 106-573), enacted December 28, 2000.

For Wisconsin purposes, accrual basis taxpayers cannot use the installment method for reporting sales and other dispositions occurring on or after December 17, 1999. Instead, gain from the sale of property must be recognized in the year of the sale, rather than when the payments are received.

- Victims of Terrorism Tax Relief Act of 2001 (Public Law 107-134), enacted January 23, 2002.
- Job Creation and Worker Assistance Act of 2002 (Public Law 107-147), enacted March 9, 2002.
 - The federal 30% bonus depreciation may not be claimed for property placed in service after September 10, 2001.

- The tax benefits for New York Liberty Zone property, including the 30% additional depreciation, the 5-year recovery period for certain leasehold improvements, the increase in the section 179 expense deduction, and the extension of the replacement period for nonrecognition of gain on involuntary conversions, do not apply.
- Income from the discharge of indebtedness of a tax-option (S) corporation that is excluded from the S corporation's income continues to increase the basis of a shareholder's stock in the corporation for Wisconsin purposes.

Account for any differences between the amounts reportable for federal and Wisconsin purposes on Schedule V or Schedule W, as appropriate.

Caution: The Internal Revenue Code limits certain deductions, such as the deduction for charitable contributions, to a percentage of federal taxable income. Since most federal law changes enacted after December 31, 1999, do not apply for Wisconsin, you may have to recompute these deductions based on your federal taxable income as determined under the Internal Revenue Code in effect for Wisconsin. Show any difference between the federal and Wisconsin amount of these deductions as an adjustment on Schedule V or Schedule W, as appropriate.

Depreciation Differences and Other Modifications

For property placed in service in 2002, you must compute depreciation or amortization under the Internal Revenue Code as amended to December 31, 2000. You do not have the option of claiming the 30% bonus depreciation allowed on your federal return. Show any difference between the federal and Wisconsin depreciation deduction on Schedule V or Schedule W, as appropriate.

In addition, you must modify federal taxable income for other differences between federal and Wisconsin law, such as those listed in secs. 71.26(3) and 71.30, Wis. Stats. The major differences are explained in the instructions for Schedule V (Additions) and Schedule W (Subtractions). Show adjustments necessary to account for any differences between the amounts reportable for federal and Wisconsin purposes on Schedule V or Schedule W, as appropriate.

Note: For depreciation differences and other modifications, do not recompute your federal taxable income for purposes of determining the limits on Wisconsin deductions such as the charitable contributions deduction.

■ **Line 1. Federal Taxable Income** – Enter the amount from federal Form 1120, line 28, or Form 1120-A, line 24. This is federal taxable income before the net operating loss deduction and special deductions.

Note: Show losses by putting the amount in parentheses.

Exceptions

1. RICs, REMICs, REITs, and FASITs

For corporations that qualify as regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, or financial asset securitization investment trusts under the Internal Revenue Code, enter the net income or loss from federal Form 1120-RIC, line 26; Form 1066, Schedule J, line 4 plus line 9; Form 1120-REIT, line 22; or the appropriate line from Form 1120. Net income for these corporations means federal taxable income as determined under the Internal Revenue Code as of December 31, 1999, and as amended by certain provisions of Public Law 106-554 and Public Law 107-16, with three exceptions:

- Depreciation and amortization on property located outside Wisconsin and placed in service on or after January 1, 1983, and before January 1, 1987, were to be determined under the December 31, 1980, Internal Revenue Code.

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing their present method of depreciation. Basis differences resulting from the use of different federal and state depreciation methods are accounted for when the assets are disposed of in a taxable transaction.

- IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes.
- Depreciation for residential real property and property used in farming (if the corporation's Wisconsin gross farm receipts or sales exceeded \$155,000 for the 1986 taxable year), acquired in the 1986 taxable year, but before January 1, 1987, must be determined under the December 31, 1980, Internal Revenue Code.

The only adjustments that RICs, REMICs, REITs, and FASITs must make to federal taxable income to arrive at Wisconsin net income are (1) those necessary to account for the depreciation and amortization differences described above, (2) differences in depreciation because Wisconsin doesn't allow the federal 30% bonus depreciation for property placed in service after September 10, 2001, (3) any difference in the Wisconsin and federal basis of any asset disposed of in a taxable transaction, and (4) any other adjustment needed for changes made to the Internal Revenue Code after December 31, 1999, that don't apply for Wisconsin. All other adjustments listed in Schedules V and W don't apply to RICs, REMICs, REITs, and FASITs.

Note: If a wholly-owned REIT subsidiary isn't treated as a separate entity under IRC section 856(i) and all of its assets, liabilities, and items of income and loss are treated as attributes of the REIT, that same treatment applies for Wisconsin purposes.

2. S Corporations That Aren't Tax-Option Corporations

For corporations that are treated as S corporations federally but elect not to be Wisconsin tax-option corporations, enter the ordinary income or loss from federal Form 1120S, line 21. These corporations determine their Wisconsin net income under the Wisconsin corporate franchise and income tax law (secs. 71.22 and 71.26(2) and (3), Wis. Stats.), the same as any other corporation. Therefore, adjustments are required on Schedules V and W for separately stated items of income and expense and any other differences between the federal computation of S corporation items of income and deduction and the Wisconsin computation of a regular (C) corporation's net income.

■ **Line 2. Additions to Federal Income** – Complete Schedule V, page 2, and enter the total.

Exception: If using the separate accounting method, don't complete Schedule V. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 12, column 3, on Form 4, line 2.

Schedule V

Line 1. Enter interest income received on state and municipal obligations and any other interest income that is exempt from federal income tax and isn't included in federal taxable income, such as interest on obligations of the government of Puerto Rico.

Exception: Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn't add back interest income that is exempt from state income tax under either Wisconsin or federal law. This includes interest income received on Wisconsin municipal housing authority bonds, Wisconsin municipal redevelopment authority bonds, Wisconsin community development authority bonds, and bonds issued by the government of Puerto Rico.

Line 2. Enter taxes imposed by Wisconsin, any other state, and the District of Columbia that are value-added taxes, single business taxes, or taxes on or measured by net income, gross income, gross receipts, or capital stock and were deducted in computing federal taxable income.

Line 3. Enter environmental tax (imposed under IRC section 59A) and windfall profit tax (imposed under IRC section 4986) deducted in computing federal taxable income.

Line 4. Enter expenses deducted in computing federal taxable income that are directly or indirectly related to nontaxable income. Refer to the specific instructions for Schedule W, line 4, for an explanation of "nontaxable income." Examples of expenses related to nontaxable income include taxes, interest, and administrative fees related to the production of such income.

Also include on this line losses deducted in computing federal taxable income from the disposal of assets the gains from which would be nontaxable income if the assets were disposed of at a gain.

Line 5. Enter percentage depletion deducted in computing federal taxable income.

Note: Cost depletion is deductible for Wisconsin and should be entered on Schedule W, line 6, if not deducted on the federal return.

Line 6. Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction.

For assets first placed into service in taxable years beginning on or after January 1, 2001, compute depreciation or amortization under the Internal Revenue Code as amended to December 31, 2000.

An asset placed in service before 2002 must continue to be depreciated or amortized under the method allowable for Wisconsin purposes for the year in which it was placed in service. For property placed in service after September 10, 2001, the federal 30% bonus depreciation may not be claimed.

In addition, many differences in Wisconsin and federal depreciation and amortization existed before January 1, 1987, including the following:

- a. IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes. See *Wisconsin Tax Bulletin* 84 (October 1993, page 22) for further details about Wisconsin's treatment of safe harbor leases.
- b. Telegraph, pipeline, gas, electric, steam, and telephone companies (defined under secs. 76.02(4), Wis. Stats. (1983-84), 76.02(5b), 76.28(1)(e)1., 3., and 4., and 76.38(1)(c), Wis. Stats. (1985-86), except for specialized common carriers) had to compute depreciation under the Internal Revenue Code in effect on December 31, 1980, for assets acquired during the period beginning with the 1981 taxable year and ending on December 31, 1986. **Note:** The *Beatrice Cheese, Inc.* decision described in item e below doesn't apply to these companies.
- c. Waste treatment and pollution abatement plants and equipment could be deducted or amortized pursuant to sec. 71.04(2b) or (2g), Wis. Stats. (1985-86).

- d. Alternative energy systems could be deducted or amortized pursuant to sec. 71.04(16), Wis. Stats. (1985-86).
- e. The federal accelerated cost recovery system (ACRS) wasn't allowable for Wisconsin purposes for property located outside Wisconsin and first placed in service from January 1, 1983, through December 31, 1986. Instead, depreciation was to be computed under a method permitted by the Internal Revenue Code as of December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing their present method of depreciation. Basis differences resulting from the use of different federal and state depreciation methods are accounted for when the assets are disposed of in a taxable transaction. For more information, see the tax release in *Wisconsin Tax Bulletin* 84 (October 1993, page 18).

- f. Wisconsin and federal depreciation may have been different in the case of investment credit property. A corporation electing to claim an investment tax credit for federal income tax purposes could either (1) claim the credit and reduce the depreciable basis of the property by one-half of such credit, or (2) in the case of regular investment tax credit property, claim a reduced investment credit and not reduce the depreciable basis of the property.

Corporations that claimed an investment tax credit on their federal return (and reduced the federal basis of the assets) weren't required to reduce the basis of the investment credit property for Wisconsin purposes and could either (1) claim the same depreciation for Wisconsin as that claimed for federal purposes (except for item e above) and receive a deduction for the basis difference in the year the property is disposed of, pursuant to sec. 71.04(15)(e), Wis. Stats. (1985-86), or (2) claim depreciation on the asset's full (unreduced) basis for Wisconsin. (The second method required separate depreciation records for Wisconsin purposes.)

- g. Intangible drilling costs incurred after the 1980 taxable year are deductible for federal purposes under IRC section 263(c). Before the 1987 taxable year, the amount of depletion, depreciation, or write-off allowable for Wisconsin purposes was limited to that allowable under the Internal Revenue Code in effect on December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.
- h. For the following property acquired in the 1986 taxable year, but before January 1, 1987, depreciation must be computed under the December 31, 1980, Internal Revenue Code: (1) residential real property, and (2) property used in farming, as defined in IRC section 464(e)(1), if the corporation's Wisconsin gross farm receipts or sales exceeded \$155,000 for the 1986 taxable year.
- i. For federal tax purposes, corporations may elect to expense, under IRC section 179, a portion of the cost of "section 179" property placed in service after the 1981 calendar year. For Wisconsin purposes, before the 1987 taxable year, corporations (except regulated investment companies and real estate investment trusts) couldn't claim this expense. Instead, depreciation was allowable on the cost basis of the property, without reduction for the amount the corporation may have elected to expense under section 179 for federal purposes.

For assets placed in service before January 1, 1987, these differences in depreciation (items a through i) continue to exist. Therefore, the depreciation deduction may be different for Wisconsin and federal purposes.

Line-by-Line Instructions (continued)

Line 7. Enter the amount by which the federal basis of assets disposed of exceeds the Wisconsin basis. If more than one asset is disposed of, you may combine the bases of the assets so that you need only one entry either on this line or Schedule W, line 8.

For example, a corporation sold the following assets during the current taxable year:

	Federal Basis	Wisconsin Basis	Difference
Truck	\$ 1,500	\$ 500	\$ 1,000
Equipment	1,000	2,000	(1,000)
Building	20,000	10,000	10,000
Net Difference			<u>\$ 10,000</u>

The amount to enter on Schedule V, line 7, is \$10,000.

If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 8, instead.

Line 8. Enter the sum of the corporation's manufacturer's sales tax credit computed (from Schedule Z, line 10) plus the credits passed through from other entities (the total from Schedule Z-1, column e).

Line 9. Enter the research credits computed (from 2002 Wisconsin Schedule R, line 15 or 28 and line 32).

Line 10. Enter the development zones credit computed (from 2002 Wisconsin Schedule DC, line 5) to the extent that the amount isn't included in federal income.

Line 11. Enter the community development finance credit computed (from Schedule C1, line 5).

Line 12. Enter the amount of farmland preservation credit received during the taxable year that isn't included in federal income.

Line 13. Enter the amount of farmland tax relief credit received during the taxable year that isn't included in federal income.

Line 14. Enter any other additions to federal income. These could include:

- Federal capital loss carryovers (if previously deducted for Wisconsin).
- Adjustments required as a result of changes made to the Internal Revenue Code after December 31, 1999, which don't apply for Wisconsin. See page 5 for details.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of income and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.
- Development opportunity zone investment credit computed (from Schedule DC, line 11) to the extent that the amount isn't included in federal income.
- Development opportunity zone capital investment credit computed (from Schedule DC, line 19) to the extent that the amount isn't included in federal income.
- Technology zone credit computed (from 2002 Wisconsin Schedule TC, line 6) to the extent that the amount isn't included in federal income.

■ **Line 4. Subtractions From Federal Income** – Complete Schedule W, page 2, and enter the total.

Exception: If using the separate accounting method, don't complete Schedule W. Instead, complete Form 4C and enter the amount from Form 4C, line 15, column 3, on Form 4, line 4.

Schedule W

Line 1. Enter, from Schedule Y, line 4, dividends received which are included in the amount on Form 4, line 3, and qualify for deduction for Wisconsin. See the Schedule Y instructions on page 9.

Line 2. Enter income from controlled foreign corporations under Subpart F of the Internal Revenue Code as reported on Form 1120, Schedule C, line 14.

Line 3. Enter foreign dividend gross-up reported on Form 1120, Schedule C, line 15.

Line 4. Enter nontaxable income included in computing federal taxable income. Attach a schedule to your return showing the payers and amounts of nontaxable income and explaining why that income isn't taxable.

- Interest, dividends, and capital gains from the disposition of intangible assets are nontaxable if –
 - (a) the operations of the payor are not unitary with those of the payee, and
 - (b) the payor and payee are not related as parent company and subsidiary or affiliates and the investment activity from which the income is received is not an integral part of a unitary business.

Note: Such income may also be nontaxable under the principles of the U.S. Supreme Court decision in *Allied-Signal v. Director, Div. of Taxation*, 504 U.S. 768 (1992), if the investment is passive and does not serve an operational function.

- For corporations subject to the Wisconsin income tax rather than the franchise tax, nontaxable income includes interest on United States government obligations.

Note: Expenses related to nontaxable income aren't deductible and must be added to federal taxable income on Schedule V, line 4.

Line 5. Enter foreign taxes paid or accrued during the year that aren't deducted in computing federal taxable income and aren't included on Schedule W, line 3.

Line 6. Enter cost depletion that wasn't deducted in computing federal taxable income.

Note: Percentage depletion isn't deductible for Wisconsin and must be added to federal taxable income on Schedule V, line 5.

Line 7. Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Refer to the instructions for Schedule V, line 6, for a detailed discussion of depreciation and amortization.

Line 8. Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 7, for an example.

Line 9. Enter wages not deductible in computing federal income as a result of being used in computing the federal work opportunity tax credit.

Line 10. Enter research expenses not deductible in computing federal income as a result of being used in computing the federal credit for increasing research activities.

Line 11. Enter any other subtractions from federal income. These could include:

- Adjustments required as a result of changes made to the Internal Revenue Code after December 31, 1999, which don't apply for Wisconsin. See page 5 for details.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of expense and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.
- Development zones investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.

Schedule Y

Dividends are deductible for Wisconsin purposes if received during the year from payor corporations that meet the following requirements:

1. The dividend must be paid on common stock, and
2. The corporation receiving the dividend must have owned at least 70% of the total combined voting stock of the payor corporation for the entire taxable year.

Note: "Dividends received" means gross dividends minus any taxes on those dividends paid to a foreign nation and claimed as a deduction for Wisconsin purposes.

Line 1. List the names of the payors and the dividends received which meet the above requirements and have been included on Form 4, line 1, or on Schedule V.

Line 3. Enter taxes paid to a foreign nation on dividends listed on line 1, which were claimed as a deduction in computing federal taxable income or are being included on Schedule W, line 5.

Dividends received from certain subsidiary corporations may be non-taxable. See the instructions for Schedule W, line 4. Don't include such dividends on Schedule Y.

■ **Lines 6 through 11. Apportionment Data** – If using the apportionment method, complete Wisconsin Form 4B and enter the amounts requested. See the instructions for Form 4B (page 12). If using the separate accounting method, don't complete lines 6 through 10. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 16, column 1, on Form 4, line 11.

Note: If you are using a special apportionment formula, be sure to check the box on line 8.

■ **Line 12. Wisconsin Net Business Loss Carryforward** – Enter the total Wisconsin net business loss carryforward from Form 4BL, line 30. The instructions for Form 4BL are printed on the form.

Exception: Regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, and financial asset securitization investment trusts must enter zero.

■ **Line 13. Wisconsin Net Income (Loss)** – Subtract line 12 from line 11. If line 11 shows a loss, or the loss carryforward on line 12 exceeds the net income on line 11, report the net loss on line 13.

■ **Line 14. Gross Tax** – Enter 7.9% of the Wisconsin net income reported on line 13.

■ **Line 15. Nonrefundable Credits** – Complete Schedule C1, page 2, and enter the available credit.

For purposes of determining the carryover (if any) of each credit, they must be applied against gross tax in the following order:

1. Manufacturer's sales tax credit
2. Research expense credit
3. Development zones research credit
4. Research facilities credit
5. Community development finance credit
6. Development zones jobs credit
7. Development zones sales tax credit
8. Development zones investment credit, including development opportunity zone investment credit
9. Development zones location credit
10. Development opportunity zone capital investment credit
11. Development zones day care credit
12. Development zones environmental remediation credit
13. Development zones credit
14. Technology zone credit
15. Supplement to federal historic rehabilitation tax credit

Schedule C1

Line 1. **Manufacturer's Sales Tax Credit** – Enter the manufacturer's sales tax credit from Schedule Z, line 13.

Corporations engaged in manufacturing in Wisconsin may claim a credit. See the Schedule Z instructions on page 10.

Line 2. **Research Expense Credit** – Enter the research expense credit from Schedule R, line 30.

Corporations that increase qualified research expenses in Wisconsin may claim a credit.

Line 3. **Development Zones Research Credit** – Enter the development zones research credit carryover from Schedule DC, line 89.

Line 4. **Research Facilities Credit** – Enter the research facilities credit from Schedule R, line 34.

Corporations that incur expenses to construct and equip new research facilities in Wisconsin or to expand existing facilities in Wisconsin may claim a credit.

Line 5. **Community Development Finance Credit** – Enter the available community development finance credit.

Corporations that make contributions to the Wisconsin Housing and Economic Development Authority and, in the same year, purchase common stock in the Wisconsin Community Development Finance Company may claim a credit.

The credit is nonrefundable and is equal to 75% of the purchase price of the stock, but may not exceed 75% of the amount that was contributed to the Wisconsin Community Development Finance Authority. Any unused credit may be offset against tax liabilities of the subsequent years, up to 15 years.

Line-by-Line Instructions (continued)

Line 6. Development Zones Jobs Credit – Enter the development zones jobs credit carryover from Schedule DC, line 105.

Line 7. Development Zones Sales Tax Credit – Enter the development zones sales tax credit carryover from Schedule DC, line 108.

Line 8. Development Zones Investment Credit – Enter the total of the development opportunity zone investment credit and any development zones investment credit carryover from Schedule DC, line 120.

Line 9. Development Zones Location Credit – Enter the development zones location credit carryover from Schedule DC, line 122.

Line 10. Development Zone Capital Investment Credit – Enter the development opportunity zone capital investment credit from Schedule DC, line 131.

Line 11. Development Zones Day Care Credit – Enter the development zones day care credit carryover from Schedule DC, line 133.

Line 12. Development Zones Environmental Remediation Credit – Enter the development zones environmental remediation credit carryover from Schedule DC, line 136.

Line 13. Development Zones Credit – Enter the development zones credit from Schedule DC, line 150.

Corporations doing business in Wisconsin development, development opportunity, or enterprise development zones may be eligible for tax credits based on expenditures for environmental remediation and job creation or retention. The Wisconsin Department of Commerce administers the Wisconsin development zones programs. For more information about the programs, visit the Department of Commerce web site at www.commerce.state.wi.us/CD/CD-bed.html, write to the Division of Community Development, Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970, or call (608) 266-3751.

Line 14. Technology Zone Credit – Enter the technology zone credit from Schedule TC, line 6.

Corporations doing business in Wisconsin technology zones may be eligible for a tax credit based on the property taxes, sales and use taxes, and franchise or income taxes paid. The Department of Commerce administers the Wisconsin technology zone program. For more information about the program, visit the Department of Commerce web site at www.commerce.state.wi.us/CD/CD-bed-tz-general.html, write to the Division of Community Development, Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970, or call (608) 266-2688.

Note: The above credits (items 1 through 14) must be included as income in the year computed.

Line 15. Supplement to the Federal Historic Rehabilitation Tax Credit – Enter the supplement to the federal historic rehabilitation tax credit from Schedule HR, line 7.

Corporations that rehabilitate certified historic structures located in Wisconsin and used for business purposes may claim a credit. The Wisconsin Historical Society administers the historic preservation program. For more information about this program, visit the Historical Society's web site at www.wisconsinhistory.org/histbuild/index.html, write to the Division of Historic Preservation, Wisconsin Historical Society, 816 State Street, Madison, WI 53706-1488, or call (608) 264-6500.

Line 16. Add lines 1 through 15. This is the total available non-refundable credits.

Schedule Z

Corporations engaged in manufacturing in Wisconsin may claim a credit for Wisconsin state, county, and baseball and football stadium sales and use taxes paid on fuel and electricity consumed in manufacturing.

In addition, a corporation that owns an interest in a pass-through entity, such as a partnership, which is engaged in manufacturing in Wisconsin may claim its share of the entity's manufacturer's sales tax credit computed for the entity's taxable years beginning on or after January 1, 1998. The pass-through credit may be offset only against the tax imposed on the corporation's share of the entity's net income. Use Schedule Z-1 to figure the allowable credit from pass-through entities.

Manufacturing has the meaning designated in sec. 77.54(6m), Wis. Stats., which states in part that "manufacturing" is the production by machinery of a new article with a different form, use, and name from existing materials by a process popularly regarded as manufacturing.

Manufacturing includes the assembly of finished units of tangible personal property and packaging when it is a part of an operation performed by the producer of the product or by another on his or her behalf and the package or container becomes a part of the tangible personal property as such unit is customarily offered for sale by the manufacturer.

It includes the conveyance of raw materials and supplies from plant inventory to the work point of the same plant, conveyance of work in progress directly from one manufacturing operation to another in the same plant, and conveyance of finished products to the point of first storage on the plant premises. It includes the testing or inspection throughout the production cycle.

Manufacturing does not include storage, delivery to or from the plant, repairing or maintaining facilities, or research and development.

The credit is a nonrefundable credit. To the extent that the credit cannot be used to reduce the tax liability for the current year, it may be offset against the tax liability of the subsequent year and each succeeding year up to 15 years.

Line 1. Enter the total cost (including Wisconsin state, county, and baseball and football stadium sales and use taxes) of all fuel and electricity purchased during the taxable year for use in Wisconsin.

Line 2. Enter the cost of fuel and electricity included on line 1 (including Wisconsin state, county, and baseball and football stadium sales and use taxes) that wasn't or won't be used for manufacturing. This includes fuel and electricity for heating and lighting office space and warehousing space for raw materials and finished goods and for other nonmanufacturing purposes.

Line 4. Enter any county and baseball and football stadium sales and use taxes included on line 3. (The county tax rate is 0.5% (0.005) in Wisconsin counties that have adopted the county tax. The baseball stadium tax rate is 0.1% (0.001) in Wisconsin counties where the baseball stadium tax applies and the football stadium tax rate is 0.5% (0.005) in Brown County.)

Line 6. Enter purchases included on line 5 on which no Wisconsin sales or use taxes were paid. An example is the portion of coke purchased without tax by a foundry that becomes an ingredient or component part of a manufactured article.

Line 10. Add lines 8 and 9. This is the 2002 manufacturer's sales tax credit based on the corporation's manufacturing activities.

Line 11. Enter the amount of manufacturer's sales tax credit passed through from other entities from Schedule Z-1, column f.

Note: The amount from line 10 plus the total from Schedule Z-1, column e, must be included on Schedule V, line 8.

Line 12. Enter any unused manufacturer's sales tax credit from 1987 through 2001.

■ **Line 16. Net Tax** – Subtract line 15 from line 14. If line 15 is more than line 14, enter zero.

■ **Line 17. Recycling Surcharge** – Enter the greater of \$25 or 3% of the gross tax on line 14, but not more than \$9,800.

Note: Domestic corporations that don't have any business activities in Wisconsin, foreign corporations that don't have nexus with Wisconsin, corporations that have less than \$4 million of gross receipts from all activities (as defined on page 1), and nuclear decommissioning trust funds enter zero on line 17.

■ **Line 18. 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.

Support endangered resources in Wisconsin. Fill in line 18 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 the Endangered Resources Fund, Department of Natural Resources, P.O. Box 7921, Madison, WI 53707-7921.

sources Fund, Department of Natural Resources, P.O. Box 7921, Madison, WI 53707-7921.

■ **Line 20. Estimated Tax Payments** – Enter estimated tax payments made, including EFT payments, or overpayments applied from prior years' returns, minus any "quick refund" applied for on Form 4466W.

Note: You can't claim estimated tax payments that were made by a related corporation.

Amended Return: If this is an amended return, compute the tax to enter on line 20 as follows:

Estimated tax payments made for 2002	\$ _____
Plus:	
Tax carried forward from 2001	_____
Additional tax paid on previous returns filed for 2002	_____
Additional tax assessed by the Department for 2002 (whether or not paid)	_____
Subtotal	\$ _____
Minus:	
Tax refunded on 2002 Form 4466W	(_____)
Tax refunded to you on previous returns filed for 2002	(_____)
Overpayment from your previously filed 2002 return claimed on your 2003 return, if you already filed your 2003 return	(_____)
Tax previously paid to enter on line 20	\$ _____

■ **Line 21. Refundable Credits** – Complete Schedule C2, page 2, and enter the total available credit.

Computation of Amended Interest, Underpayment Interest, Penalty, and Late Filing Fee Due

Complete this worksheet if your amended return shows an additional amount due.	(a) 18% Interest	(b) 12% Interest
1 Enter amended tax and recycling surcharge on line a, b, or c, as appropriate:		
a If original return was filed late		
b If original return was filed by original or extended due date and amended amount is less than \$500		
c If original return was filed by original or extended due date and amended amount is \$500 or more, enter 90% of amended amount in column a and 10% in column b	90%	10%
2 Complete an amended Form 4U, Part I, and enter the amount from line 17		
3 Add lines 1 and 2		
4 Enter payments made through unextended due date (apply first to column a, if applicable)		
5 Subtract line 4 from line 3. This is the unpaid tax, surcharge, and underpayment interest subject to interest		
6 Interest on amount on line 5 to _____ (the earlier of the extended due date or the date paid)		
7 Enter \$30 late filing fee if original return was filed late		
8 Enter any 5-25% late filing penalty due on original return		
9 Add lines 5, 6, 7, and 8		
10 Enter payments made after unextended due date (apply first to column a, if applicable – date paid _____). Don't include payments entered on line 4		
11 Subtract line 10 from line 9		
12 Interest on unpaid tax, surcharge, and underpayment interest included on line 11 from date on line 6 to _____ (date amended return is filed). Apply payments shown on lines 4 and 10 first to penalties and interest on lines 6, 7, and 8, and then to tax, surcharge, and underpayment interest		
13 Add lines 11 and 12, columns a and b		
14 Enter additional tax and surcharge computed on amended return		
15 Subtract line 14 from line 13. Enter the result on Form 4, line 23. ➤		

Schedule C2

Line 1. Farmland Preservation Credit – Enter the farmland preservation credit from Schedule FC, line 16.

Corporations organized under the laws of Wisconsin that own and operate Wisconsin farmland subject to agricultural use restrictions in the form of a zoning ordinance or a farmland preservation agreement, as provided by Chapter 91, Wis. Stats., may claim a credit.

Line 2. Farmland Tax Relief Credit – Enter the farmland tax relief credit from Schedule FT, line 6.

Corporations organized under the laws of Wisconsin that own farmland located in Wisconsin may claim a credit.

Note: The farmland credits must be included in income in the year of receipt.

Line 3. Add lines 1 and 2. This is the total available refundable credits.

■ **Line 23. Interest, Penalty, and Late Fee Due** – Enter any interest, penalty, and late fee due from Form 4U, line 17 or 26.

Amended Return – Refund Claimed: If you previously were assessed interest for underpayment of estimated taxes, complete an amended Form 4U, Part I, based on the total of the amounts shown on lines 16 and 17. Enter the difference between the underpayment interest from the amended Form 4U, line 17, and the amount you previously paid on line 23. Show an overpayment in parentheses. Attach Form 4U to your amended return. Otherwise, leave line 23 blank. The Department will compute interest on the amount of refund approved.

Amended Return – Additional Amount Owed: Use the worksheet on page 11 to calculate the interest owed. **Caution:** Additional calculations may be required if your original return was previously amended or adjusted by the Department. Otherwise, the Department will compute interest on the tax owed.

■ **Line 24. Tax Due** – If the total of lines 19 and 23 is larger than line 22, enter the amount owed. Attach your check to the front of Form 4.

■ **Line 25. Overpayment** – If line 22 is larger than the total of lines 19 and 23, enter the overpayment.

Note: If you must recapture development zones investment credit because the property is disposed of or ceases to be qualified property before the end of the recapture period, add the amount from Schedule DC, line 161, to the tax due on line 24 or reduce the overpayment on line 25.

■ **Line 26. 2003 Estimated Tax** – Enter the amount of any overpayment from line 25 that is to be credited to the corporation's 2003 estimated tax. The balance of any overpayment will be refunded.

Note: An overpayment shown on a corporation's final return will be refunded to the corporation that made the payments. You cannot claim these payments on the surviving corporation's return in a merger situation.

Amended Return: If you have already filed your 2003 return, enter the overpayment that you claimed as a credit on your 2003 return

from your previously filed original or amended 2002 return. Otherwise, you may allocate the overpayment from line 25 between line 26 and line 27 as you choose.

■ **Line 28.** Enter total company gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income before apportionment for Wisconsin franchise or income tax purposes.

■ **Line 29.** Enter the requested information from the federal return.

■ **Lines 30, 31, and 32.** Enter the appropriate apportionment percentage on lines 30a, 31a, and 32a for each factor. These are the percentages from Form 4B, lines 16 and 19, and the unweighted percentage from Form 4B, line 26. Also enter on lines 30b and 30c, 31b and 31c, and 32b and 32c the appropriate amounts from Form 4B.

Note: If a special apportionment percentage is computed on Form 4B, lines 29, 30, and 31, enter the appropriate amounts from these lines.

■ **Additional Information Required** – Answer questions 1 through 9 on back of Form 4.

■ **Signatures** – An officer of the corporation must sign the form at the bottom of page 1. If the return is prepared by someone other than an employee of the corporation, the individual who prepared the return must sign the form, by hand, in the space provided for the preparer's signature and furnish the preparing firm's federal employer identification number. A self-employed individual must enter "SSN" and the social security number in the space for the preparer's federal employer identification number.

■ **Attachments** – Attach a copy of each of the following documents:

- Your federal return with all supporting schedules.
 - If the federal return is a consolidated return, you must –
 - (1) enter the parent corporation's federal employer identification number in the space provided, and
 - (2) include a breakdown by individual company or attach a copy of the unconsolidated federal return together with all supporting schedules instead of the consolidated return.
- Any other required Wisconsin forms, schedules, or statements. Include a list of your solely owned LLCs.
- **Any extension of time to file your return.**

Amended Return: If this is an amended return, attach an explanation of the changes made and any supporting forms or schedules. Also attach a worksheet showing how you figured your additional refund or additional amount owed. Send the amended return to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.

Form 4B – Apportionment Data

What Is Apportionment

Under the apportionment method, a corporation shows all income and deductions for the company as a whole and then assigns a part to Wisconsin according to a formula that determines Wisconsin net income.

Who Must Use Apportionment

A corporation engaged in business in and outside Wisconsin is required to report a portion of its total company net income to Wisconsin using the apportionment method if its Wisconsin operations are a part of a unitary business, unless the Department gives permission to use separate accounting. To use the apportionment method, a corporation must have business activity sufficient to create nexus in Wisconsin and at least one other state or foreign country.

“Nexus” means that a corporation’s business activity is of such a degree that the state or foreign country has jurisdiction to impose an income tax or franchise tax measured by net income. Under Public Law 86-272, a state can’t impose an income tax or franchise tax based on net income on a corporation selling tangible personal property if the corporation’s only activity in the state is the solicitation of orders, which orders are approved outside the state and are filled by delivery from a point outside the state.

What Is a Unitary Business

A unitary business is one that operates as a unit and can’t be segregated into independently operating divisions or branches. The operations are integrated, and each division or branch is dependent upon or contributory to the operation of the business as a whole. It isn’t necessary that each division or branch operating in Wisconsin contribute to the activities of all divisions or branches outside Wisconsin.

What Is Nonapportionable Income

Nonapportionable income is that income which is allocable directly to a particular state. It includes income or loss derived from the sale of nonbusiness real or tangible personal property or from rentals and royalties from nonbusiness real or tangible personal property. This income is assigned to the state where the property is located.

The intangible income of a personal holding company is nonapportionable and is assigned to the state of incorporation.

Total nonapportionable income (loss) is removed from total company net income before the apportionment percentage is applied. The Wisconsin nonapportionable income (loss) is then combined with the Wisconsin apportionable income to arrive at Wisconsin net income.

What Is the Apportionment Percentage

For unitary, multistate businesses (except air carriers, motor carriers, railroads and sleeping car companies, pipeline companies, financial organizations, and public utilities whose incomes are apportioned by special rules of the Department), the apportionment percentage is determined by the weighted average of the following three ratios:

1. Wisconsin tangible property to total company tangible property.
2. Wisconsin payroll to total company payroll.
3. Wisconsin sales to total company sales. (This ratio is double-weighted.)

Air carriers, motor carriers, railroads and sleeping car companies, pipeline companies, financial organizations (except insurance companies), and public utilities use special apportionment percentages established for these companies in Wisconsin Administrative Code sections Tax 2.46, 2.47, 2.475, 2.48, 2.49, and 2.50. These rules are summarized as follows:

Rule Tax 2.46 – Apportionment of Business Income of Interstate Air Carriers

The apportionment percentage is the average of the following three ratios:

1. Aircraft arrivals and departures within Wisconsin scheduled by the carrier to total aircraft arrivals and departures scheduled.
2. Revenue tons handled by the carrier at airports within Wisconsin to total revenue tons handled.
3. Originating revenue within Wisconsin to total originating revenue.

Rule Tax 2.47 – Apportionment of Net Business Incomes of Interstate Motor Carriers

The apportionment percentage is the average of the following two ratios:

1. Gross receipts from carriage of persons or property first acquired for carriage in Wisconsin to total gross receipts from carriage of persons or property everywhere.
2. Ton miles of carriage in Wisconsin to ton miles of carriage everywhere.

If the above information isn’t available, the Department may authorize or direct the substitution of a similar factor (for example, gross tonnage instead of gross receipts or revenue miles instead of ton miles).

Rule Tax 2.475 – Apportionment of Net Business Incomes of Interstate Railroads and Sleeping Car Companies

The apportionment percentage is the average of the following two ratios:

1. Gross receipts from carriage of property or persons, or both, first acquired for carriage in Wisconsin to total gross receipts from carriage of property or persons, or both, everywhere.
2. Revenue ton miles of carriage in Wisconsin to revenue ton miles of carriage everywhere.

Rule Tax 2.48 – Apportionment of Net Business Incomes of Interstate Pipeline Companies

The apportionment percentage is the average of the following three ratios:

1. Net cost (for Wisconsin tax purposes) of tangible property owned and used in Wisconsin to produce apportionable income to total net cost of such property everywhere.
2. Traffic units (for example, barrel miles, cubic foot miles, or other appropriate measure of product movement) in Wisconsin to total company traffic units.
3. Total compensation paid to employees located in Wisconsin to total compensation paid to employees everywhere.

Rule Tax 2.49 – Apportionment of Net Business Incomes of Interstate Finance Companies

The apportionment percentage is the average of the following two ratios:

1. Gross receipts in Wisconsin to total gross receipts. Gross receipts include all business income associated with the lending of money in the normal course of business such as interest, discounts, finance charges or fees, and service charges or fees. Gains from

Line-by-Line Instructions (continued)

sales of assets, charges to a related corporation for personal services of employees, and miscellaneous income aren't includable in gross receipts for purposes of this factor. Gross receipts are assigned to Wisconsin if the transaction producing the income was principally negotiated in Wisconsin.

- Total compensation paid to employees located in Wisconsin to total compensation paid to employees everywhere. Compensation paid includes deductible management or service fees paid to a related corporation for the performance of personal services.

Rule Tax 2.50 – Apportionment of Net Business Income of Interstate Public Utilities

The apportionment percentage is the average of the three ratios provided for corporations in general. The sales factor isn't double-weighted.

Corporate Partners or LLC Members

A corporation that is a general or limited partner includes its share of the numerator and denominator of the partnership's apportionment factors in the numerator and denominator of its apportionment factors. A corporation that is a member of a limited liability company (LLC) treated as a partnership for federal tax purposes includes its share of the numerator and denominator of the LLC's apportionment factors in the numerator and denominator of its apportionment factors.

Note: Income from a partnership or LLC may be nontaxable under the principles of the U.S. Supreme Court decision in *Allied-Signal v. Director, Div. of Taxation*, 504 U.S. 768 (1992), if the investment is passive and does not serve an operational function. In this case, the corporation would not include its share of the partnership's or LLC's apportionment factors in the numerator and denominator of its apportionment factors.

Line-by-Line Instructions for Form 4B

■ **Line 1.** Enter all profits and losses from disposals of nonbusiness tangible property in the appropriate column or columns. Such profits and losses are nonapportionable and follow the situs of the property.

■ **Line 2.** Enter rents and royalties received on nonbusiness tangible property in the appropriate column or columns. These are nonapportionable and follow the situs of the property.

■ **Line 3.** Enter any expenses that are directly or indirectly related to rents and royalties reported on line 2. Since such income is nonapportionable, the related expenses are nonapportionable.

■ **Line 5.** Enter the total net nonapportionable income or loss for both Wisconsin and the total company. Also, enter on Form 4, line 6, the total company net nonapportionable income. Enter on Form 4, line 10, the Wisconsin net nonapportionable income.

■ **Lines 6 through 13.** Enter the undepreciated original cost of tangible property owned and used in producing apportionable income at the beginning and at the end of the taxable year. Group the property into the general categories listed for both Wisconsin and the total company.

Don't include construction in progress, idle property, or property used in producing nonapportionable income. Such property isn't used in the production of apportionable income and, therefore, isn't includable in the property factor.

Note: If any major acquisitions or dispositions occurred within the taxable year, the average monthly balances of property may be used (or required by the Department) instead of the average of the beginning and ending balance. In this case, attach a separate schedule showing the calculation rather than completing lines 6 through 13.

■ **Line 14.** Add lines 13a and 13b for Wisconsin property and for total company property, and divide each of these totals by 2. This is the average owned property for Wisconsin and the total company.

■ **Line 15.** Multiply the net annual rental for property used in the production of apportionable income by 8 and enter the result. "Net annual rental" is the annual rental paid less any annual rental received from subrentals unless this results in a negative or clearly inaccurate valuation. Net annual rental doesn't include incidental day-to-day expenses such as hotel or motel accommodations, daily rentals of autos, or royalties based on extraction of natural resources.

If the taxable year covers a period of less than 12 months, the net rent paid for the short period must be annualized. However, if the rental term is for less than 12 months, the rent must be adjusted accordingly.

Leases are given the same treatment in computing the property factor as they are in computing net income. Leases that have been capitalized in computing net income are included as property owned and used for property factor purposes. All other lease payments are included in the rentals times 8 computation.

■ **Line 16.** Enter the total Wisconsin and total company property. Divide the Wisconsin property by the total company property and enter the percentage.

■ **Line 17.** Enter, for Wisconsin and the total company, the compensation paid to the company's own employees for the performance of personal services. The compensation must be related to the production of apportionable income. Compensation related to the operation, maintenance, protection, or supervision of property used in the production of both apportionable and nonapportionable income or losses must be prorated, and only the portion related to the production of apportionable income is included for Wisconsin and the total company. Compensation includes wages, salaries, commissions, and any other form of remuneration paid to employees.

Compensation is paid in Wisconsin (included in the numerator of the payroll factor) if –

- The individual's service is performed entirely in Wisconsin.
- The individual's service is performed in and outside Wisconsin, but the service performed outside Wisconsin is incidental to the individual's service in Wisconsin.
- A portion of the service is performed in Wisconsin and the base of operations of the individual is in Wisconsin.
- A portion of the service is performed in Wisconsin and, if there is no base of operations, the place from which the individual's service is directed or controlled is in Wisconsin.
- A portion of the service is performed in Wisconsin and neither the base of operations of the individual nor the place from which the service is directed or controlled is in any state in which some part of the service is performed, but the individual's residence is in Wisconsin.
- The individual is neither a resident of nor performs services in Wisconsin but is directed or controlled from an office in Wisconsin and returns to Wisconsin periodically for business purposes

and the state in which the individual resides doesn't have jurisdiction to impose franchise or income taxes on the employer.

An individual is considered to be performing a service in Wisconsin during the year if that individual spends any portion of at least 5 days during the corporation's taxable year in Wisconsin performing services.

■ **Line 18.** Enter management or service fees paid to a related corporation for the performance of personal services. The fees must be related to the production of apportionable income. Payments made to independent contractors aren't includable.

■ **Line 19.** Enter the total Wisconsin and total company payroll. Divide the Wisconsin payroll by the total company payroll and enter the percentage.

■ **Lines 20 through 25.** For purposes of the sales factor, sales include, but aren't limited to, the following items related to the production of business income:

- Gross receipts from the sale of inventory.
- Gross receipts from the operation of farms, mines, and quarries.
- Gross receipts from the sale of scrap or by-products.
- Gross commissions.
- Gross receipts from personal and other services.
- Gross rents from real property or tangible personal property.
- Interest on trade accounts and trade notes receivable.
- A partner's share of the partnership's gross receipts or a member's share of the limited liability company's gross receipts.
- Gross management fees.
- Gross royalties from income producing activities.
- Gross franchise fees from income producing activities.

"Gross receipts" means gross sales less returns and allowances, plus service charges, freight, carrying charges, or time-price differential charges incidental to the sales. Federal and state excise taxes, including sales and use taxes, are included as part of the receipts if the taxes are passed on to the buyer or included as part of the selling price of the product.

The following items are among those not included for sales factor purposes:

- Gross receipts and gain or loss from the sale of tangible business assets, except receipts from the sale of inventory, scrap, or by-products or from the operation of a farm, mine, or quarry.
- Gross receipts and gain or loss from the sale of nonbusiness real or tangible personal property.
- Gross rents and rental income or loss from real property or tangible personal property if that real property or tangible personal property isn't used in the production of business income.
- Royalties from nonbusiness real property or nonbusiness tangible personal property.
- Proceeds and gain or loss from the redemption of securities.
- Interest, except interest on trade accounts and trade notes receivable, and dividends.
- Gross receipts and gain or loss from the sale of intangible assets, except inventory.

- Dividends deductible in determining net income.
- Gross receipts and gain or loss from the sale of securities.
- Proceeds and gain or loss from the sale of receivables.
- Refunds, rebates, and recoveries of amounts previously expended or deducted.
- Foreign exchange gain or loss.
- Royalties and income from passive investments in patents, copyrights, trademarks, trade names, plans, specifications, blueprints, processes, techniques, formulas, designs, layouts, patterns, drawings, manuals, and technical know-how.
- Pari-mutuel wager winnings and purses.
- Other items not includable in apportionable income.

Enter on lines 20a and 20b the appropriate Wisconsin destination sales. Gross receipts from the sales of tangible personal property, except sales to the federal government, are Wisconsin sales if the property is delivered or shipped to a purchaser in Wisconsin. Sales of tangible personal property picked up by the purchaser, or the purchaser's agent, at the seller's Wisconsin business location and immediately transported to the purchaser's out-of-state business location aren't Wisconsin sales. However, if the seller doesn't have nexus with the state in which the purchaser's business is located, the sales are "thrown back" to Wisconsin as discussed later. Wisconsin sales include sales of tangible personal property that are picked up by the purchaser, or the purchaser's agent, at the seller's out-of-state business location and immediately transported to the purchaser's Wisconsin business location.

Enter on line 21a sales of tangible personal property delivered to the federal government, including its agencies and instrumentalities, in Wisconsin if the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin. Sales to federal government locations in Wisconsin, which are shipped from an office, store, warehouse, factory, or other place of storage outside Wisconsin, aren't Wisconsin sales.

Enter on line 21b sales of tangible personal property delivered to the federal government, including its agencies and instrumentalities, outside Wisconsin if the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin and the seller doesn't have nexus in the destination state. These sales are included in the numerator of the sales factor at 50%.

Enter on line 21c sales, other than sales to the federal government, that are "thrown back" to Wisconsin. These are sales of tangible personal property shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin to a state in which the seller doesn't have nexus. "Throwback" sales are included in the numerator of the sales factor at 50%.

Enter on line 22 the "double throwback" sales. These are sales, other than sales to the federal government, of tangible personal property by an office in Wisconsin to a purchaser in another state, but not shipped or delivered from Wisconsin, if the taxpayer doesn't have nexus in (1) the state from which the property is delivered or shipped, or (2) the destination state. "Double throwback" sales are included in the numerator of the sales factor at 50%.

Note: For purposes of throwback sales and double throwback sales, "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States. A foreign country isn't a state.

Enter on line 23 the total sales for Wisconsin (sum of lines 20a through 22) and the total company.

Enter on line 24, for both Wisconsin and the total company, gross receipts of apportionable income, other than sales of tangible personal property, that are includable in the sales factor.

Gross receipts are attributable to Wisconsin if the income producing activity that gives rise to the receipts is performed in Wisconsin. If the income producing activity is performed partly in and partly outside Wisconsin, assign receipts to Wisconsin based on the ratio of direct costs of performing the services in Wisconsin to the direct costs of performing the services in all states having jurisdiction to tax the business.

■ **Line 26.** Divide the Wisconsin amount on line 25 by the total company amount on line 25 and enter the sales percentage on line 26. Also multiply the percentage by 2, as indicated, and enter the double-weighted sales percentage.

■ **Line 28.** Divide the percentage on line 27 by 4 and enter the resulting percentage here and on Form 4, line 8.

Don't divide the percentage on line 27 by 4 if a factor has been eliminated. A factor may be eliminated if it isn't employed to any appreciable extent in producing apportionable income. If a factor is omitted, the total must be divided by no more than the number of factors used. If either the property or payroll factor is omitted, divide by 3. If the sales factor is omitted, divide by 2. Don't omit a factor simply because it isn't employed in Wisconsin.

■ **Lines 29 through 33.** Air carriers, motor carriers, railroads and sleeping car companies, pipeline companies, financial organizations, and public utilities that apportion their income must complete lines 29 through 33, as appropriate. The special apportionment factors for these companies were summarized earlier under the explanation of the apportionment percentage.

Form 4C – Separate Accounting Data

Who Must Use

A corporation engaged in a nonunitary business in and outside Wisconsin is required to determine the amount of income attributable to Wisconsin by separate accounting. A nonunitary business is one in which the operations in Wisconsin aren't dependent upon or contributory to the operations outside Wisconsin.

A unitary business may use separate accounting only with the approval of the Department. An application for such approval must set forth, in detail, the reasons why separate accounting will more clearly reflect the corporation's Wisconsin net income. It should be mailed to the Wisconsin Department of Revenue, Mail Stop 5-144, P.O. Box 8906, Madison, WI 53708-8906 before the end of the taxable year for which the use of separate accounting is desired.

You may obtain Form 4C from any Department of Revenue office.

Form UT-5 – Consumer Use Tax Return

Who Must File

The state, county, and baseball and football stadium use taxes are payable directly to the state by the purchaser (consumer) when tangible personal property or taxable services are purchased from a retailer who does not or is not authorized to collect the 5% Wisconsin, 0.5% county, 0.1% baseball stadium, or 0.5% football stadium sales and use tax. Complete Form UT-5 to report use tax if –

- You do not hold a seller's permit, use tax certificate, or consumer's use tax certificate, and
- You infrequently purchase or lease property or services subject to use tax.

If you hold a seller's permit, use tax certificate, or consumer's use tax certificate, do not use Form UT-5. Instead, report your use tax on your sales and use tax return, Form ST-12.

For more information or forms, call (608) 266-2776 or write to the Wisconsin Department of Revenue, P.O. Box 8902, Madison, WI 53708-8902.