

**SCHEDULE MS**

**Manufacturer's Sales Tax Credit**

**2004**

Wisconsin Department of Revenue

◆ Attach to your Wisconsin income tax return ◆

Name(s) shown on Form 1, 1NPR, or 2	Identifying number as shown on page 1 of your tax return
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1 Cost of fuel and electricity purchased for use in Wisconsin (including sales and use taxes paid thereon) .....	<b>1</b>	
2 Cost of fuel and electricity included in line 1 above purchased for purposes other than manufacturing (including sales and use taxes paid thereon) .....	<b>2</b>	
3 Subtract line 2 from line 1 .....	<b>3</b>	
4 Purchases included in line 3 on which no Wisconsin sales or use tax was paid .....	<b>4</b>	
5 Subtract line 4 from line 3 .....	<b>5</b>	
6 Portion of the amount on line 5 on which only Wisconsin state sales and use taxes were paid .....→ _____ ÷ 21.0 = ...	<b>6</b>	
7 Portion of the amount on line 5 on which both Wisconsin state and baseball stadium sales or use taxes were paid .....→ _____ ÷ 20.608 = ..	<b>7</b>	
8 Portion of the amount on line 5 on which both Wisconsin state and county sales or use taxes (or Wisconsin state and football stadium sales or use taxes) were paid .....→ _____ ÷ 19.182 = ..	<b>8</b>	
9 Portion of the amount on line 5 on which Wisconsin state, county, and baseball stadium sales or use taxes were paid .....→ _____ ÷ 18.857 = ..	<b>9</b>	
10 Add lines 6 through 9. This is the total sales tax included in the amount on line 5 (Exception: Estates and trusts should first read the instructions for line 10.) Also fill in this amount on line 4 of Form 1 (line 15, column B of Form 1NPR or line 5 of Schedule A of Form 2) ....	<b>10</b>	
11 2004 manufacturer's sales tax credit from an estate or trust, partnership, or tax-option corporation. ( <i>Caution:</i> Beneficiaries of estates and trusts, see instructions.) Also list name(s) of estate, trust, partnership, or tax-option corporation _____	<b>11</b>	
12 Unused 1998 through 2003 manufacturer's sales tax credit .....	<b>12</b>	
13 Add lines 10 through 12. This is the 2004 sales tax credit available .....	<b>13</b>	
14 Tax from line 27 of Form 1, line 51 of Form 1NPR, or line 10 of Form 2 .....	<b>14</b>	
15 Married couple credit from line 28 of Form 1 or line 52 of Form 1NPR .....	<b>15</b>	
16 Subtract line 15 from line 14. If line 16 is zero or less, skip lines 17 and 18 and fill in -0- on line 19. ....	<b>16</b>	
17 Recomputed 2004 tax liability (see instructions) .....	<b>17</b>	
18 Subtract line 17 from line 16. If zero or less, fill in -0- .....	<b>18</b>	
19 Fill in the smaller of line 13 or line 18. Also fill in this amount on line 29 of Form 1 (line 53 of Form 1NPR or line 11 of Form 2) .....	<b>19</b>	

**General Instructions**

**Purpose of Schedule MS** Schedule MS is used by individuals, estates, and trusts to determine the allowable manufacturer's sales tax credit.

**Who May Claim the Credit** If you are engaged in manufacturing in Wisconsin, you may claim a credit for Wisconsin state, county, and stadium sales and use taxes paid on fuel and electricity consumed in manufacturing.

Shareholders in a tax-option corporation and partners may claim the credit based on eligible sales and use taxes paid by the partnership or tax-option corporation. Estates and trusts must share the credit with the beneficiaries in proportion to the income allocable to each.

**What is Manufacturing?** "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.

**Credits are Income** The credits that you compute are income and must be reported on your Wisconsin income tax return in the year computed. This is true even if you cannot take the full amount of a credit computed this year and must carry part of it forward to subsequent years.

**Carryover of Unused Credits** The credit is a nonrefundable credit. To the extent the credit is not offset for the current year by the tax imposed upon or measured by the business operations in which the fuel and electricity are consumed, it may be offset against such tax of the subsequent year and each succeeding year up to 20 years.

## Line Instructions

**Note:** If your only credit is credit passed through from a tax-option corporation, partnership, or an estate or trust, skip lines 1-10.

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

**Line 2** Fill in the cost of fuel and electricity included on line 1 (including Wisconsin state, county, and 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** Fill in the purchases included on line 3 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.

**Lines 6 through 9** In the spaces provided on lines 6 through 9, fill in the portion of the amount on line 5 on which the various state, county, and stadium sales and use taxes were paid. Divide the amount on each line by the number shown. Fill in the answers on lines 6 through 9, as appropriate.

**Line 10** Add lines 6 through 9. (**Exception:** Estates and trusts must prorate the credit on line 10 between the estate or trust and its beneficiaries in proportion to the income allocable to each. Write the amount of the credit which is allocable to beneficiaries to the left of line 10. Fill in the portion of the credit which is allocable to the estate or trust on line 10. Do not complete the rest of the form if the entire credit is allocable to beneficiaries.)

**Credits are Income** Individuals must fill in the amount from line 10 of Schedule MS as an addition to income on line 4 of Form 1 or line 15, column B of Form 1NPR. An estate or trust must fill in the amount from line 10 of Schedule MS as an addition on line 5 of Schedule A of Form 2.

**Line 11** Fill in the 2004 manufacturer's sales tax credit from an estate or trust, partnership, or tax-option corporation (from Schedule 2K-1, 3K-1 or 5K-1).

Credits are income for beneficiaries of an estate or trust. If you are a beneficiary of an estate or trust, fill in the amount of credit from Schedule 2K-1 as an addition to income on line 4 of Form 1 or line 15, column B of Form 1NPR.

**Line 12** Fill in any unused manufacturer's sales tax credit from 1998 through 2003.

**Line 14** The manufacturer's sales tax credit may be offset only against tax on the income from the business operations in which the fuel and electricity were consumed. Lines 14 through 19 are used to compute the amount of credit that is allowable on your 2004 return.

If you reported a loss from the business operations in which the fuel and electricity were consumed, skip lines 14 through 18 and fill in -0- on line 19.

**Caution:** For shareholders of tax-option corporations, the following items are *not* considered income from the business operations:

- Salary for services performed
- Interest on loans made to the corporation
- Taxable dividends paid by the corporation
- Rents and royalties from assets leased to the corporation

If you have manufacturer's sales tax credits from more than one sole proprietorship, estate or trust, partnership, or tax-option corporation, you must compute the allowable credit from each entity separately. You may not offset credits from a business that incurred a loss against the tax owed on income from another business entity that operated at a profit.

**Note:** The method utilized on lines 14 through 18 to determine tax on income from the business operations in which the fuel and electricity were consumed is not the only permissible method. The department will accept an alternate method which produces an equitable result. For approval of an alternate method, write to: Wisconsin Department of Revenue, Technical Services Staff, Mail Stop 6-40, P.O. Box 8933, Madison, WI 53708-8933.

**Line 17** Fill in the amount of your Wisconsin tax liability computed without including any amounts of income, deduction, or expense from the business operations in which the fuel and electricity were consumed. You may determine your recomputed tax liability by completing a second Wisconsin return (through line 28 of Form 1, line 52 of Form 1NPR, or line 10 of Form 2) which does not include these income, deduction, or expense items. (Keep this second return for your records.) The amount to fill in on line 17 is the recomputed amount from line 27 of Form 1, line 51 of Form 1NPR, or line 10 of Form 2 less the married couple credit from line 28 of Form 1 or line 52 of Form 1NPR.

**Line 19** Fill in the **smaller** of the amount on line 13 or line 18. This is the amount of manufacturer's sales tax credit you may claim on your 2004 return.