

Instructions for 2004 Schedule Z-1

General Instructions

Purpose of Schedule Z-1

Corporations use Schedule Z-1 to compute the amount of manufacturer's sales tax credit passed through from partnerships, including limited liability companies treated as partnerships, that may be claimed for the current year. Attach Schedule Z-1 to the Wisconsin franchise or income tax return you file.

Limitation on Credit

You may use a pass-through credit only to reduce your tax attributable to your share of that entity's net income. You may not offset a credit from a pass-through entity that incurred a loss against the tax owed on income from another pass-through entity that operated at a profit.

Carryover of Unused Credits

The manufacturer's sales tax credit is nonrefundable. Any unused credit computed for taxable years beginning on or after January 1, 1998, may be carried forward for 20 years. If there is a reorganization of a corporation claiming a manufacturer's sales tax credit, the limitations provided by IRC section 383 may apply to the carryover of any unused credit.

Specific Instructions

Columns a and b. Fill in the name and federal employer identification number for each pass-through entity, of which you are a member, that is engaged in manufacturing in Wisconsin.

Column c. Enter your distributive share of the pass-through entity's net income or loss that is included in your Wisconsin net income. Show losses in parentheses. Determine the amount to enter in column c as follows:

- If the corporation's entire income is taxable by Wisconsin, enter the corporation's distributive share of the pass-through entity's net income or loss.
- If the corporation determines its Wisconsin net income using the apportionment method, multiply the corporation's distributive share of the pass-through entity's net income or loss by the corporation's apportionment percentage and enter the result in column c.

- If the corporation determines its Wisconsin net income using the separate accounting method, enter the corporation's distributive share of the pass-through entity's net income or loss attributable to Wisconsin.

Note: A tax-option (S) corporation must enter its share of the pass-through entity's federal, state, and municipal government interest that is included on Form 5S, line 3.

Column d. Enter the portion of the corporation's gross franchise or income tax that is attributable to the amount in column c. This is the lesser of (1) the net income reported in column c multiplied by 7.9%, or (2) the corporation's gross tax.

Caution: Enter zero in column d if column c shows a net loss for that pass-through entity.

Column e. Enter your share of the pass-through entity's manufacturer's sales tax credit for the current taxable year.

Add the amounts reported in column e and enter the total. You must report the total of column e as income.

Column f. For each pass-through entity, enter the lesser of the amount in column d or column e.

Add the amounts reported in column f and enter the total. Claim the total of column f on Schedule Z, line 11.

Column g. Subtract the amount in column f from the amount in column e. This is the amount of unused manufacturer's sales tax credit that may be carried forward to future years.

Note: A tax-option (S) corporation may elect either to carry forward any unused credits reported in column g or to pass these credits through to its shareholders. Indicate the election being made on Schedule Z-1.

Claiming Unused Credits

A corporation that reported an unused credit in column g for a prior year must claim that credit in the current year to the extent that the tax on the entity's income reported on the 2004 Schedule Z-1, column d, exceeds the entity's credit in column e. Attach a schedule showing the entity's name, FEIN, amount of carryforward credit being used, and the year the credit was computed. Include the carryforward credit on Schedule Z, line 12.