

SCHEDULE **OS**

Credit for Net Tax Paid to Another State

2005

Wisconsin
Department of Revenue

◆ Attach to your Wisconsin Form 1, 1NPR, or 2 ◆

Name(s) shown on Form 1, 1NPR, or 2

Identifying number

To be eligible for this credit, you must have been a full-year Wisconsin resident or part-year resident in 2005 and have paid 2005 state income tax **on the same income** to Wisconsin and another state.

You must complete a separate Schedule OS for each state to which you paid tax. See the instructions for more information.

1 Name of other state to which tax was paid (use postal abbreviation) **1** _____

2 Fill in the amount of income taxable to both Wisconsin and the other state (see instructions) . . . **2** _____

a Amount of wages included in line 2 **2a** _____

3 From the income tax return of the other state, fill in the total income taxed by that state before itemized or standard deductions or personal exemptions are subtracted (see instructions) **3** _____

a If credit is based on long-term capital gain, fill in the amount of such gain taxable to the other state **3a** _____

4 From the income tax return of the other state, fill in the net tax amount before you subtract any tax withheld or estimated tax payments (see instructions) **4** _____

5 Are the amounts on lines 2 and 3 the same?

Yes Leave line 5 blank; fill in the amount from line 4 on line 6 and go on to line 7.

No If line 2 is less than line 3, divide line 2 by line 3. Carry the decimal to four places and fill in on line 5. If line 3 is less than line 2, fill in 1.0000 **5** _____

6 Multiply line 4 by line 5. Round the result to the nearest dollar **6** _____

7 Fill in the amount from:

- Line 31 of Form 1, or
- Line 57 of Form 1NPR, or
- Line 12 of Form 2 **7** _____

8 Fill in the **smaller** of line 6 or line 7. This is your credit for tax paid to another state (see instructions) **8** _____

GENERAL INSTRUCTIONS

PURPOSE OF SCHEDULE OS

Schedule OS is used by individuals, estates, and trusts to compute the allowable credit for net income tax paid to another state.

WHO IS ELIGIBLE FOR THE CREDIT

You may be eligible for the credit for net income tax paid to another state if:

- You were a Wisconsin resident for all or part of 2005, and
- You paid 2005 income tax to Wisconsin and to another state or the District of Columbia on the same income. "State" does not include the Commonwealth of Puerto Rico or the several territories organized by Congress.

You may **not** claim credit for any tax paid to a local unit of government (such as a city, county, or school district) or for any tax that is not an income tax (such as a severance tax, personal property tax, real estate tax, or sales and use tax).

Wisconsin residents working in Illinois, Indiana, Kentucky, Michigan, and Minnesota If you had 2005 state income tax withheld for Illinois, Indiana, Kentucky, Michigan, or Minnesota from personal service income you received from working in one of those states, do **not** use Schedule OS. You can get a refund of the tax withheld for the period you were a Wisconsin resident by filing that other state's income tax return with that state. Personal service income includes wages, salaries, tips, commissions, bonuses, etc. For more information, get Wisconsin Publica-

tion 121, *Reciprocity*. This publication is available from any department office or from our Internet web site at www.dor.state.wi.us.

If you paid 2005 income tax to one of those states on income other than from personal services (such as income from operating a business, rental property, or from the sale of real property), you may be eligible for the credit based on this income. Complete Schedule OS.

Part-year residents To be eligible, you must have been a Wisconsin resident when you received the income that was taxed by both states.

Nonresidents You generally must be a full-year or part-year Wisconsin resident to claim the credit. There is a limited circumstance in which a nonresident

may claim the credit. If you are a shareholder of a tax-option (S) corporation, member of a limited liability company treated as a partnership (LLC), or partner of a partnership that files its return on a fiscal-year basis, you may claim a credit for tax paid by such entity for a period during which you were a Wisconsin resident.

Credit computed by a tax-option (S) corporation, limited liability company treated as a partnership (LLC), or partnership You may claim the credit based on your share of income taxes paid to another state by a tax-option (S) corporation, LLC, or partnership if the income from the entity is included in Wisconsin income. You may have to contact the entity to determine the state to which the tax was paid, your pro rata share of the amount of income taxable to the other state, and the type of income on which the tax was paid (for example, ordinary income from trade or business activities, long-term capital gain income, interest income, etc.)

IF YOU PAID TAX TO MORE THAN ONE OTHER STATE

If you paid 2005 state income tax on the same income to Wisconsin and to more than one other state:

1. Complete a separate Schedule OS for each state,
2. Add the amounts from line 8 from each Schedule OS, and
3. Fill in the result from step 2 on line 45 of Form 1, line 70 of Form 1NPR, or line 19 of Form 2.

The total amount filled in cannot be more than the amount on line 7 of Schedule OS.

Note If you paid tax to numerous states, instead of completing a separate Schedule OS for each state you may compute your credit on a separate page that lists each state to which you paid tax and shows the computation of the credit for each state. Compute the credit for each state as shown on lines 2-6 of Schedule OS. Add together the amount of credit as computed for each state and fill in the total on line 6 of Schedule OS. Complete lines 7 and 8 of Schedule OS. Attach a copy of your credit computation and Schedule OS to your Wisconsin income tax return.

LINE INSTRUCTIONS

Note You must first complete your income tax return for the other state. The credit is computed using amounts from that other state's return.

Line 2 Fill in the amount of income taxable by both Wisconsin and the other state on line 2.

CAUTION Wisconsin taxes only 40% of the net gain on the sale of assets held more than one year. Most states tax 100% of such gain. When the credit is claimed for tax paid to another state for gain on the sale of property that was held more than one year, the amount of income taxable by Wisconsin is generally less than the amount taxed by the other state.

Example 1: You filed an Illinois income tax return and reported a \$10,000 gain on the sale of property held more than one year. For Wisconsin tax purposes, you claim the 60% capital gain exclusion. The amount of income taxable by both Wisconsin and the other state is \$4,000 (\$10,000 less the \$6,000 capital gain exclusion).

Example 2: You filed a California income tax return and reported a \$20,000 gain on the sale of property held more than one year. For Wisconsin tax purposes, a portion of the gain was offset by a \$4,000 capital loss. You claim the 60% capital gain exclusion on the remaining \$16,000. The amount of income taxable by both Wisconsin and the other state is \$10,400 (\$4,000 which is included in Wisconsin income but offset by the capital loss plus \$6,400 which is taxable after the capital gain exclusion is applied). **Note** In this example, if you had more than one long-term capital gain, a portion of the loss would be allocated to each gain. See Wisconsin Publication 125, *Credit for Tax Paid to Another State*, for more information.

Shareholders of tax-option (S) corporations, members of LLCs, and partners of partnerships may have to contact the corporation, LLC, or partnership to determine their prorated share of the income taxable by the other state. They will also need to know the type of income

taxable by the other state so that they can determine if the income taxable by the other state is also taxable by Wisconsin.

Line 3 Shareholders of tax-option (S) corporations, members of LLCs, and partners of partnerships should fill in their prorated share of the amount of income taxed by the other state.

Line 4 For shareholders of tax-option (S) corporations, members of LLCs, and partners of partnerships, this is the amount of tax allocated to you on Wisconsin Schedule 3K-1 or 5K-1. If the corporation, LLC, or partnership did not file a Wisconsin return, the amount to fill in on line 4 is the amount of state tax allocated to you as reported by the corporation, LLC, or partnership.

Line 8 Fill in the amount of your credit from line 8 on line 45 of Form 1, line 70 of Form 1NPR, or line 19 of Form 2. Also fill in the 2-letter postal abbreviation for the state to which you paid the tax in the box to the left of the entry line on Form 1, 1NPR, or 2. For example, if you paid tax to California, you would fill in CA in the box. If you paid tax to more than one other state, fill in the number 99 in the box.

Attachments Attach Schedule OS to Form 1, 1NPR, or 2. You must also attach a copy of your income tax return(s) from the other state(s) and your W-2 form(s) (wage statement) or other withholding statement(s) from the other state(s). If you claim credit for net income tax paid to more than one state, attach Schedule OS for each state (or a copy of your credit computation).

If you are claiming credit for tax paid to other states by a partnership, LLC, or tax-option (S) corporation, attach a copy of the Wisconsin Schedule 3K-1 or the 5K-1 you received. If the partnership, LLC, or corporation did not file a Wisconsin return, submit federal Schedule K-1 plus a statement from the partnership, LLC, or (S) corporation listing the states where tax was paid and the amount of each state's tax allocable to you.