

# Instructions for 2006 Form 4I – Wisconsin Insurance Company Franchise Tax Return

## Item to Note

**Apportionment Changes** – The following changes apply to a multistate insurance company for taxable years beginning in 2006:

- The premiums factor represents 60% of the apportionment fraction and the payroll factor represents 40% of the fraction.
- The premiums factor includes both direct premiums and assumed premiums.
- The apportionment percentage determines the amount of income attributable to Wisconsin, rather than the amount of income attributable outside Wisconsin.

## General Instructions

**Purpose of Form** – Insurance companies use Form 4I to report their income, gains, losses, deductions, and credits and to compute their franchise tax and recycling surcharge liability.

### Who Must File

- Domestic insurance companies (those organized under Wisconsin law).
- Cooperative sickness care associations organized under sec. 185.981, Wis. Stats., service insurance corporations organized under ch. 613, Wis. Stats., and nonprofit organizations that derive income from an HMO or LSHO.
- Insurers that derive income from lottery prizes if the winning tickets were originally bought in Wisconsin.

### Who Is Not Required to File

The following insurers aren't required to file unless they derive income from lottery prizes:

- Foreign insurers (those not organized under Wisconsin law).
- Domestic insurers engaged exclusively in life insurance business.
- Domestic insurers transacting mortgage guaranty insurance business as defined in Wisconsin Administrative Code section Insurance 6.75(2)(i).
- Town mutual insurers organized under or subject to ch. 612, Wis. Stats.
- Insurers exempt from federal income taxation under section 501(c)(15) of the Internal Revenue Code (IRC).

**Additional Forms** – If you need forms, you may:

- Download them from the Department's Internet web site at [www.revenue.wi.gov](http://www.revenue.wi.gov)
- Use your fax telephone to call the Department's Fax-A-Form Retrieval System at (608) 261-6229
- Request them online at [www.revenue.wi.gov](http://www.revenue.wi.gov)
- Call (608) 266-1961
- Write to the Forms Request Office, Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949

**Additional Information** – For more information, you may:

- E-mail your question to [corp@dor.state.wi.us](mailto:corp@dor.state.wi.us)
- Send a FAX to (608) 267-0834

- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, P.O. Box 8906, Madison, WI 53708-8906
- Call (608) 266-2772 [TTY (608) 267-1049]

**Accounting Methods** – Compute Wisconsin net income using the method of accounting regularly used in computing federal taxable income under the Internal Revenue Code, provided that method is authorized under the Internal Revenue Code in effect for Wisconsin. In situations where you have an option under the Internal Revenue Code, you must make the same election for Wisconsin as for federal purposes, except (1) the election to file consolidated returns can't be made, and (2) a deduction may be claimed for expenses allowed as a federal tax credit.

**When to File** – Generally, you must file Form 4I by the 15th day of the 3rd month following the close of your taxable year. Returns for short taxable years (periods of less than 12 months) are due on or before the federal due date. If becoming, or ceasing to be, a member of an affiliated group, the same federal filing requirements and due dates apply for Wisconsin. If a return is filed late, without an extension, you may be subject to penalties and interest.

**Extensions** – 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 receive a 30-day extension by submitting Wisconsin Form IC-830 to the Department on or before the original due date of the return.

**When to Pay Franchise Tax and Recycling Surcharge** – The franchise 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.*

An extension for filing the return doesn't extend the time to pay the franchise 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 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 only to 10% of the tax and surcharge shown on the return. Interest of 18% per year applies to the remainder of the unpaid tax and surcharge. See Form 4U, Part II, for more information.

**Payment of Estimated Tax** – If the total of your franchise tax and recycling surcharge due is \$500 or more, you generally must make quarterly estimated tax payments using Wisconsin Form

4-ES or by electronic funds transfer. Failure to make required estimated tax payments may result in an interest charge. A corporation that made estimated payments for the current year generally will receive estimated tax vouchers before the first payment of the next year's tax is due.

If you overpaid your estimated tax, you may apply for a refund *before* filing your tax return if the 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 you file your tax return. **Do not** file Form 4466W at the same time as your tax return. If you have a tax due when filing your tax return as a result of receiving a "quick refund," you will be charged interest on the amount of unpaid tax.

### Information Returns That May Be Required

- Form 8 – Report of stock transfers.
- Form 9b – Report of rents, royalties, and miscellaneous compensation paid to individuals.

**Final Return** – If the insurer liquidated during the taxable year, check the box on the front of the return marked "Final return." Attach a copy of your plan of liquidation along with a copy of federal Form 966 (even if not required to be filed federally) to the final 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** – 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, use Form 4I, and check the "Amended return" box on the front of the return. Attach an explanation of any changes made. 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 a worksheet showing how you figured your refund or additional tax owed.

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.

**Consolidated Returns** – Wisconsin law doesn't permit insurers that are members of an affiliated group, as defined in IRC section 1504, to file consolidated returns. In addition, each corporation must make its own estimated tax payments.

**Wisconsin Use Tax** – Insurers 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 and must file a Wisconsin sales and use tax return. For more information or forms, visit the Department's web site at [www.revenue.wi.gov/html/sales.html](http://www.revenue.wi.gov/html/sales.html), call (608) 266-2776, e-mail [sales10@dor.state.wi.us](mailto:sales10@dor.state.wi.us), or write to the Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949.

**Penalties for Not Filing or Filing Incorrect Returns** – If you don't file a franchise 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.

### Line-by-Line Instructions

*You must complete pages 1 through 4 of Form 4I, including the applicable schedules to explain any adjustments to federal income, the amount of tax credits, and the computation of the apportionment percentage.* Do not enter "See Attached" instead of completing the entry spaces. (The numbering corresponds with the line numbers on Form 4I, pages 1 and 2, unless otherwise indicated.)

■ **Period Covered** – File the 2006 return for calendar year 2006 and fiscal years that begin in 2006. For a fiscal year 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** – Using black ink, print or type the corporation's name and address.

■ **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, calling (800) 829-4933, or applying online at [www.irs.gov](http://www.irs.gov).

■ **B. Business Activity (NAICS) Code** – Enter the corporation's principal business activity code, based on the North American Industry Classification System (NAICS), from your federal return. If your federal return is a consolidated return, go to [www.census.gov/epcd/www/naics.html](http://www.census.gov/epcd/www/naics.html) to find the NAICS code for your principal business activity.

■ **C. State and Year of Incorporation** – Enter the 2-letter postal abbreviation for the state under whose laws the corporation is organized and the year of incorporation.

■ **D. First Return, Final Return, Short Period Return** – If this is the first year that you are filing a Wisconsin return because the corporation wasn't in existence in prior years, check the "First return" box. If the corporation ceased to exist 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.

■ **E. Amended Return** – If this is an amended return, check the box. Circle the number in front of the lines that you are changing. Attach a detailed explanation of the changes made, including any supporting form or schedule.

■ **F. Extended Due Date** – If the corporation has an extension of time to file its Wisconsin return, check the box and enter the extended due date.

■ **G. No Business Transacted in Wisconsin** – If the corporation was incorporated under Wisconsin law but had no property or activity in Wisconsin for the taxable year, check the box. Attach a complete copy of the corporation's federal return and annual statement.

■ **H. Federal Consolidated Return** – If the corporation participated in filing a federal consolidated return, check the box and enter the parent corporation's federal employer identification number (EIN).

■ **Line 1. Federal Taxable Income** – Enter the amount of taxable income from your federal return.

**Important** – The Wisconsin franchise and income tax 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 for taxable years that begin in 2006 must be determined under the Internal Revenue Code as amended to December 31, 2004, with the exceptions listed below. The Internal Revenue Code generally applies for Wisconsin purposes at the same time as for federal purposes.

**Exceptions:** The following federal law changes enacted before 2005 *do not apply* for Wisconsin franchise and income tax purposes:

- Sections 1, 3, 4, and 5 of Public Law 106-519, FSC Repeal and Extraterritorial Income Exclusion Act of 2000, enacted November 15, 2000, relating to the allowance of an exclusion for extraterritorial income. Foreign sales corporation (FSC) treatment is repealed for Wisconsin for taxable years beginning on or after January 1, 2005.
- Section 162 of Public Law 106-554, Community Renewal Tax Relief Act of 2000, enacted December 21, 2000, and section 308 of Public Law 108-311, Working Families Tax Relief Act of 2004, enacted October 4, 2004, relating to the expensing of environmental remediation costs and the extension of the termination date.

- Section 165 of Public Law 106-554, Community Renewal Tax Relief Act of 2000, enacted December 21, 2000, and section 306 of Public Law 108-311, Working Families Tax Relief Act of 2004, enacted October 4, 2004, relating to the enhanced deduction for corporate donations of computer technology and the extension of the termination date.
- Public Law 106-573, Installment Tax Correction Act of 2000, enacted December 28, 2000, relating to the restoration of the installment method of accounting for accrual basis taxpayers. 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.
- Section 101 of Public Law 107-147, Job Creation and Worker Assistance Act of 2002, enacted March 9, 2002, section 201 of Public Law 108-27, Jobs and Growth Tax Relief Reconciliation Act of 2003, enacted May 28, 2003, and section 403(a) of Public Law 108-311, Working Families Tax Relief Act of 2004, enacted October 4, 2004, relating to the 30% bonus depreciation allowance for qualified property acquired after September 10, 2001.
- Section 201 of Public Law 108-27, Jobs and Growth Tax Relief Reconciliation Act of 2003, enacted May 28, 2003, relating to the 50% bonus depreciation allowance for qualified property acquired after May 5, 2003.
- Section 202 of Public Law 108-27, Jobs and Growth Tax Relief Reconciliation Act of 2003, enacted May 28, 2003, relating to increased section 179 expensing for small business, and section 201 of Public Law 108-357, American Jobs Creation Act of 2004, enacted October 22, 2004, relating to the extension of the termination date.
- Section 1201 of Public Law 108-173, Medicare Prescription Drug, Improvement, and Modernization Act of 2003, enacted December 8, 2003, relating to health savings accounts.
- Section 244 of Public Law 108-357, American Jobs Creation Act of 2004, enacted October 22, 2004, relating to special rules for certain film and television productions.
- Section 336 of Public Law 108-357, American Jobs Creation Act of 2004, relating to the depreciation allowance for aircraft.
- Section 337 of Public Law 108-357, American Jobs Creation Act of 2004, enacted October 22, 2004, relating to the modification of the placed in service rule for purposes of bonus depreciation.
- Section 909 of Public Law 108-357, American Jobs Creation Act of 2004, enacted October 22, 2004, relating to sales or dispositions to implement Federal Energy Regulatory Commission or state electric restructuring policy.
- Section 910 of Public Law 108-357, American Jobs Creation Act of 2004, enacted October 22, 2004, relating to the expansion of the limitation on depreciation of certain passenger automobiles.

In addition, IRC section 847, relating to an additional deduction for insurers required to discount unpaid losses, doesn't apply for Wisconsin purposes.

Federal law changes enacted after December 31, 2004, won't apply for Wisconsin purposes unless subsequently adopted by the Wisconsin Legislature. For example, Public Law 109-58, Energy Tax Incentives Act of 2005, enacted August 8, 2005, Public Law 109-59, Safe, Accountable, Flexible, Efficient Transportation Equity Act of 2005, enacted August 10, 2005, Public Law 109-73, Katrina Emergency Tax Relief Act of 2005, enacted September 23, 2005, Public Law 109-135, Gulf Opportunity Zone Act of 2005, enacted December 21, 2005, Public Law 109-222, Tax Increase Prevention and Reconciliation Act of 2005, enacted May 17, 2006, and Public Law 109-280, Pension Protection Act of 2006, enacted August 17, 2006, do not apply for Wisconsin purposes.

**Note:** If the corporation is a small company as defined in IRC section 831(b)(2), you may elect to be taxed on taxable investment income as provided in IRC section 831(b), rather than on net income.

**Caution:** All income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in **Wisconsin** shall be allocated to Wisconsin. Subtract this income on Schedule 2, line 4. Multiply this income by 7.9% (0.079) and enter the result on Form 41, line 15. This income is nonapportionable and must be allocated to Wisconsin.

■ **Line 2. Additions** – Complete Schedule 1, page 3, and enter the total.

## **Schedule 1 – Additions to Federal Taxable Income**

*Line 1.* Enter any loss carryforward, including any capital loss carryforward previously deducted for Wisconsin, that is being deducted in the calculation of federal taxable income.

*Line 2.* Enter dividend income received during the taxable year to the extent the dividends were deducted in computing federal taxable income.

*Line 3.* 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.

*Line 4.* 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 5.* Enter the extraterritorial income exclusion (under IRC sections 941 to 943) deducted in computing federal taxable income.

*Line 6.* Enter the amount by which the federal section 179 expense deduction exceeds the Wisconsin deduction.

*Line 7.* Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction. For property placed in service in taxable years beginning on or after January 1, 2001, you must compute depreciation or amortization under the Internal Revenue Code as amended to December 31, 2000. For qualified property acquired after September 10, 2001, you may not claim the federal 30% bonus depreciation. The 50% additional first-year depreciation deduction may not be claimed for 50% bonus property acquired after May 5, 2003.

An asset placed in service before 2006 must continue to be depreciated or amortized under the method allowable for Wisconsin purposes for the year in which it was placed in service. 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. 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.

**Note:** Since the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993), corporations may either (1) claim the same depreciation deduction as for federal purposes, or (2) continue using 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).

c. 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 b above) and receive a deduction for the basis difference in the year the property is disposed of, or (2) claim depreciation on the asset's full (unreduced) basis for Wisconsin. (The second method required separate depreciation records for Wisconsin purposes.)

d. For the following property acquired in the 1986 taxable year, 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.

*Line 8.* Enter the amount by which the federal basis of any assets disposed of in a taxable transaction exceeds the Wisconsin basis.

*Line 9.* Enter any IRC section 847 deduction that was claimed in computing federal taxable income.

*Line 10.* Enter the research credits computed (from 2006 Wisconsin Schedule R, line 15 or 28 and line 32).

*Line 11.* Enter the development zones credits computed (from 2006 Wisconsin Schedule DC, lines 5, 13, and 21).

*Line 12.* Enter the early stage seed investment credit computed (from 2006 Wisconsin Schedule VC, line 10).

*Line 13.* Enter the amount of Wisconsin Health Insurance Risk-Sharing Plan (HIRSP) assessment credit awarded to you in 2006 based on the portion of the 2006 HIRSP assessment you paid in your taxable year beginning in 2006. **Note:** The HIRSP assessment credit computed for 2006 may first be claimed against the tax imposed for your taxable year beginning in 2008.

*Line 14.* Enter any other additions to federal income. These could include manufacturer's sales tax credit passed through from other entities that filed their 2005 returns for a fiscal year beginning in 2005 and ending after December 31, 2005, community development finance credit computed, technology zone credit computed, dairy and livestock farm investment credit computed, and farmland preservation and farmland tax relief credits received during the taxable year that aren't included in federal income.

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

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## Schedule 2 – Subtractions From Federal Taxable Income

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*Line 1.* Enter, from Schedule Y, dividends received which are included in the amount on Form 4I, line 3, and qualify for deduction for Wisconsin. Dividends are deductible for Wisconsin if received during the year from payer corporations that meet the following requirements:

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

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

*Line 2.* Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction. Refer to the instructions for Schedule 1, line 7, for a detailed discussion of depreciation and amortization.

*Line 3.* Enter the amount by which the Wisconsin basis of any assets disposed of in a taxable transaction exceeds the federal basis.

*Line 4.* Enter the amount of income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in **Wisconsin**.

*Line 5.* If you have more than \$25,000 of unused manufacturer's sales tax credit carryforward, enter the amount from Schedule MS, line 20.

*Line 6.* Enter any other subtractions from federal taxable income.

■ **Line 5. Net Income From All Operations** – If you are engaged in the sale of life insurance and other insurance, check the box and fill in lines 6 through 9. If you are not engaged in the sale of life insurance, enter the amount from line 5 on line 9.

■ **Line 6. Net Gain From Operations, Other Than Life Insurance** – Include net income, after dividends to policyholders and before federal and foreign income taxes, from property and casualty insurance; net gain from operations, after dividends to policyholders and before federal income taxes, from accident and health insurance; and net realized capital gains or losses on investments from accident and health insurance operations. Apportion net realized capital gains or losses among life insurance lines and accident and health insurance lines in the same manner as net investment income is required to be apportioned by the Commissioner of Insurance.

■ **Line 7. Total Net Gain From Operations** – Include net income, after dividends to policyholders and before federal and foreign income taxes, from property and casualty insurance; net gain from operations, after dividends to policyholders and before federal income taxes, from accident and health and life insurance; and net realized capital gains or losses on investments from accident and health and life insurance operations.

**Note for lines 6 and 7:** See the Annual Statement adopted by the National Association of Insurance Commissioners for the year 2006, as filed with the Commissioner of Insurance of the State of Wisconsin, which shows the amounts for net income after dividends to policyholders, net realized capital gains, etc. For life and accident and health companies, refer to the Summary of Operations, Analysis of Operations by Lines of Business. Net realized capital gains or losses are allocated after the Interest Maintenance Reserve (IMR) adjustment and before capital gains tax.

■ **Line 8. Percentage** – In determining the income or loss from nonlife lines of insurance, the percentage will be one of the following:

- Zero, if the numerator (line 6) is negative and adjusted federal taxable income (line 5) is positive.

- Zero, if the numerator (line 6) is positive and adjusted federal taxable income (line 5) is negative.
- Zero, if the numerator (line 6) is zero.
- Greater than zero but not more than one, if the numerator (line 6) is positive, the denominator (line 7) is positive, and adjusted federal taxable income (line 5) is positive.
- Greater than zero but not more than one, if the numerator (line 6) is negative, the denominator (line 7) is negative, and adjusted federal taxable income (line 5) is negative.
- One, if the numerator (line 6) is positive, the denominator (line 7) is zero or negative, and adjusted federal taxable income (line 5) is positive.
- One, if the numerator (line 6) is negative, the denominator (line 7) is zero or positive, and adjusted federal taxable income (line 5) is negative.

■ **Line 9. Total Income Other Than Life Insurance Income** – If you collected premiums written on property and risks, other than life insurance, in and outside Wisconsin, complete lines 10 and 11. Otherwise, enter the amount from line 9 on line 11.

■ **Line 10. Wisconsin Apportionment Percentage** – Complete Schedule 3, page 4, and enter the percentage from line 11.

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### Schedule 3 – Wisconsin Apportionment Percentage

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*Line 1.* Enter in column a the direct premiums written on all property and risks other than life insurance, where the subject of insurance was resident, located, or to be performed in Wisconsin. Enter in column b the total direct premiums on all property and risks other than life insurance, wherever located during the taxable year.

*Line 2.* Enter in column a the assumed premiums from domestic insurance companies written for reinsurance on property and risks other than life insurance, where the subject of insurance was resident, located, or to be performed in Wisconsin. Enter in column b the assumed premiums from domestic insurance companies written for reinsurance on property and risks other than life insurance, wherever located during the taxable year.

*Line 7.* Enter, for Wisconsin and the total company, the compensation paid to the company’s own employees for the performance of personal services. Compensation is paid in Wisconsin (included in the numerator of the payroll factor) if (a) the individual’s service is performed entirely in Wisconsin; (b) the individual’s service is performed both in and outside Wisconsin, but the service performed outside Wisconsin is incidental to the individual’s service in Wisconsin; or (c) some service is performed in Wisconsin and the base of operations is in Wisconsin (or if there is no base of operations, the place from which the service is directed or controlled is in Wisconsin, or the base of operations or the place from which the service is directed or controlled isn’t in any state in which some part of the service is performed, but the individual’s residence is in Wisconsin).

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■ **Line 11. Wisconsin Net Income Before Net Business Loss Offset** – Multiply line 9 by the percentage on line 10.

**Note:** In the taxable year that a loss is sustained, the dividends received deduction and capital loss carryover are not allowed.

■ **Line 12. Wisconsin Net Business Loss Carryforward** – Enter any Wisconsin net business loss sustained in any of the taxable years 1991 through 2005 to the extent not offset by other items of Wisconsin income in the loss year and by Wisconsin net business income of any year between the loss year and the current taxable year.

The Wisconsin net business loss is computed under sec. 71.45(4), Wis. Stats., which provides that the net business loss is the Wisconsin net loss sustained in a preceding taxable year, except that the loss may not include deductible dividends or capital loss carryovers. Attach to the return a schedule similar to Form 4BL showing the computation of the net business loss carryforward.

**Note:** If line 11 is zero or a loss, don’t fill in line 12. If the net business loss carryforward exceeds the income reported on line 11, don’t enter more than the amount on line 11.

■ **Line 14. Gross Tax** – Enter the lesser of (a) 7.9% of the Wisconsin net income reported on line 13 or (b) 2% of gross Wisconsin premiums.

The franchise tax imposed on each domestic insurer measured by net income attributable to all lines of insurance in Wisconsin may not exceed 2% of the gross Wisconsin premiums as defined in sec. 76.62, Wis. Stats. This is the amount of gross premiums, other than life insurance premiums, received for direct insurance less return premiums and cancellations and returns from savings and gains on all insurance other than reinsurance by the insurer during the preceding year in Wisconsin.

If paying the 2% maximum tax, check the box and attach a schedule detailing the computation of Wisconsin gross nonlife premiums, including references to the applicable schedules, columns, and lines in your annual statement.

■ **Line 15. Tax on Income From Wisconsin Lottery Prizes** – Income derived from the purchase, sale, or redemption of lottery prizes, if the winning tickets were originally bought in Wisconsin, is taxed at 7.9%.

■ **Line 17. Nonrefundable Credits** – Complete Schedule C1, page 2, and enter the available credit.

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### Schedule C1 – Nonrefundable Credits

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*Line 1.* Enter the manufacturer’s sales tax credit carryforward from Schedule MS, line 8. Corporations that have \$25,000 or less of unused manufacturer’s sales tax credit may claim a credit.

*Line 2.* Enter the dairy and livestock farm investment credit from Schedule DI, line 9. Corporations that pay certain amounts for modernization or expansion of their dairy or livestock farm in Wisconsin may claim a credit.

*Line 3.* Enter the research expense credit from Schedule R, line 30. Corporations that increase qualified research expenses in Wisconsin may claim a credit.

*Line 4.* Enter the development zones research credit carryforward.

*Line 5.* Enter the research facilities credit from Schedule R, line 34. Corporations that incur expenses to construct and equip new research facilities, or to expand existing facilities, in Wisconsin may claim a credit.

*Line 6.* 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 7.* Enter the development zones jobs credit carryforward.

*Line 8.* Enter the development zones sales tax credit carryforward.

*Line 9.* Enter the total of the development opportunity zone investment credit and any development zones investment credit carryforward from Schedule DC, line 15.

*Line 10.* Enter the development zones location credit carryforward.

*Line 11.* Enter the development opportunity zone or agricultural development zone capital investment credit from Schedule DC, line 23.

*Line 12.* Enter the development zones day care credit carryforward.

*Line 13.* Enter the development zones environmental remediation credit carryforward.

*Line 14.* Enter the development zones credit from Schedule DC, line 7.

Corporations doing business in Wisconsin development, development opportunity, enterprise development, or agricultural 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.wi.gov](http://www.commerce.wi.gov) or write to the Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

*Line 15.* Enter the technology zone credit from Schedule TC, line 8.

Corporations doing business in Wisconsin technology zones may be eligible for a tax credit based on the property taxes paid, capital investments made, and jobs created. 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.wi.gov](http://www.commerce.wi.gov) or write to the Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

*Line 16.* Enter the early stage seed investment credit from Schedule VC, line 12.

Corporations making payments to a qualified fund manager for investment in a qualified new business venture may be eligible for a tax credit. The Department of Commerce administers the early stage business investment program. For more information about this program, visit the Department of Commerce web site at [www.commerce.wi.gov](http://www.commerce.wi.gov) or write to the Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

**Note:** The above credits (items 1 through 16) must be included as income in the year computed.

*Line 17.* 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/hp/buildings](http://www.wisconsinhistory.org/hp/buildings), write to the Division of Historic Preservation, Wisconsin Historical Society, 816 State Street, Madison, WI 53706-1488, or call (608) 264-6490.

*Line 18.* Add lines 1 through 17. This is the total available non-refundable credits.

■ **Line 19. Recycling Surcharge** – Enter the greater of \$25 or 3% of the total gross tax on line 16, but not more than \$9,800.

**Note:** If the corporation has no business activities in Wisconsin or has less than \$4 million of gross receipts from all activities, enter zero on line 19. "Gross receipts from all activities" means gross receipts, gross sales, gross premiums earned, 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 tax purposes.

■ **Line 20. Endangered Resources Donation** – Your donation supports the preservation and management of more than 200 endangered and threatened Wisconsin plants and animals. It also helps protect Wisconsin's finest remaining examples of prairies, forests, and wetlands.

Support endangered resources in Wisconsin. Fill in line 20 with the amount you wish to donate. Your gift will either reduce your refund or be added to tax due. You can also send a check directly to the Endangered Resources Fund, Department of Natural Resources, P.O. Box 7921, Madison WI 53707-7921.

■ **Line 21. Veterans Trust Fund Donation** – You may designate an amount as a veterans trust fund donation. Your donation will be used by the Wisconsin Department of Veterans Affairs for the benefit of veterans or their dependents.

Fill in line 21 with the amount you wish to donate. Your donation will either reduce your refund or be added to tax due.

■ **Line 23. 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. You can't claim estimated tax payments made by a related corporation.

**Amended Return:** If this is an amended return, enter the tax previously paid. Attach a worksheet to your return showing your computations.

■ **Line 24. Wisconsin Tax Withheld** – Enter the amount of Wisconsin tax withheld from lottery prizes. Also, if any Wisconsin tax withheld was allocated to you from a tiered pass-through entity of which you are a member, you may enter that withholding.

■ **Line 25. Refundable Credits** – Complete Schedule C2, page 2, and enter the total available credit.

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### Schedule C2 – Refundable Credits

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*Line 1.* Enter the farmland preservation credit from Schedule FC, line 18.

*Line 2.* Enter the farmland tax relief credit from Schedule FT, line 6.

**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.

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■ **Line 27. Interest, Penalty, and Late Fee Due** – Enter any interest, penalty, and late fee due from Form 4U, line 17 or 26. Check the box if you figured underpayment interest using the annualized income installment method on Form 4U, page 2.

**Amended Return:** 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 18 and 19. Enter the difference between the underpayment interest from the amended Form 4U, line 17, and the amount you previously paid on line 27. Show an overpayment in parentheses. Attach Form 4U to your amended return. Otherwise, leave line 27 blank. The Department will compute interest on the amount of refund approved or tax owed.

■ **Line 28. Tax Due** – If the total of lines 22 and 27 is larger than line 26, enter the amount owed. Pay by electronic funds transfer or mail your check with a 2006 Form 4-ES, Corporation Estimated Tax Voucher, to the address shown on the voucher. Otherwise, paper clip your check to the front of Form 4I.

■ **Line 29. Overpayment** – If line 26 is larger than the total of lines 22 and 27, enter the overpayment.

■ **Line 30. 2007 Estimated Tax** – Enter the amount of any overpayment on line 29 that is to be credited to the corporation's 2007 estimated tax. The balance of any overpayment will be refunded.

**Amended Return:** If you have already filed your 2007 return, enter the overpayment you claimed as a credit on your 2007 return from your previously filed original or amended 2006 return. Otherwise, you may allocate the overpayment from line 29 between line 30 and line 31 as you choose.

■ **Line 32. Total Company Gross Receipts** – Enter total company gross receipts, gross sales, gross premiums earned, 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, other than life insurance income, before apportionment for Wisconsin franchise tax purposes.

■ **Additional Information Required** – Answer questions 1 through 8 on Form 4I, page 2. If applicable, attach the information requested.

■ **Signatures** – An officer of the corporation must sign the form at the top of page 3. If the return is prepared by someone other than an employee of the corporation, the individual who prepared the return must sign the return, 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" or "PTIN" and the social security number or preparer tax identification number in the space for the preparer's federal employer identification number.

■ **Attachments** – Attach a copy of the federal return with all supporting schedules, including your federal Schedule M-3, if required for federal purposes. In addition, attach a copy of the Annual Statement filed with the Commissioner of Insurance of the State of Wisconsin and any other required forms, schedules, or statements. Also attach 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.