

## INSTRUCTIONS FOR 2009 WISCONSIN SCHEDULE WD (FORM 2)

Schedule WD (Form 2) is used to determine the amount of capital gain or loss which you must include in Wisconsin income. Generally, all amounts reported on your federal Schedule D must be reported on Schedule WD. However, for Wisconsin tax purposes, you may exclude a portion of the net capital gain from assets held more than one year or acquired from a decedent.

The amount of net capital loss that can be applied against other income after offsetting capital gains is limited to \$500.

Unused capital losses are carried over to later years until fully used.

**Distributable or nondistributable capital gains:** Capital losses are not distributable except on the final return. Capital gains are reportable by the estate or trust on Schedule WD and not distributable to the beneficiaries on Schedule 2K-1 unless either:

1. the will or trust instrument specifically requires that capital gains are distributed to the beneficiaries, or
2. it is the final return of the estate or trust.

Enclose Schedule WD with your Wisconsin Form 2.

### ■ Part I and Part II, Capital Gains and Losses

If you are not affected by any of the items listed below under "Items Which Require Adjustment," fill in the net short-term gain or (loss) from line 5 of your federal Schedule D on line 7a of Schedule WD. Fill in the net long-term gain or (loss) from line 12 of your federal Schedule D on line 15a of Schedule WD. Complete lines 7b, 7c, 15b, and 15c. Write "Same as federal" in the space by line 1 of Schedule WD, and go on to Part III on page 2 of Schedule WD.

If you are affected by any of the items listed below under "Items Which Require Adjustment," fill in each separate amount from lines 1 through 4 and lines 6 through 11 of your federal Schedule D on the appropriate lines on Schedule WD. However, for those items which require adjustment, fill in the amount indicated in these instructions instead of the amount reported on your federal Schedule D.

### Items Which Require Adjustment

The following items require adjustments to the amounts reported on your federal Schedule D or as to whether an amount is reported as a short-term or long-term capital gain or loss:

**Capital loss carryovers:** Fill in your capital loss carryover from assets held one year or less from line 25 of your 2008 Schedule WD on line 5 of Schedule WD. Fill in your capital loss carryover from assets held more than one year from line 30 of your 2008 Schedule WD on line 13 of Schedule WD.

You may have to reduce your capital loss carryover to 2009 if you excluded income from discharge of indebtedness from your 2009 taxable income. Contact any Department of Revenue office for further information.

**Net capital gain on the sale of small business stock:** Do not include on Schedule WD any net capital gain from the sale of qualified small business stock which you acquired on or after January 1, 1986, held for at least 5 years, and did not acquire by gift. To be qualified small business stock, the corporation must have met certain requirements at the time you acquired the stock from the corporation. You must enclose with your Form 2 a copy of the certification you received from the corporation which indicates the requirements were met.

**Part-year and nonresident estates and trusts:** Nonresident estates and trusts should include only gain or loss from Wisconsin sources on Schedule WD. Part-year resident trusts should include the amount of gain or loss from all sources while resident and the amount of gain or loss from Wisconsin sources while nonresident.

Gain or loss from Wisconsin sources includes gain or loss from the sale of land, buildings, and machinery located in Wisconsin, and your share of gain or loss from a trust, partnership, limited liability company, or tax-option (S) corporation which has been reported to you on Schedule 2K-1, 3K-1, or 5K-1. It doesn't include losses from nonbusiness bad debts and worthless securities, and gains or losses from sales of stocks.

### Gain from installment sales:

- Taxable gain from installment sales reported on lines 2 and 7 of federal Schedule D must be reported on lines 2 and 9 of Schedule WD, as appropriate. Gain from an installment sale is reported on line 2 of Schedule WD if at the time of sale or other disposition you held the property for one year or less, unless the property was acquired from a decedent. If at the time of sale or other disposition you held the property for more than one year or acquired the property from a decedent, the gain is reported on line 9 of Schedule WD.
- Taxable gain from installment sales which is from Form 4797 and included on line 10 of federal Schedule D is included on line 9 of Schedule WD. For property not acquired from a decedent and held one year or less, report the installment sale gain on line 1 of Schedule WD. The remaining portion of the amount on line 10 of federal Schedule D should be reported on line 9 of Schedule WD.
- If you have a federal gain on an installment sale of property located outside Wisconsin and the sale occurred while you were a nonresident of Wisconsin, do not include this installment gain on Schedule WD. For Wisconsin purposes, it is assumed that a nonresident person who sells property located outside Wisconsin elects to report the entire gain in the year of sale, when none of the gain would have been taxable by

Wisconsin. Subsequently, any portion of such installment gain which is taxable for federal purposes is not taxable for Wisconsin.

**NOTE:** Payments from an installment sale made prior to death that are received after death are “income in respect of a decedent” and the profit is reported in the estate’s income just as it was reported prior to death. If the debt is transferred to the buyer or cancelled, the total unreported gain is taxable to the estate.

**Gain or loss from partnerships, S corporations, and other estates or trusts:** Fill in on line 3 or 10 the amount of capital gain or loss from partnerships, limited liability companies, tax-option (S) corporations, estates, and trusts.

- If the partnership, limited liability company, S corporation, estate, or trust has informed you of any adjustment to be made to the capital gain or loss for Wisconsin, be sure to use the gain or loss as adjusted.
- If you are a shareholder in a federal S corporation that elects not to be treated as a Wisconsin tax-option (S) corporation, do not include on Schedule WD any capital gain or loss distributed to you by that federal S corporation. See “Additions to or Subtractions from Income” on page 10 of these instructions for additions and subtractions you must make to adjust for tax-option (S) corporation income.

**Adjustment for differences between Wisconsin and federal basis of assets:** Gain or loss from the sale of assets may be different for Wisconsin and federal purposes because of a difference in federal and Wisconsin basis.

- If there is a difference between the Wisconsin and federal basis of property and that property is a capital asset (sale or other disposition is reported on federal Schedule D), fill in the federal gain or loss in Part I or Part II of Schedule WD, as appropriate. You must also complete Schedule C on page 3 of Form 2 to compute the amount to fill in on line 4 or 12 of Schedule WD.
- If there is a difference between the Wisconsin and federal basis of property and the sale or other disposition of such property is reported on federal Form 4797, resident estates and trusts should see the instruction for Form 2 under “Additions to or Subtractions from Income” and part-year and nonresident estates and trusts should see the instructions for line 7, Part I of Schedule NR. If you entered a gain on line 7 or 9 of your “Wisconsin” Form 4797, you must use the amount from the “Wisconsin” Form 4797 to complete line 9 of Schedule WD.

### ■ Part III, Summary of Parts I and II

Complete lines 16 through 26 to compute the amount of capital gain or loss that must be included in Wisconsin taxable income.

**NOTE:** If capital gain income is used or set aside for charitable purposes, the amounts on lines 18 and 23 must be adjusted for the capital gain income included in the charitable deduction.

**EXAMPLE:** An estate is required to set aside 25% of its income for a charity named in the decedent’s will.

Net capital gain from sale of stock	\$10,000
30% of net capital gain	\$ 3,000
Less 25% included in charitable deduction	<u>(750)</u>
Adjusted amount to enter on line 18	\$ 2,250

Wisconsin ordinary income is all taxable income for Wisconsin (not capital gains or losses) less all Wisconsin deductions.

When computing the Wisconsin capital loss limitation, “Wisconsin ordinary income” means income less deductions. Do not include capital gains or losses.

### ■ Part IV, Computation of Wisconsin Adjustment to Income

Resident estates and trusts complete Part IV to figure the amount to report as a capital gain/loss adjustment on Schedule A, Form 2. When completing Part IV, enter all amounts as positive numbers.

Compare the net gain or loss on Schedule WD (line 25 for a net gain or line 26 for a net loss) to the amount of capital gain or loss on line 4 of federal Form 1041.

- If the net gain or loss on Schedule WD (line 25 for a net gain or line 26 for a net loss) is the same as the amount of capital gain or loss on line 4 of federal Form 1041, do not complete Part IV. No adjustment to the capital gain or loss is necessary for Wisconsin purposes. Go on to Part V.
- If the estate or trust has a net gain for both federal and Wisconsin purposes, fill in lines 27a and 27b. Also, fill in either line 27c or 27d, whichever applies.
- If the estate or trust has a net loss for both federal and Wisconsin purposes, fill in lines 27e and 27f. Also fill in either line 27g or 27h, whichever applies.
- If the estate or trust has a net gain for federal purposes and a net loss for Wisconsin, fill in your federal gain on line 27a and your Wisconsin loss on line 27f. Fill in zero (0) on lines 27b and 27e. Also complete lines 27d and 27g and fill in the result on line 9, Schedule A of Form 2.
- If the estate or trust has a net loss for federal purposes and a net gain for Wisconsin, fill in your federal loss on line 27e and your Wisconsin gain on line 27b. Fill in zero (0) on lines 27a and 27f. Also complete lines 27c and 27h. Add the amounts on lines 27c and 27h and fill in the result on line 4, Schedule A of Form 2.

### ■ Part V, Computation of Capital Loss Carryovers From 2009 to 2010

If the net loss on line 16 is more than the loss on line 26, complete Part V to compute the amount of your capital loss carryover. Complete lines 28 through 32 to figure the short-term capital loss carryover. Complete lines 33 through 37 to figure the long-term capital loss carryover.