

Instructions for 2014 Schedule MA-M

GENERAL INSTRUCTIONS

Purpose of Schedule MA-M

Use Schedule MA-M to claim the manufacturing credit. The credit is available for taxable years beginning after December 31, 2012.

Who is Eligible For the Credit

In order to be eligible to compute the credit, a claimant must generate receipts from the lease, rental, license, sale, exchange, or other disposition from the following:

- Tangible person property manufactured in whole or in part by the claimant on property that is assessed as manufacturing under [s. 70.995](#), Wis. Stats., or

Any individual, estate, trust, partnership, limited liability company (LLC), corporation, tax-option (S) corporation, or tax-exempt organization may be eligible for the credit.

Partnerships, LLCs treated as partnerships, and tax-option (S) corporations cannot claim the credit; instead the credit computed by those entities flows through to the partners, members, or shareholders based on their ownership interests.

Estates and trusts share the credit with their beneficiaries in proportion to the income allocable to each.

The credit must be claimed within four years of the unextended due date of your return.

Manufacturing Assessments:

Manufacturing assessments are performed by the Department of Revenue's Manufacturing Bureau. Applicants must request certification by March 1 of the prior calendar year in order to be certified for the current calendar year. If an applicant does not request certification by March 1 of the prior calendar year, the applicant will not be eligible for certification until the following year.

To find out if the property is assessed as manufacturing, visit the department's online manufacturing assessment role lookup at:

<https://ww2.revenue.wi.gov/RETRWebRolls/application>.

For answers to additional manufacturing assessment questions, contact the regional office located on page 2 of the following document:

revenue.wi.gov/forms/manuf/pa-750R.pdf

Or contact for the Department of Revenue's Manufacturing Bureau can be found at:

revenue.wi.gov/contact/slfbmta.html

Credit is Income

The credit that you compute on Schedule MA-M is income and must be reported on your Wisconsin franchise or income tax return in the year after the year in which the credit was computed. The credit must be included in Wisconsin income to the extent it was not included in federal adjusted gross income or federal taxable income.

Example: You computed a manufacturing credit for 2014. The amount of the credit must be included on your 2015 Wisconsin income or franchise tax return to the extent it is not included in your 2015 federal adjusted gross income or federal taxable income.

Carryforward of Unused Credits

The manufacturing credit is nonrefundable. Any unused credit may be carried forward for up to 15 years.

If there is a reorganization of a corporation claiming the manufacturing credit, the limitations provided by Internal Revenue Code (IRC) section 383 may apply to the carryover of any unused credit.

SPECIFIC INSTRUCTIONS

Note: If you have qualified production activities income from both manufacturing and agricultural activities, you must complete a separate Schedule MA-M and MA-A to compute the credit separately for each activity.

Part I

Line 1: Fill in the amount of your production gross receipts.

"**Production gross receipts**" means the gross receipts from the lease, rental, license, sale, exchange, or other disposition of "**qualified production property**".

"**Qualified production property**" is tangible personal property manufactured in whole or in part by the claimant on property that is assessed as manufacturing property under [sec. 70.995](#), Wis. Stats.

Qualified production gross receipts do not include gross receipts income from:

- Film production
- Producing, transmitting, or distributing electricity, natural gas, or potable water
- Constructing real property
- Engineering or architectural services performed with respect to constructing real property
- The sale of food and beverages prepared by the claimant at a retail establishment
- The lease, rental, license, sale, exchange, or other disposition of land

Line 2: Fill in the cost of goods sold that is allocable to your production gross receipts.

Line 3: Fill in the direct costs allocable to production gross receipts.

"**Direct costs**" includes all of the ordinary and necessary expenses paid or incurred during the taxable year in carrying on the trade or business that are deductible under sec. 162 of the IRC and identified as direct costs in your managerial or cost accounting records. This includes depreciation expense computed under the IRC in effect for Wisconsin that are classified as direct costs. Although depreciation is detailed under sec. 167, IRC, depreciation is considered an ordinary and necessary business expense under sec. 162, IRC, and is therefore included as a cost of generating production gross receipts.

There are no specific examples of direct costs provided in the statutes because not every business operation will account for direct and indirect costs in the same manner. Because of this variability, the determination of direct costs relies, in part, on the taxpayer's accounting records.

In general, direct costs are those costs that directly benefit one specific project or good that is being produced. Examples of direct costs may include: production employee wages, supplies consumed directly in the production process, and costs of consultants used in producing the finished product.

Line 6: Fill in your indirect costs.

"**Indirect costs**" includes all ordinary and necessary expenses paid or incurred during the taxable year in carrying on the trade or business that are deductible under sec. 162, IRC, other than cost of goods sold and direct costs, and identified as indirect costs in your managerial or cost accounting records. This includes depreciation expenses computed under the IRC in effect for Wisconsin that are classified as indirect costs. Although depreciation is detailed under sec. 167, IRC, depreciation is considered an ordinary and necessary business expense under sec. 162, IRC, and is

therefore included as a cost of generating production gross receipts.

Similar to direct costs, there are no specific examples of indirect costs provided in the statutes because not every business operation will account for direct and indirect costs in the same manner. Because of this variability, the determination of indirect costs relies, in part, on the taxpayer's accounting records.

In general, indirect costs are costs that benefit more than one specific project or good that is being produced and cannot be easily traced to a single project or good being produced. Examples of indirect costs may include: building rent, legal expenses, business insurance, advertising expenses, accounting and administrative salaries, office supplies, and certain utilities.

Line 8: Fill in all gross receipts of the business.

"Gross receipts" is all gross income from whatever source, except for those items specifically excluded under the Internal Revenue Code as adopted by Wisconsin and otherwise excluded under Wisconsin law. Include gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross income from pass-through entities, and all other gross receipts that are included in income, before apportionment.

Note: For individuals, do not include gross receipts or income from sources not related to the business. For example, do not include your spouse's wages earned from an employer, and do not include rental income from an apartment building reported on Schedule E.

Line 9: Divide the amount on line 7 by the amount on line 8, and multiply that amount by 100. Fill in the result on line 9. Carry your decimal to four places, rounding off the fourth position.

Line 12a: If all of the manufacturing activity occurred in Wisconsin (i.e. products were not first manufactured outside of Wisconsin and transferred to Wisconsin for final manufacturing) on property that was assessed as manufacturing under sec. 70.995, Wis. Stats., check the box, skip lines 12b and 13, and enter 100.0000 on line 14. There is no requirement to complete the manufacturing property factor on lines 12b and 13 because you are certifying that all manufacturing activity took place in Wisconsin.

Line 12b: Fill in the average value of your real and personal property and improvements assessed as manufacturing property under [sec. 70.995](#), Wis. Stats., owned or rented and used in Wisconsin during the taxable year to manufacture qualified production property.

Property owned by the claimant is valued at its original cost and property rented by the claimant is valued at an amount

equal to the annual rental paid, less any annual rental received from sub-rentals, multiplied by eight (8).

The average value of property is determined by averaging the values at the beginning and ending of the taxable year, except that the Secretary of Revenue may require the averaging of monthly values during the taxable year, if such averaging is reasonably required to properly reflect the average value of the property.

The amount to enter on line 12b of Schedule MA-M does not come from the assessed value of the manufacturing property on the property tax bills. Instead, the property value is based on the original cost of the property provided on a real estate closing statement, purchase invoices, or similar document.

Line 13: Fill in the average value of all of your real and personal property owned or rented during the taxable year and used to manufacture qualified production property.

If you are manufacturing qualified production property in another state and finishing the manufacturing process in Wisconsin, the average value of the other states real and personal property that was used to manufacture the qualified production property is included on line 13.

The amount to enter on line 13 of Schedule MA-M does not come from the assessed value of the manufacturing property on the property tax bills. Instead, the property value is based on the original cost of the property provided on a real estate closing statement, purchase invoices, or similar document.

Line 14: Divide the amount on line 12b by the amount on line 13, and multiply that amount by 100. Fill in the result on line 14. Carry your decimal to four places, rounding off the fourth position.

Line 15a: Multiply line 11 by the decimal amount on line 14.

If you are a corporation that is required to file its Wisconsin franchise or income tax return on Form 4, also complete lines 15b and 15d.

If you are a corporation required to file Form 6, complete lines 15c and 15d.

Individuals, partnerships, and tax-option (S) corporations may skip to line 15e.

Line 15b: If you are a single entity Form 4 filer, fill in the amount from line 11 of Form 4.

Line 15c: If you are a combined group member filing Form 6, the amount to fill in on line 15c is the Wisconsin net income as computed in the instructions for Form 6, Part III as follows:

Share of combined unitary income (line 2+3)
 + Income from separate entity items (line 4)
 - Net capital loss adjustment (line 5)
 - Net business loss carryforward (line 7)
 Wisconsin net income

Line 15d: Corporations filing Form 4 should enter the smaller of lines 15a or 15b. Corporations filing Form 6 should enter the smaller of lines 15a or 15c.

Line 15e: Individuals, partnerships, and tax-option (S) corporations should enter the amount from line 15a.

Line 17: Fill in the amount of manufacturing credit passed through from tax-option (S) corporations, partnerships, LLCs treated as partnerships, estates, or trusts. The pass-through credit is shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates or trusts. Fill in name, federal employer identification number (FEIN), and amount of credit passed through from the entity. If you were allocated a credit from more than one pass-through entity, attach a schedule showing each entity's name, FEIN, and amount of the credit. Fill in the total pass-through credit on line 17. Attach the schedule to Schedule MA-M.

Line 18a: *Fiduciaries* – Prorate the credit from line 18 between the entity and its beneficiaries in proportion to the income allocable to each. Show the beneficiaries' portion of the credit on line 18a. Show the credit for each beneficiary on Schedule 2K-1.

Line 18b: Subtract line 18a from line 18. This is the estate's or trust's portion of the credit.

Line 19: Enter the amount of manufacturing credit that was not previously used and has not expired.

Line 21: Individuals only: Complete the business income limitation table in Part II. See the instructions for Part II for details on completing the table. The credit, including any credits carried over, may be offset only against the amount of the tax imposed upon or measured by the business operations of the claimant on which the credit is computed:

- For shareholders of a tax-option corporation, the credit may be offset only against the tax imposed on the shareholder's prorated share of the tax-option corporation's income.
- For partners of a partnership, the credit may be offset only against the tax imposed on the partner's distributive share of partnership income.
- For members of a limited liability company, the credit may be offset only against the tax imposed on the

member's distributive share of the limited liability company's income.

Line 22: Individuals and fiduciaries should enter the smaller of lines 20 or 21. All other types of taxpayers should enter the amount from line 20.

Enter the amount of credit from line 22 on the appropriate line of Schedule CR. See the following exceptions:

- *Combined group members* – Enter the amount of credit on Form 6, Part V, line 1 instead of Schedule CR.
- *Tax-option (S) corporations, partnerships, and LLCs treated as partnerships* – Prorate the amount of credit on line 22 among the shareholders, partners, or members based on their ownership interest. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

Part II

Business Income Limit Computation:

The business income limitation applies to individuals and fiduciaries only. This includes individuals who are a partner in a partnership, shareholder in a tax-option (S) corporation, and/or a member of a limited liability company not taxed as a corporation.

Corporations, partnerships, and tax-option (S) corporations should not complete Part II.

Column b: Fill in your share of each business's net income or loss reported on your 2014 income tax return. If column b shows a loss from a particular business, enter zero (0) in column e for that business.

Column c: Enter your tax. Your tax is one of the following:

- **Individuals:** Form 1, line 28 minus married couple credit from line 29 or Form 1NPR, line 54 minus married couple credit from line 55.
- **Estates and Trusts:** Form 2, line 10 or Form 4T, line 19.

Column d:

Individuals, estates, and trusts should fill in the amount of their Wisconsin tax liability computed without including any amounts of income, deduction, or expense from the business operations in which the credit was computed. You must make a separate computation for each pass-through entity or sole proprietorship from which you computed a credit.

If you are an individual or fiduciary, you may determine your recomputed tax liability by completing a second

Wisconsin return which does not include these income, expense, or deduction items. The amount to enter in column d is the recomputed amount from the following lines:

- **Individuals:** Form 1, line 28 minus married couple credit from line 29 or Form 1NPR, line 54 minus married couple credit from line 55.
- **Estates and Trusts:** Form 2, line 10 or Form 4T, line 19.

Column e:

- Individuals, estates, and trusts subtract the amount in column d from the amount in column c for each pass-through entity or sole proprietorship.

Required Attachments to Return

- *For claimants not receiving the credit passed through from a partnership, tax-option(S) corporation, limited liability company, estate, or trust:* The only documentation you are required to submit with your tax return is Wisconsin Schedule MA-M.
- *For claimants receiving the credit passed through from a partnership, tax-option (S) corporation, limited liability company, estate, or trust:* You are required to submit Wisconsin Schedule MA-M and a copy of the Wisconsin Schedule 2K-1, Schedule 3K-1, and/or Schedule 5K-1.

Additional Information

For more information, you may contact any Department of Revenue office or:

- Refer to the manufacturing and agriculture credit common questions at: revenue.wi.gov/faqs/ise/manufagr.html
- Call (608) 266-2772
- E-mail your question to: DORFranchise@revenue.wi.gov.