# Instructions for 2015 Schedule 4I: Wisconsin Adjustments for Insurance Companies

**Purpose of Schedule 4I**

When a corporation computes its Wisconsin franchise or income tax liability, certain aspects of its tax computation are different if the corporation is an insurance company. Subchapter VII of chapter 71 of the Wisconsin Statutes provides for these differences.

Whether or not a corporation is an insurance company, it uses Form 4 to compute its Wisconsin franchise or income tax liability if it is not a member of a combined group. Combined group members should be included on Form 6. The purpose of Schedule 4I is to account for adjustments an insurance company must make so the amounts on Form 4 reflect the corporation's status as an insurance company.

**Line-by-Line Instructions**

These instructions are presented in the order the lines appear on Schedule 4I:

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**Part I: Additions Specific to Insurance Companies**

This is where you compute Wisconsin addition modifications that are unique to insurance companies so you can include them on Schedule 4V, *Wisconsin Additions to Federal Income*.

■ **Line 1. Loss Carryforward –** Enter the insurance company's loss carryforward, including any capital loss carryforward previously deducted for Wisconsin, that was deducted in computing the federal taxable income you reported on Form 4, line 1.

■ **Line 2. Dividend Income –** Enter the insurance company's dividend income received during the taxable year to the extent the dividends were deducted from, or not included in, the federal taxable income you reported on Form 4, line 1.

■ **Line 3. Deduction for Discounting Unpaid Losses –** Enter any deduction under section 847 of the Internal Revenue Code that was claimed in computing the federal taxable income you reported for the insurance company on Form 4, line 1.

■ **Line 4. Total** – Enter this amount on Schedule 4V, line 9.

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**Part II: Nontaxable Income from Life Insurance Operations**

This is where you compute the nontaxable income from life insurance operations. This amount is carried forward to Schedule 4W, *Wisconsin Subtractions from Federal Income.*

■ **Line 5. Federal Taxable Income –** Enter the amount from Form 4, line 1.

■ **Line 6. Total Addition Modifications –** Enter the company's total Wisconsin addition modifications. This is the amount from Schedule 4V, line 11.

■ **Line 8. Subtraction Modifications –** Add the amounts on Schedule 4W, lines 1 through 13i and enter the total.

**NOTE:** To complete lines 10a and 10b, refer to the Annual Statement adopted by the National Association of Insurance Commissioners for the year 2015, as filed with the Commissioner of Insurance of the State of Wisconsin. For life and accident and health insurance companies, refer to the Summary of Operations, Analysis of Operations by Lines of Business.

■ **Line 10a. Net Gain From Operations, Other than Life Insurance –** Include income from the following sources:

- 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.
- Net realized capital gains or losses on investments from accident and health insurance operations.

**NOTE:** 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. Net realized capital gains or losses are allocated after the Interest Maintenance Reserve (IMR) adjustment and before capital gains tax.

■ **Line 10b. Total Net Gain from Operations –** Include income from the sources included in line 10a above, plus the following sources:

- Net gain from operations, after dividends to policyholders and before federal income taxes, from life insurance.
- Net realized capital gains or losses on investments from life insurance operations.

■ **Line 11. 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 10a) is negative and adjusted federal taxable income (line 9) is positive.
- Zero, if the numerator (line 10a) is positive and adjusted federal taxable income (line 9) is negative.
- Zero, if the numerator (line 10a) is zero.
- Greater than zero but not more than one, if the numerator (line 10a) is positive, the denominator (line 10b) is positive, and adjusted federal taxable income (line 9) is positive.
- Greater than zero but not more than one, if the numerator (line 10a) is negative, the denominator (line 10b) is negative, and adjusted federal taxable income (line 9) is negative.
- One, if the numerator (line 10a) is positive, the denominator (line 10b) is zero or negative, and adjusted federal taxable income (line 9) is positive.
- One, if the numerator (line 10a) is negative, the denominator (line 10b) is zero or positive, and adjusted federal taxable income (line 9) is negative.

## Part III: Net Business Loss Adjustment

If the insurance company has a net business loss, this is where you adjust that loss as required under sec. 71.45(4), Wis. Stats., so it doesn't include the dividends received deduction.

■ **Lines 14 through 16. Net Income or Loss –** Complete lines 14 through 16 of Part III to compute the net business loss for the taxable year before applying the adjustment. If line 16 is a positive amount, you do not have to complete Part III.

■ **Line 17. Dividends Received Deduction –** Enter the company's total dividends received deduction from line 4 of the insurance company's Schedule 4Y, *Wisconsin Subtraction Modification for Dividends*. Enter this amount as a negative number.

■ **Line 18. Apportionment Percentage –** Enter the company's apportionment percentage from line 8 of Form 4.

■ **Line 20. Net Business Loss Adjustment –** Enter this amount on Form 4, line 12.

## Part IV: Tax Adjustment

Since the tax liability of an insurance company is generally the lesser of 7.9% of its net income or 2% of its gross premiums, this is where you compute an adjustment to the insurance company's tax liability in cases where the 2% of gross premiums computation applies.

■ **Line 21. Wisconsin Net Income –**

Enter the insurance company's Wisconsin net income from Form 4, line 15.

■ **Line 23a. Gross Premiums –** The franchise tax 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. On line 23a, enter 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.

Attach a schedule detailing the computation of Wisconsin gross nonlife premiums, including references to the applicable schedules, columns, and lines of your annual statement.

■ **Line 26. Tax Adjustment –** If line 25 is greater than line 22, enter $0 on line 26. If line 25 is less than line 22, subtract line 25 from line 22 and enter the result on line 26. This is the tax adjustment to enter or include on Form 4, line 17.

# Additional Information and Assistance

### *Web Resources*

The Department of Revenue's web page, available at revenue.wi.gov, has a number of resources to provide additional information and assistance, including:

- Related forms and their instructions
- Common questions
- Publications on specific tax topics
- The *Wisconsin Tax Bulletin*
- A home page specifically for combined reporting topics
- Links to the Wisconsin Statutes and Administrative Code

### *Contact Information*

If you cannot find the answer to your question in the resources available on the Department of Revenue's web page, contact the Department using any of the following methods:

- E-mail your question to DORFranchise@revenue.wi.gov
- Call (608) 266-2772

  (Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 3-107, PO Box 8906, Madison, WI 53708-8906