Instructions for 2007 Form 4I – Wisconsin Insurance Company Franchise Tax Return

New in 2007:

Reportable Transactions – If you were required to file federal Form 8886, *Reportable Transaction Disclosure Statement*, with the Internal Revenue Service, you must file a copy of Form 8886 with the Department of Revenue. See page 3 for details. **Significant penalties may apply for failure to disclose reportable transactions to the Department of Revenue.**

Tax Avoidance Transactions Voluntary Compliance Program – The Department will administer a Tax Avoidance Transactions Voluntary Compliance Program from January 1, 2008 through May 31, 2008. During this period, the Department will waive penalties on previously unpaid taxes attributable to tax avoidance transactions, including listed transactions that were required to be reported on federal Form 8886. See page 3 for details.

Schedules V and W – Insurance companies must use Schedules V and W to report any modifications to federal taxable income that are not specifically listed in Form 4I, Schedules 1 and 2. Line-by-line instructions to Schedules V and W are included in the last pages of these instructions.

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 (see details below).
- Insurers that derive income from lottery prizes if the winning tickets were originally bought in Wisconsin.

For taxable years beginning before January 1, 1996, certain HMOs and LSHOs that were not organized or operated for pecuniary profit were exempt from filing Wisconsin franchise or income tax returns under sec. 71.26(1)(a) or (c), 71.45(1), or 185.981(5), Wis. Stats. However, for taxable years beginning on or after January 1, 1996, the following tax-exempt entities are subject to Wisconsin franchise or income tax (and must file Form 4I) to the extent that they derive income from an HMO or LSHO in Wisconsin:

- Cooperative sickness care associations organized under sec. 185.981, Wis. Stats.
- Service insurance corporations organized under ch. 613, Wis. Stats.
- Religious, scientific, educational, benevolent, or other corporations or associations of individuals not organized or conducted for pecuniary profit.

"HMO" is defined in sec. 609.01(2), Wis. Stats., and means a health care plan offered by an organization established under ch. 185, 611, 613, or 614, Wis. Stats., or issued a certificate of authority under ch. 618, Wis. Stats., that makes available to its enrolled participants, in consideration for predetermined periodic fixed payments, comprehensive health care services performed by providers selected by the organization.

"LSHO" is defined in sec. 609.01(3), Wis. Stats., and means a health care plan offered by an organization established under ch. 185, 611, 613, or 614, Wis. Stats., or issued a certificate of authority under ch. 618, Wis. Stats., that makes available to its enrolled participants, in consideration for predetermined periodic fixed payments, a limited range of health care services performed by providers selected by the organization.

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
- Request them online at 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@revenue.wi.gov
- 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.

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.

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. Wisconsin law provides an automatic extension of 7 months or until the original due date of the corporation's corresponding federal return, whichever is later.

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.

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.

Note: If you need to amend a return to report unpaid tax that resulted from a tax avoidance transaction, see the section on the Tax Avoidance Transactions Voluntary Compliance Program on page 3.

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, call (608) 266-2776, e-mail sales10@revenue.wi.gov, or write to the Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949.

Information Returns That May Be Required

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

Special Instructions for Corporations Required to Disclose a "Reportable Transaction"

If a corporation was required to file federal Form 8886, *Reportable Transaction Disclosure Statement*, with the Internal Revenue Service (IRS) and that form was required to be filed with the IRS after October 27, 2007, you must file a copy of Form 8886 with the Department of Revenue within 60 days of the date you are required to file it for federal income tax purposes.

If the corporation was required to file federal Form 8886 after October 27, 2007, for a transaction that affects a taxable year beginning in 2007, send a paper copy of Form 8886, separate from your Form 4I, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, P.O. Box 8958, Madison, WI 53708-8958.

Note: See the instructions to federal Form 8886 to determine if you are required to file the form for federal purposes.

CAUTION: 2007 Wisconsin Act 20 enacted significant penalties for failure to disclose reportable transactions, including listed transactions, to the Wisconsin Department of Revenue.

Special Instructions for Material Advisors Required to Disclose a "Reportable Transaction"

A material advisor that is required to disclose a reportable transaction to the Internal Revenue Service after October 27, 2007, must file a copy of the disclosure with the Department of Revenue within 60 days of the date it is required for federal income tax purposes, if the reportable transaction affects the taxpayer's Wisconsin income or franchise tax liability. For federal purposes, the form required for this disclosure is Form 8264 or 8918.

A "material advisor" means any person who provides any material aid, assistance, or advice with respect to organizing, managing, promoting, selling, implementing, insuring, or carrying out any reportable transaction (as defined in the U.S. Treasury Regulations) and who, directly or indirectly, derives gross income from providing such aid, assistance, or advice in an amount that exceeds the threshold amount.

For a material advisor providing advice to an entity and not an individual, the "threshold amount" is any of the following:

- $25,000 if the reportable transaction is a listed transaction (as defined in the U.S. Treasury Regulations)
- $250,000 if the reportable transaction is not a listed transaction

For a material advisor providing advice to an individual, the "threshold amount" is any of the following:

- $10,000 if the reportable transaction is a listed transaction (as defined in the U.S. Treasury Regulations)
- $50,000 if the reportable transaction is not a listed transaction

If you are required to file Form 8264 or 8918 for federal income tax purposes, and the reportable transaction to which the form relates affects the taxpayer's Wisconsin income or franchise tax liability, send a paper copy, separate from Form 4I, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, P.O. Box 8958, Madison, WI 53708-8958.

CAUTION: 2007 Wisconsin Act 20 enacted significant penalties for failure to disclose reportable transactions, including listed transactions, to the Wisconsin Department of Revenue.

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.

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.

Further, if you fail to disclose reportable transactions as indicated in the special instructions on this page, you may be subject to the penalties described in sec. 71.81, Wis. Stats., including a $30,000 penalty for failure to disclose a listed transaction.

Tax Avoidance Transactions Voluntary Compliance Program

The Department of Revenue will waive all penalties relating to tax avoidance transactions if those transactions are disclosed as specified in this section. The penalty waiver includes the penalties enacted by 2007 Act 20 relating to disclosure of reportable transactions (sec. 71.81(3), (4), and (5), Wis. Stats.)

A "tax avoidance transaction" is a plan, transaction or arrangement devised for the principal purpose of avoiding federal or Wisconsin income or franchise tax. This includes a listed transaction as provided under U.S. Treasury Regulations and may include a transaction that provides a tax benefit for Wisconsin income or franchise tax purposes without providing a similar benefit for federal income tax purposes.

If you were required to disclose a reportable transaction to the Internal Revenue Service for a taxable year beginning before January 1, 2007, and the reportable transaction to which the form relates affects your Wisconsin tax liability for **periods beginning on or after January 1, 2001**, and if you have not previously disclosed this transaction to the Department of Revenue by submitting a copy of Form 8886 with your originally filed Wisconsin return, disclose the transaction by using the Tax Avoidance Transactions Voluntary Compliance Program.

In order to participate, you must do the following:

- Complete an amended return for each period
- Complete Form WI-VCP (see page 1 for how to obtain forms)
- Make payment, in full, for the amount of unpaid tax attributable to the tax avoidance transaction
- Submit the above items to the Department of Revenue at the following address: Wisconsin Department of Revenue, Tax Shelters Program, P.O. Box 8958, Madison, WI 53708-8958.

To be eligible for the penalty waiver, amended returns must be postmarked by **May 31, 2008.** For further information on this program, visit the Department's web site at www.revenue.wi.gov.

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.

■ **Period Covered** – File the 2007 return for calendar year 2007 and fiscal years that begin in 2007. 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.

■ **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 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). The Internal Revenue Code generally applies for Wisconsin purposes at the same time as for federal purposes. Although federal taxable income is indicated as the starting point on the Wisconsin return, Wisconsin net income for taxable years that begin in 2007 must be determined under the Internal Revenue Code as amended to December 31, 2006, with the exceptions listed below.

Federal law changes enacted after December 31, 2006 do not apply for Wisconsin purposes, including the Small Business and Work Opportunity Act (P.L. 110-28) enacted May 25, 2007. **Caution:** Wisconsin has also not adopted any of the provisions of P.L. 109-432, Tax Relief and Health Care Act (TRHCA), enacted December 20, 2006.

Account for any differences between the amounts reportable for federal and Wisconsin purposes on Form 4I, Schedule 1 or 2 and on Schedules V or W as appropriate.

The following federal changes enacted before 2007 do not apply for Wisconsin franchise and income tax purposes:

Small business stock. For federal purposes, an exclusion is allowed for 50% of the gain from the sale or exchange of qualified small business stock issued after August 10, 1993 and held for more than 5 years (sec. 13113 of P.L. 103-66). For Wisconsin purposes, this section does not apply.

Installment method for accrual basis taxpayers. For federal purposes, accrual basis taxpayers may report income from an installment sale under the installment method (P.L. 106-573). For Wisconsin purposes, accrual basis taxpayers cannot use the installment method. Gain from the sale of property must be recognized the year of the sale. This does not apply to dispositions of property used or produced in farming or for certain dispositions of timeshares or residential lots.

Increase in section 179 expensing. For federal purposes, the amount that may be expensed under sec. 179, IRC is $125,000, the phase-out threshold is $500,000, and off-the-shelf computer software is considered qualifying property. (sec. 101 of P.L. 109-222, sec. 202 of P.L. 108-27, sec. 8212 of P.L.110-28). For Wisconsin purposes, the amount that may be expensed under sec. 179 is limited to $25,000, the phase-out threshold is $200,000, and off-the-shelf computer software is not qualifying property.

Health savings accounts. For federal purposes, certain individuals may establish health savings accounts. A deduction is allowed for contributions to the account. Amounts contributed by an employer to an employee's account are excluded from the employee's gross income. (P.L. 108-173, P.L. 109-432). For Wisconsin purposes, the health savings accounts provisions do not apply.

Depreciation or amortization provisions enacted after December 31, 2000. For Wisconsin purposes, depreciation or amortization is determined under the provisions of the Internal Revenue Code in effect on December 31, 2000. For example, the following provisions do not apply for Wisconsin purposes because they were enacted after December 31, 2000:

- 30% bonus depreciation (sec. 101 of P.L. 107-147, sec. 201 of P.L. 108-27, sec. 403(a) of P.L. 108-311)
- 50% bonus depreciation (sec. 201 of P.L. 108-27)
- Accelerated depreciation for Indian reservation property (sec. 316 of P.L. 108-311)
- Modification of application of income forecast method of depreciation (sec. 242 of P.L. 108-357)
- Special expensing provisions for film and television productions (sec. 244 of P.L. 108-357)
- Special rules on depreciation for aircraft (sec. 336 of P.L. 108-357)
- Expansion of limitation on depreciation of certain passenger automobiles (sec. 910 of P.L. 108-357)
- Treatment of electric transmission property as 15-year property (sec. 1308 of P.L. 109-58)
- Expansion of amortization for certain atmospheric pollution control facilities (sec. 1309 of P.L. 109-58)
- Special expensing provisions for equipment used in refining liquid fuels (sec. 1323 of P.L. 109-58)
- Natural gas distribution lines treated as 15-year property (sec. 1325 of P.L. 109-58)
- Natural gas gathering lines treated as 7-year property (sec. 1326 of P.L. 109-58)
- Special rules for amortization of geological and geophysical expenditures (sec. 1329 of P.L. 109-58, sec. 503 of P.L. 109-222)
- Election to amortize musical works and copyrights over a 5-year period (sec. 207 of P.L. 109-222)

Other provisions not adopted for Wisconsin purposes:

- Special expensing provisions for environmental remediation costs and extension of the termination date (sec. 162 of P.L. 106-554, enacted December 21, 2000; sec. 308 of P.L. 108-311)
- Exclusion for extraterritorial income (sec. 1, 3, 4, and 5 of P.L. 106-519), repeal of such exclusion (sec. 101 of P.L. 108-357), and binding-contract relief provisions (sec. 513 of P.L. 109-222) (**Note:** Foreign sales corporation (FSC) treatment is repealed for Wisconsin purposes for taxable years beginning on or after January 1, 2005.)
- Election to defer gain on disposition of transmission property to implement Federal Regulatory Commission or state electric restructuring (sec. 909 of P.L. 108-357, sec 1305 of P.L. 109-58)
- Enhanced deduction for corporate donations of computer technology and extension of the termination date (sec. 165 of P.L. 106-554, sec. 306 of P.L. 108-311)
- Tax benefits for Gulf Opportunity (GO) Zones (sec. 101 of P.L. 109-135)
- Exceptions to imputed interest rules for loans to continuing care facilities (sec. 209 of P.L. 109-222)
- Special temporary dividends received deduction for reinvesting foreign earnings in the U.S. (sec. 422 of P.L. 108-357)
- Reform of tax treatment of certain leasing arrangements (sec. 847 of P.L. 108-357)
- Special rules for nuclear decommissioning costs (sec. 1310 of P.L. 109-58)
- Pass-through of deduction for costs incurred by small refiner cooperatives to comply with EPA sulfur regulations (sec. 1324 of P.L. 109-58)
- Expansion of research credit (sec. 1351 of P.L. 109-58)
- Special tax treatment of state ownership of railroad real estate investment trust (sec. 11146 of P.L. 109-59)
- All provisions of P.L. 109-432, Tax Relief and Health Care Act of 2006, enacted December 20, 2006

Additionally, IRC section 847, relating to an additional deduction for insurers required to discount unpaid losses, doesn't 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.

■ **Line 2. Additions** – Complete Schedule 1, page 4, 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 the total additions to federal income from Schedule V. Line-by-line instructions to Schedules V and W are included in the last pages of these instructions.

Line 4. Enter any IRC section 847 deduction that was claimed in computing federal taxable income.

Line 5. Enter the amount of Wisconsin Health Insurance Risk-Sharing Plan (HIRSP) assessment credit awarded to you in 2007 based on the portion of the 2007 HIRSP assessment you paid in your taxable year beginning in 2007. **Note:** The HIRSP assessment credit computed for 2007 may first be claimed against the tax imposed for your taxable year beginning in 2008.

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

Schedule 2 – Subtractions From Federal Taxable Income

Line 1. Enter the total subtractions from federal income from Schedule W. Line-by-line instructions to Schedules V and W are included in the last pages of these instructions.

Line 2. 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. 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 2007, 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.

Schedule 3 – Wisconsin Apportionment Percentage

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).

■ **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 1992 through 2006 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.

Schedule C1 – Nonrefundable Credits

Caution: Except for the credits on lines 1, 19, 20, and 21 of Schedule C1, you must include the amount of credit in your Wisconsin income by reporting it on Schedule V.

Line 1. Enter the manufacturer's sales tax credit carryforward from Schedule MS, line 5. 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.

Lines 4 and 5. Enter the increased research expense credits from Schedules R-1 and R-2, line 29. Corporations that increase qualified research expenses in Wisconsin attributable to certain activities may claim the increased research credits. These activities include qualified research related to internal combustion engines and qualified research related to certain energy efficient products.

Line 6. Enter the development zones research credit carryforward.

Line 7. 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.

Lines 8 and 9. Enter the increased research facilities credits from Schedules R-1 and R-2, line 33. Corporations that incur expenses to construct and equip new research facilities in Wisconsin for certain research activities may claim the increased research credits. These activities include qualified research related to internal combustion engines and qualified research related to certain energy efficient products.

Line 10. 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 11. Enter the development zones jobs credit carryforward.

Line 12. Enter the development zones sales tax credit carryforward.

Line 13. Enter the total of the development opportunity zone investment credit and any development zones investment credit carryforward from Schedule DC, line 15.

Line 14. Enter the development zones location credit carryforward.

Line 15. Enter the development opportunity zone or agricultural or airport development zone capital investment credit from Schedule DC, line 23.

Line 16. Enter the development zones day care credit carryforward.

Line 17. Enter the development zones environmental remediation credit carryforward.

Line 18. Enter the development zones credit from Schedule DC, line 7. Corporations doing business in Wisconsin development, development opportunity, enterprise development, or agricultural or airport 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 or write to the Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

Line 19. 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 or write to the Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

Line 20. 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 or write to the Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970.

Line 21. 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, write to the Division of Historic Preservation, Wisconsin Historical Society, 816 State Street, Madison, WI 53706-1488, or call (608) 264-6490.

Line 22. Enter the Internet equipment credit from Schedule IE, line 3. Corporations that obtained a sales tax exemption from the Department of Commerce for Internet equipment used in the broadband market may claim this credit. **Caution:** You may not compute this credit for 2007 if your 2007 taxable year begins before July 1, 2007.

Line 23. Add lines 1 through 22. This is the total available nonrefundable 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.

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

Schedule C2 – Refundable Credits

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.

Line 3. Enter the enterprise zone jobs credit from Schedule EC, line 16. Corporations that are certified by the Wisconsin Department of Commerce based on qualifying activities in an area designated as a Wisconsin enterprise zone may claim this credit. **Caution:** You may not compute this credit for 2007 if your 2007 taxable year begins before July 1, 2007.

Line 4. Enter the dairy manufacturing facility investment credit from Schedule DM, line 6. Corporations that modernize or expand a dairy manufacturing facility in Wisconsin and apply to the Wisconsin Department of Commerce may claim this credit.

Line 5. Add lines 1 through 4. This is the total available refundable credits.

■ **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 as a negative number. 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 2007 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. 2008 Estimated Tax** – Enter the amount of any overpayment on line 29 that is to be credited to the corporation's 2008 estimated tax. The balance of any overpayment will be refunded.

Amended Return: If you have already filed your 2008 return, enter the overpayment you claimed as a credit on your 2008 return from your previously filed original or amended 2007 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 3. If applicable, attach the information requested.

■ **Signatures** – An officer of the corporation must sign the form on 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 each of the following documents:

- Your federal return with all supporting schedules. If the federal return is a consolidated return, you must include a breakdown by individual company or attach a copy of the unconsolidated federal return together with supporting schedules.
- Supporting schedules for Form 4I.
- Supplemental statements, including a statement detailing any differences between federal and Wisconsin depreciation.
- A list of your solely owned LLCs.
- Any extension of time to file your return.

Do not staple, fasten or bind these attachments to your return. Use paper clips instead.

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.

Schedule V – Additions to Federal Income

Line 1. 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, such as interest on obligations of the government of Puerto Rico.

Exception: Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn't add back interest income that is exempt from state income tax under either Wisconsin or federal law. This includes interest income received on Wisconsin municipal housing authority bonds, Wisconsin municipal redevelopment authority bonds, Wisconsin community development authority bonds, Wisconsin Housing and Economic Development Authority bonds issued to fund multifamily affordable housing or elderly housing projects, Wisconsin Aerospace Authority bonds, and bonds issued by the government of Puerto Rico.

Line 2. 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 that were deducted in computing federal taxable income.

Line 3. Enter expenses deducted in computing federal taxable income that are directly or indirectly related to nontaxable income. Refer to the specific instructions for Schedule W, line 4, for an explanation of "nontaxable income." Examples of expenses related to nontaxable income include taxes, interest, and administrative fees related to the production of such income.

Also include on this line losses deducted in computing federal taxable income from the disposal of assets the gains from which would be nontaxable income if the assets were disposed of at a gain.

Line 4. Enter percentage depletion deducted in computing federal taxable income.

Note: Cost depletion is deductible for Wisconsin and should be entered on Schedule W, line 6, if not deducted on the federal return.

Line 5. Enter the amount by which the federal section 179 expense deduction exceeds the Wisconsin deduction.

Line 6. Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction. Attach a schedule showing the computation details.

For assets first 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 2007 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. Telegraph, pipeline, gas, electric, steam, and telephone companies (defined under secs. 76.02(4), Wis. Stats. (1983-84), 76.02(5b), 76.28(1)(e)1., 3., and 4., and 76.38(1)(c), Wis. Stats. (1985-86), except for specialized common carriers) had to compute depreciation under the Internal Revenue Code in effect on December 31, 1980, for assets acquired during the period beginning with the 1981 taxable year and ending on December 31, 1986. **Note:** The *Beatrice Cheese, Inc.* decision described in item e below doesn't apply to these companies.

c. Waste treatment and pollution abatement plants and equipment could be deducted or amortized pursuant to sec. 71.04(2b) or (2g), Wis. Stats. (1985-86).

d. Alternative energy systems could be deducted or amortized pursuant to sec. 71.04(16), Wis. Stats. (1985-86).

e. 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.

   However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing 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).

f. 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 e above) and receive a deduction for the basis difference in the year the property is disposed of, pursuant to sec. 71.04(15)(e), Wis. Stats. (1985-86), or (2) claim depreciation on the asset's full (unreduced) basis for Wisconsin. (The second method required separate depreciation records for Wisconsin purposes.)

g. Intangible drilling costs incurred after the 1980 taxable year are deductible for federal purposes under IRC section 263(c). Before the 1987 taxable year, the amount of depletion, depreciation, or write-off allowable for Wisconsin purposes was limited to that allowable under the Internal Revenue Code in effect on December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.

h. For the following property acquired in the 1986 taxable year, but before January 1, 1987, 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.

i. For federal tax purposes, corporations may elect to expense, under IRC section 179, a portion of the cost of "section 179" property placed in service after the 1981 calendar year. For Wisconsin purposes, before the 1987 taxable year, corporations (except regulated investment companies and real estate investment trusts) couldn't claim this expense. Instead, depreciation was allowable on the cost basis of the property, without reduction for the amount the corporation may have elected to expense under section 179 for federal purposes.

For assets placed in service before January 1, 1987, these differences in depreciation (items a through i) continue to exist. Therefore, the depreciation deduction may be different for Wisconsin and federal purposes.

Line 7. Enter the amount by which the federal basis of assets disposed of exceeds the Wisconsin basis. If more than one asset is disposed of, you may combine the bases of the assets so that you need only one entry either on this line or Schedule W, line 8. Attach a schedule showing the computation details.

For example, a corporation sold the following assets during the current taxable year:

	Federal Basis	**Wisconsin Basis**	**Difference**
Truck	$ 1,500	$ 500	$ 1,000
Equipment	1,000	2,000	(1,000)
Building	20,000	10,000	10,000
Net Difference			$ 10,000

The amount to enter on Schedule V, line 7, is $ 10,000.

If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 8, instead.

Line 8. Enter the dairy and livestock farm investment credit computed (from 2007 Schedule DI, line 7).

Line 9. Enter the research credits computed (from 2007 Wisconsin Schedule R, line 15 or 28 and line 32).

Line 10. Enter any additional research credits computed attributable to activities related to internal combustion engines or certain energy efficient products (from 2007 Wisconsin Schedule R-1 or R-2, line 14 or 27 and line 31).

Line 11. Enter the development zones credits computed (from 2007 Wisconsin Schedule DC, lines 5, 13, and 21).

Line 12. Enter the community development finance credit computed (from Schedule C1, line 10).

Line 13. Insurance companies should leave this line blank. Insurance companies are not required to include the technology zone credit computed in their income.

Line 14. Enter the Internet equipment credit computed (from 2007 Wisconsin Schedule IE, line 3).

Line 15. Enter the amount of farmland preservation credit received during the taxable year that isn't included in federal income.

Line 16. Enter the amount of farmland tax relief credit received during the taxable year that isn't included in federal income.

Line 17. Enter the enterprise zone jobs credit computed (from 2007 Wisconsin Schedule EC, line 16).

Line 18. Enter the dairy manufacturing facility investment credit computed (from 2007 Wisconsin Schedule DM, line 6).

Line 19. Enter any other additions to federal income. These could include:

- Federal capital loss carryovers (if previously deducted for Wisconsin).
- Adjustments required as a result of changes made to the Internal Revenue Code before or after December 31, 2006, which don't apply for Wisconsin. See page 4 for details.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of income and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.

Schedule W – Subtractions From Federal Income

Line 1. Enter, from Schedule Y, line 4, 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 income from controlled foreign corporations under Subpart F of the Internal Revenue Code as reported on the federal return.

Line 3. Enter foreign dividend gross-up reported on the federal return.

Line 4. Enter nontaxable income included in computing federal taxable income. Attach a schedule to your return showing the payers and amounts of nontaxable income and explaining why that income isn't taxable.

- Interest, dividends, and capital gains from the disposition of intangible assets are nontaxable if –

  (a) the operations of the payer are not unitary with those of the payee, and

  (b) the payer and payee are not related as parent company and subsidiary or affiliates and the investment activity from which the income is received is not an integral part of a unitary business.

  Note: Such income may also be nontaxable under the principles of the U.S. Supreme Court decision in *Allied-Signal v. Director, Div. of Taxation*, 504 U.S. 768 (1992), if the investment is passive and does not serve an operational function.

- For corporations subject to the Wisconsin income tax rather than the franchise tax, nontaxable income includes interest on United States government obligations.

Note: Expenses related to nontaxable income aren't deductible and must be added to federal taxable income on Schedule V, line 3.

Line 5. Enter foreign taxes paid or accrued during the year that aren't deducted in computing federal taxable income and aren't included on Schedule W, line 3.

Line 6. Enter cost depletion that wasn't deducted in computing federal taxable income.

Note: Percentage depletion isn't deductible for Wisconsin and must be added to federal taxable income on Schedule V, line 4.

Line 7. Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Refer to the instructions for Schedule V, line 6, for a detailed discussion of depreciation and amortization. Attach a schedule showing the computation details.

Line 8. Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 7, for an example. Attach a schedule showing the computation details.

Line 9. Enter wages not deductible in computing federal income as a result of being used in computing the federal work opportunity tax credit.

Line 10. Enter research expenses not deductible in computing federal income as a result of being used in computing the federal credit for increasing research activities.

Line 11. If you have more than $25,000 of unused manufacturer's sales tax credit carryforward, enter the amount from Schedule MS, line 8.

Line 12. Enter any other subtractions from federal income. These could include:

- Adjustments required as a result of changes made to the Internal Revenue Code before or after December 31, 2006, which don't apply for Wisconsin. See page 4 for details.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of expense and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.
- Development zones investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.