2008

Wisconsin
Corporation Franchise and Income Tax

Form 4 Instructions

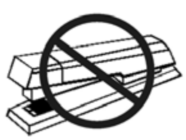
New for 2008:

Related Entity Expenses
Taxpayers must make modifications to federal income for interest or rent expenses paid, accrued, or incurred to a related entity. See pages 4 and 11 for details of how this new law affects Form 4 filers.

Schedule RT
Taxpayers must file Wisconsin Schedule RT if the total of certain related party expenses exceeds $100,000. See page 4 for details.

Schedule CR
If the corporation is claiming any business tax credits, it must file Schedule CR with its Wisconsin return. Schedule CR has replaced Schedules C1 and C2.

Remember to file these with Form 4:
- Any extension
- A copy of your federal return, including consolidating schedules
- A list of solely owned LLCs
- Any other required forms or schedules, such as Schedule RT or Schedule CR



Do not staple attachments to your return. File electronically or use paper clips to submit these items.

Don't forget about use tax!
The corporation may owe use tax if it purchased tangible personal property or certain services for storage, use, or consumption in Wisconsin without paying a state sales or use tax. See page 6 for details.

Go Electronic!

Fast ● Accurate ● Secure

File Form 4 through the Federal/State E-Filing Program. With approved third party software, you can file Form 4 along with other Wisconsin and federal returns in a single filing. Or, you may use Federal/State E-Filing to file Form 4 separately. See *Filing Methods* on page 2 for details.

Visit us online at

www.revenue.wi.gov to...
- Obtain tax forms and instructions.
- Get answers to frequently asked questions (FAQs).
- Find out which third-party software you can use to file Form 4 electronically.
- Register for electronic funds transfer.
- Check out the *Wisconsin Tax Bulletin* quarterly newsletter.
- Read Department of Revenue publications which explain specific topics in detail.
- Register to receive e-mail news about new laws and procedures.
- Determine which e-mail address or telephone number to use to contact the Department about a specific question.

Purpose of Form 4

Corporations engaged in business in and outside Wisconsin use Form 4 to report their income, gains, losses, deductions, and credits and to compute their franchise or income tax and recycling surcharge liability.

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General Franchise or Income Tax Return Instructions

Franchise or Income Tax

Franchise tax applies to:

- All domestic corporations (those organized under Wisconsin law) and
- Foreign corporations (those not organized under Wisconsin law) doing business in Wisconsin or buying or selling lottery prizes if the winning tickets were originally bought in Wisconsin, except where taxation is exempted by statute or barred by federal law.

The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities is included in income under the franchise tax law.

Income tax applies only to foreign corporations which are not subject to the franchise tax and which own property in Wisconsin or whose business in Wisconsin is exclusively in foreign or interstate commerce. The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities is not included in income under the income tax law.

Certain urban transit companies are subject to a special tax under sec. 71.39, Wis. Stats. Contact the Department for further information.

Who Must File

"Corporation" includes corporations, joint stock companies, associations, common law trusts, and all other entities treated as corporations under section 7701 of the Internal Revenue Code (IRC).

Corporations Required to File. The following corporations are required to file a Wisconsin corporation franchise or income tax return:

- Corporations organized under Wisconsin law.
- Foreign corporations licensed to do business in Wisconsin.
- Unlicensed corporations doing business in Wisconsin.
- Foreign corporations engaged in buying or selling lottery prizes if the winning tickets were originally bought in Wisconsin.
- Foreign corporations issuing credit, debit, or travel and entertainment cards to customers in Wisconsin.
- Foreign corporations owning, directly or indirectly, a general or limited partnership interest in a partnership that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations owning, directly or indirectly, an interest in a limited liability company treated as a partnership that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations that are the sole owner of an entity that is disregarded as a separate entity under IRC section 7701 and does business in Wisconsin.

Corporations and Other Entities Not Required to File. The following entities are **not** required to file a Wisconsin corporation franchise or income tax return:

- A single-owner entity that is disregarded as a separate entity under IRC section 7701. Instead, the owner of the disregarded entity is subject to the tax on or measured by the entity's income and must file a Wisconsin franchise or income tax return if otherwise required.
- Corporations and associations exempt under sec. 71.26(1), Wis. Stats., except those with (a) unrelated business taxable income as defined in IRC section 512, (b) income derived from a health maintenance organization or a limited service health organization, or (c) income realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in Wisconsin. Exempt entities include insurers exempt from federal income taxation under IRC section 501(c)(15), town mutuals organized under Chapter 612, Wis. Stats., foreign insurers, domestic insurers engaged exclusively in life insurance business, domestic mortgage insurers, some cooperatives, and religious, scientific, educational, benevolent, or other corporations or associations of individuals not organized or conducted for profit.
- Corporations that are completely inactive in and outside Wisconsin and have filed Form 4H.
- Credit unions that don't act as a public depository for state or local government funds and have filed Form CU.

When and Where to File

Generally, a corporation must file its franchise or income tax return by the 15th day of the 3rd month following the close of its taxable year.

Short Period Returns. Returns for short taxable years (periods of less than 12 months) are due on or before the federal due date. A corporation that becomes, or ceases to be, a member of an affiliated group, and as a result must file two short period returns for federal purposes, must also file two short period returns for Wisconsin. The Wisconsin returns are due at the same time as the federal returns. Each short period is considered a taxable year, the same as for federal purposes.

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 submit a copy of the federal extension with the Wisconsin return that you file.

If you aren't requesting a federal extension, 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.

CAUTION: An extension for filing the return doesn't extend the time to pay the franchise or income tax. Interest will be charged on the tax 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 due by that date. Submit your payment with Wisconsin Form 4-ES, *Corporation Estimated Tax Voucher*.

Filing Methods. File electronically through the Federal/State E-Filing Program. For a list of software vendors participating in this program, visit the Department's web page at www.revenue.wi.gov/eserv/corp/third.html.

Paper filing is also permitted. If you choose to file your return on paper, follow these mailing instructions carefully:

- **Do not fasten, staple or bind the pages of your return.** Use paper clips instead.
- If you are submitting multiple returns, separate them with **colored separator sheets.**
- Use the mailing address shown on the form.

Period Covered by Return

The return must cover the same period as the corporation's federal income tax return. A 2008 Wisconsin return must be filed by a corporation for calendar year 2008 or a fiscal year that begins in 2008. A fiscal year may end only on the last day of a month. The period covered by the return can't exceed 12 months.

However, corporations reporting on a 52-53 week period for federal tax purposes must file on the same reporting period for Wisconsin. A 52-53 week taxable year is deemed to begin on the first day of the calendar month beginning nearest to the first day of the 52-53 week taxable year. The taxable year is deemed to end on the last day of the calendar month closest to the last day of the 52-53 week taxable year for purposes of due dates, extensions, and assessments of interest and penalties.

Any change in accounting period made for federal purposes must also be made for Wisconsin purposes. For the first taxable year for which the change applies, file with the Wisconsin return a copy of the Internal Revenue Service's notice of approval of accounting period change if such approval is required or an explanation of the change if the IRS's approval isn't required.

Accounting Methods and Elections

In computing net income, the method of accounting must be the same method used in computing federal net income. However, if the method used for federal purposes isn't authorized under the Internal Revenue Code in effect for Wisconsin, use a method authorized under the Internal Revenue Code in effect for Wisconsin.

Consolidated Filing Not Permitted. Each corporation organized under Wisconsin law, licensed to do business in Wisconsin, or doing business in Wisconsin must file a separate Wisconsin franchise or income tax return and make its own estimated tax payments. Wisconsin law doesn't permit corporations that are members of an affiliated group, as defined in IRC section 1504, to file consolidated returns.

Situations Where Installment Method Not Authorized for Wisconsin. A corporation, including a tax-option (S) corporation, entitled to use the installment method of accounting must take the unreported balance of gain on installment obligations into income in the taxable year of their distribution, transfer, or acquisition by another person or for the final taxable year for which it files or is required to file a Wisconsin franchise or income tax return, whichever year occurs first.

Further, for Wisconsin purposes, accrual basis taxpayers cannot generally use the installment method because Wisconsin did not adopt P.L. 106-573, which restored the installment method for accrual basis taxpayers for federal income tax purposes.

Change in Accounting Method. A change in accounting method made for federal purposes must also be made for Wisconsin purposes, unless the change isn't authorized under the Internal Revenue Code in effect for Wisconsin. Adjustments required federally as a result of a change made while the corporation is subject to Wisconsin taxation must also be made for Wisconsin purposes, except in the last year that a corporation is subject to taxation by Wisconsin it must take into account all remaining adjustments required.

For the first taxable year for which the change applies, file with the Wisconsin return either a copy of the application for change in accounting method filed with the Internal Revenue Service and copy of the IRS's consent, if applicable, or an explanation of the change if the IRS's approval isn't required.

Elections. As explained above, a corporation can't make different elections for federal and Wisconsin purposes with respect to accounting periods and accounting methods, unless the federal method isn't permitted under the Internal Revenue Code in effect for Wisconsin. In situations where a corporation has an option under the Internal Revenue Code and the IRS doesn't consider that option to be a method of accounting, a different election may be made for Wisconsin than that made for federal purposes. If federal law specifies the manner or time period in which an election must be made, those requirements also apply for Wisconsin purposes.

Payment of Estimated Tax

If the total of a corporation's franchise or income tax and recycling surcharge due is $500 or more, it 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. You may download vouchers from the Department's web site at www.revenue.wi.gov, or you may request vouchers by calling any Department of Revenue office.

Quick Refund. A corporation that overpaid its estimated tax may apply for a refund before filing its tax return if its 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 the corporation files its tax return. Do not file Form 4466W at the same time as your tax return.

A corporation that has a tax due when filing its tax return as a result of receiving a "quick refund" will be charged 12% annual interest on the amount of unpaid tax from the date the refund is issued to the earlier of the 15th day of the 3rd month after the close of the taxable year or the date the tax liability is paid. Any tax that remains unpaid after the unextended due date of the tax return continues to be subject to 18% or 12% annual interest, as appropriate.

Electronic Funds Transfer Required for Certain Payments. Section Tax 1.12, Wisconsin Administrative Code, requires the payment of certain taxes by electronic funds transfer (EFT). A corporation must pay its estimated franchise or income taxes and recycling surcharge by EFT if its net tax less refundable credits on its prior year return was $40,000 or more. The Department will notify a corporation when EFT payments are required. The corporation will have 90 days after being notified to register for EFT. The first EFT payment is due on the first tax due date following the end of the 90-day registration period.

Corporations not required to pay by EFT may elect to do so. For more information, visit the Department of Revenue's web site at www.revenue.wi.gov/eserv/eftgen.html, e-mail eft@revenue.wi.gov, call (608) 264-9918, or write to the EFT Unit, Wisconsin Department of Revenue, P.O. Box 8949, Madison, WI 53708-8949.

To make EFT payments of corporation franchise or income tax, choose the appropriate tax type code:

Tax Type	Tax Type Code
Corporation estimated tax payment	02100
Corporation tax due with return	02200
Corporation amended return tax due	02400
Corporation bill (except audit assessments)	02540

Note: For EFT payments of estimated franchise or income tax and recycling surcharge, enter the last day of your **taxable year**, not the last day of the quarterly installment period, for which the payment is being made.

Disclosure of Related Entity Expenses and Reportable Transactions

A corporation may be required to separately disclose certain expenses paid, accrued, or incurred to a related entity. A corporation or corporation's material advisor may also be required to separately disclose reportable transactions.

CAUTION: Wisconsin law provides that certain related entity expenses shall not be allowed as deductions if they are not timely disclosed as required by the Department of Revenue. Also, penalties may apply for failure to disclose reportable transactions to the Department.

Disclosure of Related Entity Expenses. If the corporation paid, accrued, or incurred more than $100,000 of expenses to a related person or entity, the corporation must generally file Schedule RT, *Wisconsin Related Entity Expenses Disclosure Statement*, with its franchise or income tax return. **Note:** Schedule RT will not be accepted on an amended return after the extended due date of the corporation's return. The Schedule RT instructions provide a detailed explanation of the reporting requirements.

Corporation's Disclosure of Reportable Transactions. 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. Send a paper copy of Form 8886, separate from your Form 4, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, P.O. Box 8958, Madison, WI 53708-8958.

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

Material Advisor's Disclosure of Reportable Transactions. 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.

A material advisor that is required to disclose a reportable transaction to the IRS 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 8918.

If you are required to file Form 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 the Wisconsin return, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, P.O. Box 8958, Madison, WI 53708-8958.

Internal Revenue Service Adjustments, Amended Returns, and Claims for Refund

Internal Revenue Service Adjustments. If a corporation's federal tax return is adjusted by the Internal Revenue Service (IRS) and such 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 such 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. After you have filed a complete, original tax return, you may 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, put a check mark in item E the front of the return, complete the return, and include an explanation of any changes made. Show computations in detail, including any applicable supplemental forms or schedules. Also show how you figured your refund or additional amount owed.

Where applicable, the line-by-line instructions in this booklet provide specific instructions for how to compute the amounts on an amended return.

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.

Claims for Refund. A claim for refund must be filed within 4 years of the unextended due date of the return. However, a claim for refund to recover all or part of any tax or credit paid as a result of an office or field audit must be filed within 4 years after such an assessment. That assessment must have been paid and must not have been protested by filing a petition for redetermination. See section Tax 2.12, Wisconsin Administrative Code, for more information.

Final Return

If the corporation liquidated during the taxable year, put a check mark on the designated line in item D on the front of the return. Enter the date of liquidation as the taxable year ending date at the top of the return. Submit a copy of your plan of liquidation and a copy of federal Form 966 with your 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.

Recycling Surcharge

The recycling surcharge applies to corporations having gross receipts from all activities of $4 million or more during the taxable year. Corporations that must file Wisconsin franchise or income tax returns must pay the recycling surcharge, with certain exceptions. The surcharge doesn't apply to:

- Domestic corporations that don't have any business activities in Wisconsin.
- Foreign corporations that don't have nexus with Wisconsin.
- Corporations that have less than $4 million of gross receipts from all activities. "Gross receipts from all ac-

tivities" means gross receipts, 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 receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

- Nuclear decommissioning trust funds.

For more information, refer to Publication 400, *Wisconsin's Recycling Surcharge.*

Information Returns

Transfers of Capital Stock. If one or more individual shareholders of the corporation who are Wisconsin residents transfer the corporation's capital stock during the calendar year, the corporation must file Wisconsin Form 8, *Transfers of Capital Stock*, for that calendar year. For more information, see the Form 8 instructions.

Miscellaneous Income. If the corporation paid $600 or more in rents, royalties, or certain nonwage compensation to one or more individuals, the corporation must file an information return to report those payments. You may use Wisconsin Form 9b*, Miscellaneous Income*, or you may use federal Form 1099 instead of Form 9b. For more information, see the Form 9b instructions.

Wisconsin Use Tax

The corporation may be liable for use tax. Use tax is the counterpart of sales tax. All tangible personal property and selected services, taxable under Wisconsin's sales tax law, which are stored, used, or consumed in Wisconsin, are subject to use tax if the proper sales tax is not paid. Examples of purchases that frequently result in a use tax liability include the following:

- Mail order and Internet purchases. You owe Wisconsin use tax if you buy such items as computers, furniture, or office supplies from a vendor who is not registered to collect Wisconsin tax.
- Inventory. If you purchase inventory items without tax for resale, and then use these items instead of selling them, you owe use tax.
- Give-aways. Generally, if you purchase items without tax and then give them away in Wisconsin, you owe use tax.

If you hold a seller's permit, use tax certificate, or consumer's use tax certificate, report your use tax on your sales and use tax return, Form ST-12. Otherwise, complete and file Form UT-5 to report use tax.

For more information on use tax, 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.

Penalties for Not Filing or Filing Incorrect Returns

If you don't file a franchise or income 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, 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.

Obtaining Forms and Assistance

If you need forms or publications, 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.
- Call or visit any Department of Revenue office.

If you need help in preparing a corporation tax return, you may:

- E-mail your question to corp@revenue.wi.gov.
- Send a FAX to (608) 267-0834.
- Call (608) 266-2772 [TTY (608) 267-1049].
- Write to the Customer Service and Education Bureau, Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949.
- Call or visit any Department of Revenue office.

Conformity With Internal Revenue Code and Exceptions

The Wisconsin income and franchise tax law is based on the federal Internal Revenue Code (IRC). The IRC generally applies for Wisconsin purposes at the same time as for federal purposes. However, significant exceptions apply. These exceptions are discussed below.

Note: The exceptions listed below are those in effect as of the publication date of these instructions. It is possible that subsequent changes in Wisconsin law may eliminate some of these exceptions applicable to the corporation's 2008 return.

Amendments to Internal Revenue Code After December 19, 2006

Wisconsin has not adopted any amendments to the Internal Revenue Code enacted after December 31, 2006 nor any amendments to the IRC enacted by the final Act to amend the IRC in the year 2006 (P.L. 109-432, Tax Relief and Health Care Act). Thus, **Wisconsin has not adopted any amendments to the IRC enacted after December 19, 2006.**

Depreciation and Section 179 Expensing

If the corporation has depreciation deductions or section 179 expense deductions, it is very likely that the amount of deduction will be different for Wisconsin purposes than for federal purposes.

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)

Section 179 Expense Limitations. For Wisconsin purposes, the allowable amount of section 179 expense depends on whether the property is used in farming by a person actively engaged in farming. In either case, different maximum amounts and phaseout thresholds apply for Wisconsin purposes than for federal purposes. Additionally, off-the-shelf computer software is not considered qualifying property for Wisconsin purposes, although it is qualifying property for federal purposes.

In general, the maximum section 179 expense and phaseout threshold amounts for taxable years beginning in 2008 are as follows:

Section 179 Property in General		
	Wisconsin Law	**Federal Law**
Maximum Section 179 Expense	$25,000	$250,000
Phaseout Threshold (Amt. of qualifying property)	$200,000	$800,000

For property used in farming by a person actively engaged in farming, the maximum section 179 expense and phaseout threshold amounts for taxable years beginning in 2008 are as follows:

Section 179 Property Used in Farming by a Person Actively Engaged in Farming		
	Wisconsin Law	**Federal Law**
Maximum Section 179 Expense	$115,000	$250,000
Phaseout Threshold (Amt. of qualifying property)	$460,000	$800,000

For purposes of Wisconsin section 179 expense, "farming" has the meaning given in section 464(e)(1) of the IRC and "actively engaged in farming" has the meaning given in 7 CFR 1400.201.

Other Exceptions to Internal Revenue Code

The following federal provisions in effect as of December 19, 2006 are specifically excluded 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.

Note: Wisconsin law also provides a modification relating to installment obligations. See page 3 for details.

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.

Other Provisions Not Adopted for Wisconsin Purposes.

- 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.)
- 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)
- 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, in addition to **any other amendments to the IRC enacted after December 19, 2006.**

Capital Losses

Wisconsin generally follows the capital loss limitations and carryovers provided under the Internal Revenue Code for corporations. If a corporation has a net capital loss, the loss must be carried to other taxable years and deducted from capital gains in those years, as provided in IRC section 1212. However, for Wisconsin purposes, a corporation can't carry back a loss to taxable years before 1987. Losses that can't be carried back may be carried forward 5 years.

Limitations on Certain Federal Deductions

You may have to recompute federal deduction limitations for Wisconsin purposes if the amount of your federal taxable income for federal purposes differs from your federal taxable income as determined under the Internal Revenue Code in effect for Wisconsin. Differences in your federal taxable income for federal and Wisconsin purposes may arise for the following reasons:

- A provision of the federal Internal Revenue Code is excluded from the definition of "Internal Revenue Code" in effect for Wisconsin under sec. 71.22(4), Wis. Stats.
- Different elections under the Internal Revenue Code are made for federal and Wisconsin purposes.

The deduction limitations are applied in computing federal taxable income *before* the Wisconsin modifications prescribed in secs. 71.26(2) and (3) and 71.30, Wis. Stats. Therefore, you may not recompute deduction limitations as a result of making Wisconsin modifications. For example, if your federal section 179 expense deduction was limited as a result of claiming federal bonus depreciation, you may not recompute the section 179 deduction because there is a specific Wisconsin modification (sec. 71.26(3)(y), Wis. Stats.), which disallows bonus depreciation in computing Wisconsin income.

The following examples further illustrate how the limitations on federal deductions apply:

Example 1: Corporation B reports federal taxable income of zero for the current taxable year and Wisconsin taxable income of $20,000. The difference results from adding to federal income the $20,000 of state income taxes paid that the taxpayer had deducted on its federal return. For federal purposes, the taxpayer has $25,000 of section 179 expense, but is limited by its business income to claiming a deduction of $5,000 and carrying forward the $20,000 balance. For Wisconsin purposes, the section 179 deduction is limited to $5,000, the federal amount. The Wisconsin section 179 deduction cannot be recomputed since the addback for state income taxes is a modification prescribed in sec. 71.26(3)(g), Wis. Stats.

Example 2: Corporation C reports federal taxable income of zero for the current taxable year and Wisconsin taxable income of $15,000. The taxpayer's Wisconsin income exceeds its federal taxable income because the taxpayer may not claim federal bonus depreciation for Wisconsin. For federal purposes, the taxpayer computes $44,000 of section 179 expense but can use only $17,000 of that amount due to the business income limitation. The $27,000 balance is carried forward. For Wisconsin purposes, the taxpayer's section 179 expense is limited to $25,000. However, the taxpayer may deduct on its current Wisconsin return only the $17,000 that was used for federal purposes and must carry forward the $8,000 Wisconsin balance. The taxpayer must compute Wisconsin depreciation for the current year based on a section 179 deduction of $25,000. The taxpayer must add back to Wisconsin income the $19,000 difference between the $27,000 federal section 179 expense carryforward and the $8,000 Wisconsin carryforward in future years when it is used on the taxpayer's federal return.

Example 3: Corporation F claims no section 179 expense deduction but $16,000 of bonus depreciation on its federal return for the current taxable year. The taxpayer could have elected to claim a section 179 expense deduction on its federal return in addition to or instead of the bonus depreciation. The taxpayer may elect to claim the $16,000 as a section 179 expense deduction on its Wisconsin return so that the computation of its regular MACRS allowance is the same for federal and Wisconsin purposes.

Line-by-Line Instructions for Form 4

You must complete pages 1 and 2 of Form 4 and the appropriate schedules to explain the adjustments to federal income and the computation of tax credits. Do not enter "See attached" instead of completing the entry spaces. If more space is needed, submit separate sheets using the same size and format as the printed forms.

Round cents to the nearest whole dollar by eliminating amounts less than 50 cents and increasing amounts from 50 cents through 99 cents to the next higher dollar.

Caution: Federal line numbers referred to on Form 4 and in these instructions may change.

Items A Through I

Before completing items A through I, fill in the corporation's 2008 taxable year at the top of the form and the corporation's name and address. If the corporation dissolved, enter the date of dissolution as the ending date of the 2008 taxable year.

■ **Item 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 the IRS's toll-free number (800) 829-4933, or applying online at www.irs.gov.

■ **Item 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.

■ **Item C. State and Year of Incorporation** – Enter the 2-letter postal abbreviation for the state (or name of the foreign country) under whose laws the corporation is organized and the year of incorporation.

■ **Item D. First Return, Final Return, Short Period – Change in Accounting Period, and Short Period – Stock Purchase or Sale** – Check the line for “First return” if this is the first year that you are filing a Wisconsin return because the corporation wasn’t in existence or didn’t do business in Wisconsin in prior years. Check the line for “Final return” if the corporation ceased to exist or withdrew from Wisconsin during the year, and provide a copy of your plan of liquidation and federal Form 966 if the corporation liquidated. Check the applicable line if a short period return is being filed due to a change in the corporation’s accounting period or a stock purchase or sale.

■ **Item E. Amended Return** – Check here if this is an amended return. Circle the number in front of the lines that you are changing and provide a detailed explanation of the changes made, including any supporting form or schedule. For example, if you are amending the research credit, circle the “15” before “Nonrefundable credits” and submit a corrected Schedule R and an explanation of the change along with your amended return.

■ **Item F. Extended Due Date** – Check here if the corporation has an extension of time to file its Wisconsin return, and enter the extended due date.

■ **Item G. No Business Transacted in Wisconsin** – If the corporation was incorporated under Wisconsin law or licensed to do business in Wisconsin but had no property or activity in Wisconsin for the taxable year, check here and provide a complete copy of the corporation’s federal return.

■ **Item H. Schedule RT Required –** Check here if the corporation is filing Schedule RT, *Wisconsin Related Entity Expenses Disclosure Statement*, with its return. Schedule RT is generally required if the corporation pays, accrues, or incurs more than $100,000 of expenses to a related person or entity in the taxable year. See the Schedule RT instructions for details of the requirement to file Schedule RT.

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

Line 1: Federal Taxable Income

Enter the federal taxable income before the net operating loss deduction and special deductions. Generally, this is the amount from federal Form 1120, line 28. However, for certain types of corporations the applicable line of the federal return may be different. These certain types of corporations and applicable lines include the following:

- Regulated investment companies (RICs) use Form 1120-RIC, line 26.
- Real estate mortgage investment conduits (REMICs) use Form 1066, Schedule J, line 4 plus line 9.
- Real estate investment trusts (REITs) use Form 1120-REIT, line 22.
- Cooperative associations use Form 1120-C, line 25 minus line 26a
- For corporations that are treated as S corporations federally but are not treated as Wisconsin tax-option corporations, use Form 1120S, line 21.

Line 2: Additions to Federal Income (Schedule V)

Complete Schedule V and enter the total on Form 4, line 2. **Exception:** If using the separate accounting method, don’t complete Schedule V. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 12, column 3, on Form 4, line 2.

Specific instructions for how to complete Schedule V follow:

■ ***Line 1. Interest Income*** – 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.

Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn’t enter interest income on line 1 that is exempt from income tax under both Wisconsin and federal law. This includes interest income on the following types of obligations:

- Public housing authority or community development authority bonds issued by municipalities located in Wisconsin
- Wisconsin Housing Finance Authority bonds
- Wisconsin municipal redevelopment authority bonds
- Wisconsin higher education bonds
- Wisconsin Housing and Economic Development Authority bonds issued on or after December 11, 2003, to fund multifamily affordable housing or elderly housing projects
- Wisconsin Housing and Economic Development Authority bonds issued before January 29, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds
- Public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest therefrom qualifies for exemption from federal

taxation for a reason other than or in addition to section 103 of the IRC

- Local exposition district bonds
- Wisconsin professional baseball park district bonds
- Bonds issued by the Government of Puerto Rico, Guam, the Virgin Islands or, for bonds issued after October 16, 2004, the Government of American Samoa
- Local cultural arts district bonds
- Wisconsin professional football stadium bonds
- Wisconsin Aerospace Authority bonds

■ ***Line 2. State Taxes –*** 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.

■ ***Lines 3 and 4. Related Entity Interest and Rental Expenses –*** For taxable years beginning on or after January 1, 2008, a corporation must make an addition modification to "add back" interest and rental expenses paid, accrued, or incurred to a related entity. These expenses must generally also be disclosed on Schedule RT. See the Schedule RT instructions for further details of the expenses required to be disclosed on Schedule RT and added back to income on Schedule V.

After the corporation makes this addition modification, the corporation uses Part II of Schedule RT to determine if it is eligible for a deduction for any of the amount added back. The corporation then makes a subtraction modification on Schedule W of the amount for which it is eligible for a deduction.

If the corporation is a partner, member, or beneficiary of a pass-through entity, also include the amount of modification included on lines 21a and 21b of Schedule 3K-1 and on lines 14a and 14b of Schedule 2K-1, if applicable.

■ ***Line 5. Expenses Related to Nontaxable Income*** – 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 8, 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 6. Percentage Depletion –*** Enter percentage depletion deducted in computing federal taxable income. **Note:** Cost depletion is deductible for Wisconsin and should be entered on Schedule W, line 10, if not deducted on the federal return.

■ ***Line 7. Section 179 Expense –*** Enter the amount by which the federal section 179 expense deduction exceeds the Wisconsin deduction.

■ ***Line 8. Depreciation/Amortization*** – Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction. Include a schedule showing the computation details.

These differences can happen because of IRC sections not adopted for Wisconsin purposes and also because of differences that existed between Wisconsin and federal law for assets placed in service before January 1, 1987.

CAUTION: 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.

An asset must continue to be depreciated or amortized under the method allowable for Wisconsin purposes for the year in which it was placed in service. Thus, the differences in Wisconsin and federal depreciation and amortization that existed before January 1, 1987 continue to exist. These differences are described in items a. through i. below.

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 either claiming the same depreciation deduction as for federal purposes, or continuing their present method of depreciation. For more information, see the tax release in *Wisconsin Tax Bulletin* 84 (October 1993, page 18).

f. A corporation electing to claim an investment tax credit for federal income tax purposes could either claim the credit and reduce the depreciable basis of the property by one-half of the credit, or claim a reduced investment credit and not reduce the depreciable basis of the property. These corporations weren't required to reduce the depreciable basis of the investment credit property 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 Wisconsin purposes, before the 1987 taxable year, corporations (except regulated investment companies and real estate investment trusts) couldn't claim section 179 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.

■ ***Line 9. Basis Differences for Assets Disposed –*** 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 12. Provide a schedule showing the computation details.

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

	Federal Basis	Wisconsin Basis	Difference
Equipment	$1,500	$500	$1,000
Machinery	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 9, is $10,000. If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 12, instead.

■ ***Line 10. Addition for Credits Computed –*** Enter the total amount of the credits you computed on your 2008 return from the list provided. These credits are required to be included in the corporation's income in the year computed.

■ ***Line 11. Other Additions*** – 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 which don't apply for Wisconsin.
- 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.

Line 4: Subtractions from Federal Income (Schedule W)

Complete Schedule W and enter the total on Form 4, line 4. **Exception:** If using the separate accounting method, don't complete Schedule V. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 15, column 3, on Form 4, line 4.

Specific instructions for how to complete Schedule W follow:

■ ***Line 1. Dividends Received Deduction (Schedule Y) –*** Enter, from Schedule Y, line 4, dividends received which are included in the amount on Form 4, line 3, and qualify for deduction for Wisconsin purposes. A dividend is deductible for Wisconsin purposes if it meets the following requirements:

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

"Dividends received" means gross dividends minus any taxes paid to a foreign nation on those dividends and claimed as a deduction for Wisconsin purposes.

Instructions for Schedule Y: On line 1, list the names of the payers, the date or dates the stock was acquired, the percentage of the voting stock owned, and the dividends received which meet the above requirements and have been included on Form 4, line 1, or on Schedule V. On line 3, enter taxes paid to a foreign nation on dividends listed on line 1, which were claimed as a deduction in computing federal taxable income or are being included on Schedule W, line 9.

Dividends received from certain subsidiary corporations may be nontaxable. See the instructions for Schedule W, line 8. Don't include such dividends on Schedule Y.

■ ***Lines 2 and 3. Related Entity Interest and Rental Expenses –*** For taxable years beginning on or after January 1, 2008, a corporation must make an addition modification to "add back" interest and rental expenses paid, accrued, or incurred to a related entity. The "addback" is reported on Schedule V, lines 3 and 4. After the corporation makes this addition modification, the corporation completes Part II of Schedule RT to determine if it is eligible for a deduction for any of the amount added back. The corporation then makes a subtraction modification on Schedule W, lines 2 and 3, for the amount for which it is eligible for a deduction. See the Schedule RT instructions for details of the conditions necessary to claim the subtraction modification.

If the corporation is a partner, member, or beneficiary of a pass-through entity, also include the amount of modification included on lines 21c and 21d of Schedule 3K-1 and on lines 14c and 14d of Schedule 2K-1, if applicable.

■ ***Lines 4 and 5. Income from Related Entity Interest and Rental Expenses*** – If the corporation has interest or rental income from a related entity which paid, accrued, or incurred the interest or rental expenses to the corporation, and that related entity could not deduct those expenses because the conditions set forth in Schedule RT, Part II, were not met, the corporation may subtract the corresponding interest or rental income from its taxable income.

In order to claim this subtraction, the corporation must obtain Schedule RT-1 from the related entity and submit Schedule RT-1 with its return. See the Schedule RT-1 instructions for further details.

■ ***Line 6. Subpart F Income –*** Enter income from controlled foreign corporations under Subpart F of the Internal Revenue Code as reported on Form 1120, Schedule C, line 14.

■ ***Line 7. Foreign Dividend Gross-Up –*** Enter foreign dividend gross-up reported on Form 1120, Schedule C, line 15.

■ ***Line 8. Nontaxable Income –*** Enter nontaxable income included in computing federal taxable income. Include a schedule with 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 both of the following are true:

- The operations of the payer are not unitary with those of the payee, and
- 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 5.

■ ***Line 9. Foreign Taxes –*** 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 7.

■ ***Line 10. Cost Depletion –*** 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 6.

■ ***Line 11. Depreciation/Amortization –*** 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 8, for a detailed discussion of depreciation and amortization. Provide a schedule showing the computation details.

■ ***Line 12. Basis Differences –*** Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 9, for an example. Provide a schedule showing the computation details.

■ ***Line 13. Federal Work Opportunity Credit Wages –*** Enter wages not deductible in computing federal income as a result of being used in computing the federal work opportunity tax credit.

■ ***Line 14. Federal Research Credit Expenses –*** 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 15. Other Subtractions –*** Enter any other subtractions from federal income. These could include:

- Adjustments required as a result of changes made to the Internal Revenue Code which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Development zones investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.
- 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.

Lines 6 through 28

■ **Lines 6 through 11. Apportionment Data** – If using the apportionment method, complete Wisconsin Form 4B or Form 4B-1, if appropriate, and enter the amounts requested. If using the separate accounting method, don't complete lines 6 through 10. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 16, column 1, on Form 4, line 11.

■ **Line 12. Wisconsin Net Business Loss Carryforward** – Enter the total Wisconsin net business loss carryforward from Form 4BL, line 30. The instructions for Form 4BL are included with the form.

If line 11 is zero or a loss, do not fill in line 12. If the net business loss carryforward from Form 4BL exceeds the income reported on line 11, do not enter more than the amount on line 11. Regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, and financial asset securitization investment trusts enter zero on line 12.

■ **Line 13. Wisconsin Net Income (Loss)** – Subtract line 12 from line 11. If line 11 shows a loss, enter the loss from line 11 on line 13.

■ **Line 14. Gross Tax** – Enter 7.9% of the Wisconsin net income reported on line 13.

■ **Line 15. Nonrefundable Credits** – Enter any nonrefundable credits the corporation is claiming from Schedule CR, line 33. However, you may not offset these credits against the recycling surcharge.

To determine if the corporation qualifies for any credits, see Publication 123, *Business Tax Credits for 2008* (available on the Department of Revenue's web site at www.revenue.wi.gov/html/taxpubs.html#business). To claim a credit, complete the appropriate credit schedule as instructed by Publication 123, enter the credit amount on the appropriate line of Schedule CR, and submit the credit schedule and Schedule CR with your return.

If you are claiming more than one credit, you must claim the credits in a specific order. See the Schedule CR instructions for details.

■ **Line 16. Net Tax** – Subtract line 15 from line 14. If line 15 is more than line 14, enter zero.

■ **Line 17. Recycling Surcharge** – Enter the greater of \$25 or 3% of the gross tax on line 14, but not more than \$9,800. However, the following corporations should enter zero on line 17:

- Domestic corporations that don't have any business activities in Wisconsin
- Foreign corporations that don't have nexus with Wisconsin.
- Corporations that have less than \$4 million of gross receipts from all activities.
- Nuclear decommissioning trust funds.

■ **Line 18. 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 18 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 19. 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 19 with the amount you wish to donate. Your donation will either reduce your refund or be added to tax due.

■ **Line 21. Estimated Tax Payments** – Enter estimated tax payments made by the corporation, including EFT payments, or overpayments applied from prior years' returns, minus any "quick refund" applied for on Form 4466W. *You cannot claim estimated tax payments that were made by a related corporation.*

If this is an amended return, compute the tax to enter on line 21 using the schedule below. Do not include any Wisconsin tax withheld reported on your original return on line 22 in the computation.

Line 21 for Amended Returns

Estimated tax payments made for 2008.............$______________

Plus:

Tax carried forward from 2007.......................$______________

Additional tax paid on previous returns filed for 2008...$______________

Additional tax assessed by the Department for 2008 (whether or not paid)....................$______________

Subtotal..$______________

Minus:

Tax refunded on 2008 Form 4466W..............$______________

Tax refunded to you on previous returns filed for 2008...$______________

Overpayment from your previously filed 2008 return claimed on your 2009 return, if you already filed your 2009 return...........$______________

Tax previously paid to enter on line 21..............$______________

■ **Line 22. Wisconsin Tax Withheld –** Enter your share of Wisconsin tax withheld from pass-through entities of which you are a member, as reported on Wisconsin Schedules 3K-1 or 2K-1. Include a copy of the Schedule 3K-1 or 2K-1 with the tax return that you file. Also enter the amount of Wisconsin tax withheld from lottery prizes.

If this is an amended return, enter the Wisconsin tax withheld reported on your original return, unless the amount you originally reported was incorrect.

■ **Line 23. Refundable Credits –** Enter any refundable credits the corporation is claiming from Schedule CR, line 37. To determine if the corporation qualifies for any credits, see Publication 123, *Business Tax Credits for 2008* (available on the Department of Revenue's web site at www.revenue.wi.gov/html/taxpubs.html#business). To claim a credit, complete the appropriate credit schedule as instructed by Publication 123, enter the credit amount on the appropriate line of Schedule CR, and submit the credit schedule and Schedule CR with your return.

■ **Line 25. Interest, Penalty, and Late Fee Due** – Enter any interest, penalty, and late fee due from Form 4U, line 17 or 26. Check the designated line if you figured underpayment interest using the annualized income installment method on Form 4U, page 2.

If you are filing an amended return and you were previously assessed interest for underpayment of estimated taxes, complete an amended Form 4U, Part I, based on the total of the amounts shown on lines 16 and 17. Enter the difference between the underpayment interest from the amended Form 4U, line 17, and the amount you previously paid on line 25. Show an overpayment as a negative number. File Form 4U with your amended return. Otherwise, leave line 25 blank. The Department will compute interest on the amount of refund approved or tax owed.

■ **Line 26. Tax Due** – If the total of lines 20 and 25 is larger than line 24, enter the amount owed. Pay by electronic funds transfer or mail your check with a 2008 Form 4-ES, *Corporation Estimated Tax Voucher,* to the address shown on the voucher. Otherwise, paper clip your check to the front of Form 4.

■ **Line 27. Overpayment** – If line 24 is larger than the total of lines 20 and 25, enter the overpayment.

NOTE: If you must recapture development zones investment credit because the property is disposed of or ceases to be qualified property before the end of the recapture period, add the amount from Schedule DC, line 34, to the tax due on line 26 or reduce the overpayment on line 27.

■ **Line 28. 2009 Estimated Tax** – Enter the amount of any overpayment from line 27 that is to be credited to the corporation's 2009 estimated tax. The balance of any overpayment will be refunded. An overpayment shown on a corporation's final return will be refunded to the corporation that made the payments. You cannot claim these payments on the surviving corporation's return in a merger situation.

If this is an amended return and you have already filed your 2009 return, enter the overpayment that you claimed as a credit on your 2009 return from your previously filed original or amended 2008 return. Otherwise, you may allocate the overpayment from line 27 between line 28 and line 29 as you choose.

Lines 30 through 42

■ **Line 30. Gross Receipts –** Enter total company gross receipts, 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 receipts passed through from other entities, and all other receipts that are included in gross income before apportionment for Wisconsin franchise or income tax purposes.

■ **Line 31. Total Assets** – Enter the total company assets from the federal return.

■ **Lines 32a and 32b. Wisconsin and Total Company Property** – Enter the total amount of the company's real and tangible property located in Wisconsin (line 32a) and the company's total amount of real and tangible property everywhere (line 32b). Include the following types of property:

- Land
- Buildings
- Furniture and Fixtures
- Transportation equipment
- Machinery and other equipment
- Inventories

Include only property that is owned by the corporation; you do not need to include property you are renting.

■ **Lines 33a and 33b. Wisconsin and Total Company Payroll** – Enter the total amount of the company's payroll located in Wisconsin (line 33a) and the company's total amount of payroll everywhere (line 33b). Include only amounts attributable to employees of the corporation. In the computation of payroll located in Wisconsin, include individuals that satisfy one or more of the following:

- The individual's service is performed entirely in Wisconsin.
- The individual's service is performed in and outside Wisconsin, but the service performed outside Wisconsin is incidental to the individual's service in Wisconsin.
- A portion of the individual's service is performed in Wisconsin and the base of operations of the individual is in Wisconsin.
- A portion of the individual's service is performed in Wisconsin and, if there is no base of operations, the place from which the individual's service is directed or controlled is in Wisconsin.
- A portion of the individual's service is performed in Wisconsin and neither the base of operations of the individual nor the place from which the service is directed or controlled is in any state in which some part of the service is performed, but the individual's residence is in Wisconsin.

■ **Lines 34a and 34b. Wisconsin and Total Company Sales** – If you are using Form 4B to determine your Wisconsin apportionment percentage, enter the amount from Form 4B, line 10, column a (Wisconsin amount) on line 34a. Enter the amount from Form 4B, line 10, column b (total company amount) on line 34b. If you are using Form 4B-1 instead of Form 4B, skip lines 34a and 34b.

■ **Line 35. Total From Schedule RT** – If the corporation reports more than $100,000 of expenses on its return which are amounts paid, accrued, or incurred to a related person or entity, the corporation must generally file Schedule RT, *Related Entity Expenses Disclosure Statement* with its return. On line 35, enter the total amount of expenses disclosed on Schedule RT. See the Schedule RT instructions for details of the reporting requirements.

■ **Lines 36a Through 42** – Answer the questions given.

Signatures and Supplemental Schedules

■ **Signatures** – An officer of the corporation must sign the form at the bottom of page 2. If the return is prepared by someone other than an employee of the corporation, the individual who prepared the return must sign the form, 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.

■ **Supplemental Schedules** – File the following items as supplemental schedules to your Form 4:

- Your federal return with all supporting schedules.
- If you are filing a federal consolidated return, a breakdown by individual company or a copy of the pro forma federal return for each corporation in the consolidated group.
- A list of your solely owned LLCs.
- Any extension of time to file your return.
- Supporting schedules for Form 4 (supporting schedules that are not Department-prescribed forms may be submitted as .pdf documents with electronic returns).

If you are filing Form 4 on paper, **do not staple, fasten or bind these supplemental schedules to your return. Use paper clips instead.**

Special Instructions for Certain Entities

Personal Holding Companies

Generally, the intangible income of a personal holding company is assigned to its state of incorporation. However, all income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes shall be allocated to Wisconsin if the winning tickets were originally bought in Wisconsin. “Personal holding company” has the meaning prescribed in IRC section 542 in effect on December 31, 1974.

Foreign Sales Corporations (FSCs)

FSCs no longer receive special treatment for Wisconsin. The income and tax of FSCs are computed in the same manner as for other corporations.

Interest Charge Domestic International Sales Corporations (IC-DISCs)

IC-DISCs have no special status for Wisconsin tax purposes. An IC-DISC that is a viable corporation with substance and has nexus in Wisconsin is taxed like any other corporation. However, if an IC-DISC doesn’t carry on any substantial business activities and does nothing to earn the income that it reports, its net income is allocated to the corporation that earned the income.

RICs, REMICs, REITs, and FASITs

Depreciation Differences. For corporations that qualify as regulated investment companies (RICs), real estate mortgage investment conduits (REMICs), or real estate investment trusts (REITs) under the Internal Revenue Code, the following depreciation differences apply:

- Depreciation and amortization on property located outside Wisconsin and placed in service on or after January 1, 1983, and before January 1, 1987, were to be determined under the December 31, 1980, Internal Revenue Code. However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Corporations have the option of either claiming the same depreciation deduction as for federal purposes, or continuing their present method of depreciation.
- IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn’t apply for Wisconsin purposes.
- Depreciation for residential real property and property used in farming (if the corporation’s Wisconsin gross farm receipts or sales exceeded $155,000 for the 1986 taxable year), acquired in the 1986 taxable year, but before January 1, 1987, must be determined under the December 31, 1980, Internal Revenue Code.

Other Federal-Wisconsin Adjustments. The only adjustments that RICs, REMICs, REITs, and FASITs must make to federal taxable income to arrive at Wisconsin net income are:

- Those necessary to account for the depreciation and amortization differences described above,
- Differences in depreciation because Wisconsin follows the federal depreciation and amortization provisions in effect as of December 31, 2000,
- Any difference in the Wisconsin and federal basis of any asset disposed of in a taxable transaction, and
- Any other adjustment needed for changes made to the Internal Revenue Code that don’t apply for Wisconsin.

All other adjustments listed on Schedules V and W don’t apply to RICs, REMICs, REITs, and FASITs.

Wholly-Owned REIT Subsidiaries. If a wholly-owned REIT subsidiary isn’t treated as a separate entity under IRC section 856(i) and all of its assets, liabilities, and items of income and loss are treated as attributes of the REIT, that same treatment applies for Wisconsin purposes.

FASITs. The special rules for financial asset securitization investment trusts (FASITs) generally do not apply after 2004.

S Corporations That Aren’t Wisconsin Tax-Option (S) Corporations

For corporations that are treated as S corporations federally but have elected not to be treated as Wisconsin tax-option (S) corporations, enter the ordinary income or loss from federal Form 1120S, line 21 on line 1 of Form 4.

These corporations determine their Wisconsin net income under the Wisconsin corporate franchise and income tax law (secs. 71.22 and 71.26(2) and (3), Wis. Stats.), the same as any other corporation. Therefore, adjustments are required on Schedules V and W for separately stated items of income and expense and any other differences between the federal computation of S corporation income and deduction items and the Wisconsin computation of a regular (C) corporation’s net income.

Wisconsin Income of Multistate Corporations (Forms 4B, 4B-1, and 4C)

Who Must Use Apportionment

Under the apportionment method, a corporation shows all income and deductions for the corporation as a whole and then assigns a part to Wisconsin according to a formula that determines Wisconsin net income.

A corporation engaged in business in and outside Wisconsin is required to report a portion of its total company net income to Wisconsin using the apportionment method if its Wisconsin operations are a part of a unitary business, unless the Department gives permission to use separate accounting. To use the apportionment method, a corporation must have business activity sufficient to create nexus in Wisconsin and at least one other state or foreign country.

A unitary business is one that operates as a unit and can't be segregated into independently operating divisions or branches. The operations are integrated, and each division or branch is dependent upon or contributory to the operation of the business as a whole. It isn't necessary that each division or branch operating in Wisconsin contribute to the activities of all divisions or branches outside Wisconsin.

To use the apportionment method, a corporation must have business activity sufficient to create nexus in Wisconsin and at least one other state or foreign country. "Nexus" means that a corporation's business activity is of such a degree that the state or foreign country has jurisdiction to impose an income tax or franchise tax measured by net income.

Under Public Law 86-272, a state can't impose an income tax or franchise tax based on net income on a corporation selling tangible personal property if the corporation's only activity in the state is the solicitation of orders, which orders are approved outside the state and are filled by delivery from a point outside the state.

What Is the Apportionment Percentage

For unitary, multistate businesses (except direct air carriers, motor carriers, railroads, sleeping car companies, pipeline companies, financial institutions, brokers-dealers, investment advisers, investment companies, underwriters, and telecommunications companies whose incomes are apportioned by special rules of the Department), the apportionment percentage is determined by the ratio of Wisconsin sales to total company sales.

For most companies, the apportionment percentage is computed on Form 4B. However, direct air carriers, motor carriers, railroads, sleeping car companies, pipeline companies, financial institutions, brokers-dealers, investment advisers, investment companies, underwriters, and telecommunications companies should see Form 4B-1 and its instructions.

What Is Nonapportionable Income

Nonapportionable income is that income which is allocable directly to a particular state. It includes income or loss derived from the sale of nonbusiness real or tangible personal property or from rentals and royalties from nonbusiness real or tangible personal property. This income is assigned to the state where the property is located.

All income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in Wisconsin shall be allocated to Wisconsin.

Except for income from lottery prizes described above, the intangible income of a personal holding company is nonapportionable and is assigned to the state of incorporation.

Total nonapportionable income (loss) is removed from total company net income before the apportionment percentage is applied. The Wisconsin nonapportionable income (loss) is then combined with the Wisconsin apportionable income to arrive at Wisconsin net income.

Corporate Partners or LLC Members

A corporation that is a general or limited partner includes its share of the numerator and denominator of the partnership's apportionment factors in the numerator and denominator of its apportionment factors. A corporation that is a member of a limited liability company (LLC) treated as a partnership for federal tax purposes includes its share of the numerator and denominator of the LLC's apportionment factors in the numerator and denominator of its apportionment factors. The corporation should request a detailed breakdown of the partnership's or LLC's items and amounts to be included in the computation of its apportionment factors.

Note: Income from a partnership or LLC may 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. In this case, the corporation would not include its share of the partnership's or LLC's apportionment factors in the numerator and denominator of its apportionment factors.

Line-by-Line Instructions for Form 4B

Part I – Nonapportionable Income.

■ **Line 1.** Enter rents and royalties received on nonbusiness real and tangible property in the appropriate column or columns. These are nonapportionable and follow the situs of the property.

■ **Line 2.** Enter any expenses that are directly or indirectly related to rents and royalties reported on line 1. Since such income is nonapportionable, the related expenses are nonapportionable.

■ **Line 4.** Enter all profits and losses from disposals of nonbusiness real and tangible property in the appropriate column or columns. Such profits and losses are nonapportionable and follow the situs of the property. Also enter on line 4 all income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in Wisconsin. This income is nonapportionable and must be allocated to Wisconsin.

■ **Line 5.** Enter the total net nonapportionable income or loss for both Wisconsin and the total company.

Part II – Apportionment Percentage.

For purposes of the sales factor, sales include, but aren't limited to, the following items related to the production of apportionable income:

- Gross receipts from the sale of inventory.
- Gross receipts from the operation of farms, mines, and quarries.
- Gross receipts from the sale of scrap or by-products.
- Gross commissions.
- Gross receipts from personal and other services.
- Gross rents from real property or tangible personal property.
- Interest on trade accounts and trade notes receivable.
- A member's share of a limited liability company's gross receipts or a partner's share of a partnership's gross receipts.
- Gross management fees.
- Gross royalties from income producing activities.
- Gross franchise fees from income producing activities.

"Gross receipts" means gross sales less returns and allowances, plus service charges, freight, carrying charges, or time-price differential charges incidental to the sales. Federal and state excise taxes, including sales and use taxes, are included as part of the receipts if the taxes are passed on to the buyer or included as part of the selling price.

The following items are among those not included for sales factor purposes:

- Gross receipts and gain or loss from the sale of tangible business assets, except receipts from the sale of inventory, scrap, or by-products or from the operation of a farm, mine, or quarry.
- Gross receipts and gain or loss from the sale of nonbusiness real or tangible personal property.
- Gross rents and rental income or loss from real property or tangible personal property if that real property or tangible personal property isn't used in the production of business income.
- Royalties from nonbusiness real property or nonbusiness tangible personal property.
- Proceeds and gain or loss from the redemption of securities.
- Interest, except interest on trade accounts and trade notes receivable, and dividends.
- Gross receipts and gain or loss from the sale of intangible assets, except inventory.
- Dividends deductible in determining net income.
- Gross receipts and gain or loss from the sale of securities.
- Proceeds and gain or loss from the sale of receivables.
- Refunds, rebates, and recoveries of amounts previously expended or deducted.
- Foreign exchange gain or loss.
- Royalties and income from passive investments in patents, copyrights, trademarks, trade names, plans, specifications, blueprints, processes, techniques, formulas, designs, layouts, patterns, drawings, manuals, and technical know-how.
- Pari-mutuel wager winnings and purses.
- Other items not includable in apportionable income.

■ **Lines 1a and 1b.** Enter the amounts of Wisconsin destination sales. Gross receipts from the sales of tangible personal property, except sales to the federal government, are Wisconsin sales if the property is delivered or shipped to a purchaser in Wisconsin. Sales of tangible personal property picked up by the purchaser, or the purchaser's agent, at the seller's Wisconsin business location and immediately transported to the purchaser's out-of-state business location aren't Wisconsin sales.

However, if the seller doesn't have nexus with the state in which the purchaser's business is located, the sales are "thrown back" to Wisconsin as discussed later. Wisconsin sales include sales of tangible personal property that are picked up by the purchaser, or the purchaser's agent, at the seller's out-of-state business location and immediately transported to the purchaser's Wisconsin business location.

■ **Line 2a.** Enter the amount of sales of tangible personal property delivered to the federal government, including its agencies and instrumentalities, in Wisconsin if the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin. Sales to federal government locations in Wisconsin, which are shipped from an office, store, warehouse, factory, or other place of storage outside Wisconsin, aren't Wisconsin sales.

■ **Line 2b.** Enter the amount of sales of tangible personal property delivered to the federal government, including its agencies and instrumentalities, outside Wisconsin if the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin and the seller doesn't have nexus in the destination state. These sales are included in the numerator of the sales factor at 50%.

■ **Line 2c.** Enter the amount of sales, other than sales to the federal government, that are "thrown back" to Wisconsin. These are sales of tangible personal property shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin to a state in which the seller doesn't have nexus. "Throwback" sales are included in the numerator of the sales factor at 50%.

■ **Line 3.** Enter the amount of "double throwback" sales. These are sales, other than sales to the federal government, of tangible personal property by an office in Wisconsin to a purchaser in another state, but not shipped or delivered from Wisconsin, if the taxpayer doesn't have nexus in (1) the state from which the property is delivered or shipped, or (2) the destination state. "Double throwback" sales are included in the numerator of the sales factor at 50%.

NOTE: For purposes of throwback sales and double throwback sales, "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any United States territory or possession. A foreign country isn't a state.

■ **Line 5a.** Enter the amount of gross receipts from the use of computer software that the purchaser or licensee uses at a location in Wisconsin. Computer software is used in Wisconsin if the purchaser or licensee uses the software in the regular course of business operations in Wisconsin, for personal use in Wisconsin, or if the purchaser or licensee is an individual whose domicile is in Wisconsin.

If the purchaser or licensee uses the computer software in more than one state, the gross receipts are divided among those states having jurisdiction to impose an income tax on the taxpayer in proportion to the use of the computer software in those states. To determine computer software use in Wisconsin, the Department may consider the number of users in each state where the software is used, the number of site licenses or workstations in Wisconsin, and any other factors that reflect the use of computer software in Wisconsin.

■ **Line 5b.** Enter the amount of gross receipts from the use of computer software if the taxpayer is not subject to income tax in the state in which the gross receipts are considered received, but the taxpayer's commercial domicile is in Wisconsin.

"Commercial domicile" means the location from which a trade or business is principally managed and directed, based on any factors the Department determines are appropriate, including the location where the greatest number of employees of the trade or business work, have their office or base of operations, or from which the employees are directed or controlled. These gross receipts are included in the numerator of the sales factor at 50%.

■ **Line 7a.** Enter the amount of gross receipts from services if the purchaser of the service received the benefit of the service in Wisconsin. The benefit of the service is received in Wisconsin if any of the following applies:

- The service relates to real property that is located in Wisconsin.
- The service relates to tangible personal property that is located in Wisconsin at the time that the service is received or tangible personal property that is delivered directly or indirectly to customers in Wisconsin.
- The service is provided to an individual who is physically present in Wisconsin at the time that the service is received.
- The service is provided to a person engaged in a trade or business in Wisconsin and relates to that person's business in Wisconsin.

If the purchaser of a service receives the benefit of the service in more than one state, the gross receipts from the service are included in the numerator of the sales factor according to the portion of the service received in Wisconsin.

■ **Line 7b.** Enter the amount of gross receipts from services, if the taxpayer is not subject to income tax in the state in which the benefit of the service is received, to the extent that the taxpayer's employees or representatives performed services from a location in Wisconsin. These gross receipts are included in the numerator of the sales factor at 50%.

■ **Line 9.** For both Wisconsin and the total company, enter the amount of other gross receipts of apportionable income that are includable in the sales factor. These gross receipts are attributable to Wisconsin if the income producing activity that gives rise to the receipts is performed in Wisconsin. If the income producing activity is performed partly in and partly outside Wisconsin, assign receipts to Wisconsin based on the ratio of direct costs of performance in Wisconsin to the direct costs of performance in all states having jurisdiction to tax the business. For additional information, see section Tax 2.39, Wisconsin Administrative Code.

■ **Line 11.** Divide line 10, column a, by line 10, column b, and multiply that amount by 100. Carry the result to 4 places to the right of the decimal point. Enter the percentage here and on Form 4, page 1, line 8.

Separate Accounting

A corporation engaged in a nonunitary business in and outside Wisconsin must determine the amount of income attributable to Wisconsin by separate accounting. The corporation uses Form 4C, *Separate Accounting Data*, to report the amount attributable to Wisconsin by separate accounting. A nonunitary business is one in which the operations in Wisconsin aren't dependent upon or contributory to the operations outside Wisconsin. Under separate accounting, the corporation must keep separate records of the sales, cost of sales, and expenses for the Wisconsin business.

A unitary business may use separate accounting only with the approval of the Department. An application for such approval must set forth, in detail, the reasons why separate accounting will more clearly reflect the corporation's Wisconsin net income. It should be mailed to the Wisconsin Department of Revenue, Mail Stop 5-144, P.O. Box 8906, Madison, WI 53708-8906 before the end of the taxable year for which the use of separate accounting is desired.