

# Instructions for 2008 Schedule RT-1

## Purpose of Schedule RT-1

If a person or entity cannot deduct an interest or rental expense which is paid, accrued, or incurred to a related entity because the expense does not meet any of the conditions in Schedule RT, Part II, the entity to which the expense is paid, accrued, or incurred (the “payee”) may claim a subtraction from income which corresponds to the disallowed expense. The payee and payor of the expense complete Schedule RT-1 in order to substantiate the subtraction from income.

Both the payor and payee of the expense must complete the appropriate section of the same Schedule RT-1. The payee must file the completed Schedule RT-1 with its Wisconsin income or franchise tax return on which it is claiming the subtraction from income.

## Specific Instructions for Schedule RT-1

Part I must be completed by the payor, and Part II must be completed by the payee.

**Part I.** Part I must be completed by the payor. Complete all information requested in items A. through D. After completing Part I, submit the Schedule RT-1 to the payee. You do not need to submit Schedule RT-1 to the Department of Revenue because the payee will do so after completing Part II.

**Part II.** After the payee receives the Schedule RT-1 from the payor with Part I completed, the payee completes Part II. In Part II, item A., the payee enters the line(s) of its pro forma federal income tax return where it reported the income eligible for the subtraction. This confirms that the amount to be subtracted was originally included in the income that was the starting point for the Wisconsin income or franchise tax return.

## Special Instructions for Pass-Through Entities

If the payee of the expense is a pass-through entity, the pass-through entity must file Schedule RT-1 with its Wisconsin return at the entity level, and must report the Schedule RT-1 information with Schedule 3K-1, 5K-1, or 2K-1, as appropriate, using the line on Schedule 3K-1, 5K-1, and 2K-1 designated for “Other items and amounts” (or, for Schedule 2K-1, “Other information”).

On the supporting schedule you provide to the shareholder, partner, member, or beneficiary, indicate the name and federal employer identification number (or social security number if an individual) of the payor of the expense, and the partner’s, member’s, shareholder’s or beneficiary’s allocable share of the subtraction amount.

## Additional Information

**Frequently Asked Questions.** The Department of Revenue’s web site has a link to frequently asked questions (FAQs) on a number of topics, including Schedules RT and RT-1 and the related entity expense addback requirements. Go to [www.revenue.wi.gov](http://www.revenue.wi.gov) and click the link for “FAQs.” Or, you may access the FAQ page directly at [www.revenue.wi.gov/faqs/index.html](http://www.revenue.wi.gov/faqs/index.html).

**Additional Assistance.** If you are unable to find the answers to your questions in these instructions or in the frequently asked questions, you may contact the Department of Revenue at:

- E-mail: [corp@revenue.wi.gov](mailto:corp@revenue.wi.gov)
- Phone: (608) 266-7177
- FAX (608) 261-6240