

Instructions for 2009 Form 4U: Underpayment of Estimated Tax by Corporations

Purpose of Form 4U

Corporations, combined groups, and tax exempt organizations required to file Form 4T use Form 4U to determine if they are subject to interest for underpayment of estimated tax and, if so, the amount of interest. A corporation, combined group, or exempt organization may be subject to underpayment interest if the total of its tax and recycling surcharge for its taxable year beginning in 2009 is \$500 or more.

Form 4U is also used to compute both extension and delinquent interest whenever the tax due is not paid within 2½ months after the end of the taxable year.

If this is a combined return, prepare only one Form 4U for the entire combined group. Section Tax 2.66(3), Wisconsin Administrative Code, provides that the combined group is generally treated as a single corporation for purposes of determining required estimated payments and underpayment interest.

Required Estimated Payments

Required installments differ for large and small corporations. A “small” corporation is a corporation (or combined group) having 2009 Wisconsin net income of less than \$250,000. A “large” corporation is a corporation (or combined group) having 2009 Wisconsin net income of \$250,000 or more. On Form 5S, net income is the amount on line 3.

NOTE: Since a combined group is treated as a single corporation, a “large” corporation includes a combined group for which the combined group’s total Wisconsin net income on Form 4, line 13 is \$250,000 or more.

Required installments for **small** corporations are based on the smaller of:

1. 90% of 2009 Wisconsin net tax,
2. 90% of the 2009 Wisconsin net tax figured by annualizing income, as computed in Part III of Form 4U, or
3. 100% of 2008 Wisconsin net tax, provided the 2008 return covered an entire 12-month period.

For combined groups for the taxable year 2009, the computation based on 100% of 2008 net tax doesn’t apply unless all members of the combined group filed

a 2008 Wisconsin return that covered an entire 12-month period. See s. Tax 2.66(3)(f), Wisconsin Administrative Code, for details.

Required installments for **large** corporations are based on the smaller of:

1. 90% of 2009 Wisconsin net tax, or
2. 90% of the 2009 Wisconsin net tax figured by annualizing income, as computed in Part III of Form 4U.

Special Transitional Rules for 2009

Certain law changes enacted by 2009 Wisconsin Acts 2 and 28 were made effective retroactively to taxable years beginning on or after January 1, 2009 and contained special transitional rules relating to underpayment interest.

Under these transitional rules, underpayment interest does not apply to tax liability resulting from certain law changes for estimated payments that were due before, on, or within 45 days after, the effective date of the bill that enacted the law change. Specifically, the transitional rules provide that:

- For combined groups, underpayment interest doesn’t apply to estimated payments due before April 21, 2009, for the period beginning on the due date of the payment and ending on the first due date after April 20, 2009. (sec. 71.255(10), Wis. Stats.).
- To the extent a taxpayer’s required payments are attributable to an increase in the taxpayer’s “throwback sales” compared to what those throwback sales would have been under 2007 Statutes, underpayment interest doesn’t apply to payments due before August 14, 2009, for the period beginning on the due date of the payment and ending on the first due date after August 13, 2009, (sec. 71.80(24), Wis. Stats.).

See the instructions for line 6 and Part III for how to apply these transitional rules.

Line-by-Line Instructions

Following are instructions which explain the parts of Form 4U in the order they appear on the form:

Part I: Computation of Underpayment and Interest Due

■ **Line 1a. 2009 Tax** – Enter the amounts from 2009 Form 4, line 16 plus line 17; Form 4T, line 21 plus line 22; Form 5, line 10 plus line 11; or Form 5S, line 8 plus line 10.

■ **Line 1b. 2009 Refundable Credits and Withholding** – Enter your refundable credits and withholding from 2009 Form 4, line 22 plus line 23; Form 4T, line 27 plus line 28; Form 5, line 16 plus line 17; or Form 5S, line 15.

NOTE: You do not have to complete lines 3a and 3b unless the taxpayer qualifies to base its estimated payments on 100% of 2008 net tax. See *Required Estimated Payments* on the previous page for details.

■ **Line 3a. 2008 Tax** – If this is not a combined return, enter the amounts from 2008 Form 4, line 16 plus line 17; Form 4I, line 18 plus line 19; Form 4T, line 21 plus line 22; Form 5, line 10 plus line 11; or Form 5S, line 8 plus line 10.

If this is a combined return and the group qualifies to base its estimated payments on 100% of 2008 net tax, enter on line 3a the sum of all members' amounts on 2008 Form 4, line 16 plus line 17; Form 4I, line 18 plus line 19; Form 4T, line 21 plus line 22; or Form 5, line 10 plus line 11; as applicable.

■ **Line 3b. 2008 Refundable Credits and Withholding** – If this is not a combined return, enter your refundable credits and withholding from 2008 Form 4, line 22 plus line 23; Form 4I, line 24 plus line 25; Form 4T, line 27 plus line 28; Form 5, line 16 plus line 17; or Form 5S, line 15.

If this is a combined return and the group qualifies to base its estimated payments on 100% of 2008 net tax, enter on line 3b the sum of all members' amounts on 2008 Form 4, line 22 plus line 23; Form 4I, line 24 plus line 25; Form 4T, line 27 plus line 28; Form 5, line 16 plus line 17; or Form 5S, line 15; as applicable.

■ **Line 4. Total Required Estimated Payments** – If you didn't complete line 3 because you don't qualify to base required estimated payments on 100% of 2008 net tax, enter the amount from line 2.

■ **Line 5. Installment Due Dates** – If this is a combined return, the "taxable year" means the taxable year shown on the front of the combined Form 4,

even if some combined group members are on a different taxable year. If this is a short period return, special rules apply. See s. Tax 2.89, Wisconsin Administrative Code, for details.

■ **Line 6. Required Installment Amounts** – If you aren't using the annualized income installment method, this is where you may apply the transitional rules described previously. If both transitional rules apply, apply them in the order presented below:

Transitional Rule for Combined Reporting. If this is a combined return and any of the installment due dates you entered on line 5 were before April 21, 2009, move the required payments that you would otherwise enter in those columns to the column representing the first installment due date after April 20, 2009.

For example, assume this is a calendar year 2009 combined return and your total required estimated tax payments on line 4 were \$20,000. Assume you aren't using the annualized income installment method and no other special rules apply. The amounts you enter on lines 5 and 6 would be as follows:

	(a)	(b)	(c)	(d)
Line 5	3/15/2009	6/15/2009	9/15/2009	12/15/2009
Line 6	\$0	\$10,000	\$5,000	\$5,000

Transitional Rule for Throwback Sales. A transitional rule may also apply if the taxpayer reported "throwback" sales in the numerator of its apportionment fraction and it had a 2009 installment due before August 14, 2009. The taxpayer would have reported throwback sales on any of the following lines:

- Form 4A-1, Part I, line 2b, 2c, or 3
- Form 4A-1, Part II, line 30
- Form 4A-1, Part III, line 8
- Form 4A-2, Part I-E, line 22b, 22c, or 23

Under 2009 Act 28, throwback sales are includable in the numerator at their full amount, rather than at 50%. However, due to combined reporting and other provisions of Acts 2 and 28, a taxpayer may nonetheless have fewer throwback sales than it would have had under prior law. If the taxpayer has more throwback sales than under prior law, this transitional rule may apply.

To apply the transitional rule, you'll need to recompute the taxpayer's tax liability, but using the 2007 Wisconsin Statutes to compute the amount of throwback sales.

If this is a combined group, you'll need to recompute throwback sales for each member of the group using

the 2007 Statutes, even if that member would not have had nexus under the 2007 Statutes. Consider each company separately when you recompute throwback sales. For example, if a member of the group makes a sale to Illinois where it doesn't have nexus but another member does have nexus, include that sale as a throwback sale.

If the transitional rule applies, you may move a portion of the required payments you would otherwise enter on line 6 to the column representing the first installment due date after August 13, 2009. Use the worksheet at the end of these instructions to compute this amount. You must also do the following:

- Attach a copy of the worksheet along with your computation of the difference between the amounts on lines a and b of the worksheet.
- Keep a copy of the worksheet and computation for your records.

■ Line 7. Payments Made on or Before Due Date –

In each column, enter the total payments made on or before the installment due date shown but after the previous installment due date. Include any carryovers of overpayments from prior years, but do not include the same overpayment in more than one column.

If you had any tax withheld on your behalf from pass-through entities or from a Form W-2G during the taxable year, also include 25% of that withholding in each column.

If this is a combined return and group members other than the designated agent are applying payments to this return, enter the total of all combined group members' amounts that apply to that column. Then, you must identify those payments and carryovers separately for each combined group member (except the designated agent) when you file Form 4M, *Wisconsin Combined Group Member-Level Data*. See the Form 4M instructions for details.

CAUTION: If multiple corporations made estimated payments applicable to the same combined return, you must separately identify those payments on Form 4M.

■ Line 10. Carryback of Overpayment or Late Payment – Complete line 10 only if you have an overpayment on line 9 for one or more installment periods. The overpayment may be carried back to prior installment periods and offset against an underpayment for such periods. If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 10 each carryback used to offset the underpayment.

If this is a combined return and the amounts on line 9 include payments from more than one corporation, complete line 10 as if the combined group is a single corporation.

■ Line 11. Carryforward of Overpayment – Any overpayment remaining after completing line 10 should be carried forward to the next period.

■ Line 13. Number of Days Until Carryback Paid – Complete this line only if there is a carryback amount reported on line 10. If the amount you carried back includes more than one payment (for example, payments from multiple combined group members if this is a combined return), skip line 13 and see the instructions to line 15.

■ Line 15. Interest on Late Payments Carried Back – If you have an amount on line 13, compute interest at 12% per year for the number of days on line 13. Use a 365-day year.

If you don't have an amount on line 13 because you carried back more than one payment, use a separate schedule to compute the interest on each payment carried back. Use the worksheet at the end of these instructions to prepare that schedule, or prepare your own schedule using the worksheet as a model. Enter the total on line 15, and submit the schedule with your return.

■ Line 17. Interest through Unextended Due Date – If you do not have a balance due after 2½ months after the close of your taxable year, enter the amount from line 17 on your franchise or income tax return. Otherwise, enter the amount from line 17 on Part II, line 22, and complete the rest of Part II.

Part II: Computation of Total Amount Due

Complete Part II only if your return is not filed by the unextended due date and shows a balance due.

■ Line 20. Total Amounts Applied – Enter the total estimated tax payments made, plus any withholding and refundable credits for the taxable year.

■ Line 24. Late Return Interest – Complete column b first since you will need the column b amount to compute column a.

On line 24, column b, enter the amount of interest computed at 12% per year, for the *number of days in the extension period*, on the amount on line 23, column b.

On line 24, column a, enter the amount of interest computed at 18% per year, for the *number of days between the extended due date and the date the return is filed*, on **both** of the following amounts:

- The tax on Line 23, column b, and
- The interest on Line 24, column b.

Add the amounts in columns a and b and enter the total in column c.

■ **Line 25a. Late Filing Penalty and Fee** – The “net tax due” is the total tax and recycling surcharge less any allowable credits, withholding, and estimated payments that were made by the extended due date of the return.

NOTE: For combined returns, the late filing fee is \$30 for the combined group as a whole, regardless of the number of members.

Part III: Annualized Income Installment Method

Complete this worksheet if you compute one or more installments under the annualized income installment method.

If this is a combined return and you are using the annualized income installment method, use one worksheet for the entire combined group.

■ **Lines 27 through 29. Annualized Wisconsin Net Income** – On line 27, do not include items which remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting. Instead, enter those items on line 30, columns a through d, in total.

Exceptions for Transitional Rules. Two special transitional rules apply to 2009 returns:

1. If this is a combined return, you do not need to complete the column corresponding to an annualization period that ended before April 21, 2009.
2. If the taxpayer or combined group reported throwback sales in its apportionment factor numerator, then for the columns corresponding to annualization periods ending before August 14, 2009, compute the amount on line 27 as if throwback sales were determined under the 2007 Statutes. See the instructions to line 6 for details.

Exception for Tax Exempt Organizations. For tax-exempt organizations that file Form 4T or are in-

cluded in a combined return to report unrelated business taxable income, you must modify the annualization period and annualization factor. Instead of using the amounts shown on the form, use the following amounts:

	(a)	(b)	(c)	(d)
Annualization Period	First 1 month	First 4 months	First 7 months	First 10 months
Annualization Factor	12	3	1.714	1.2

If a combined group includes a tax exempt organization, use the above amounts only for the tax exempt organization’s Wisconsin net income.

■ **Line 30. Adjustments** – This is where you enter the items you could not include in line 27 because they remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting.

■ **Line 35. Recycling Surcharge** – If this is a combined return, compute the recycling surcharge separately for each company in the group based on its annualized gross tax on line 32.

CAUTION: In the computation of required installments, combined groups must compute the recycling surcharge separately for each company in the group.

(See next page for worksheets for lines 6 and 15)

Worksheet for Line 6:

Transitional Rule for Throwback Sales

- a Enter amount from line 4..... a _____
- b Enter amount from line 4 as recomputed by determining throwback sales under the 2007 Wisconsin Statutes. For combined groups, compute this amount separately for each company (even if it wouldn't have had nexus under the 2007 Statutes) and enter the total..... b _____
- c Subtract line b from line a..... c _____
- d Divide the amount on line c by 4..... d _____
- e Enter the number of 2009 installment due dates before August 14, 2009, but do not include installment due dates that were waived under the transitional rule for combined reporting..... e _____
- f Multiply the amount on line d by the amount on line e. Subtract this amount from the amount you would otherwise report on line 6 for installments due before August 14, 2009 (prorate as necessary), and add it to the amount you report on line 6 for the first installment due date after August 13, 2009..... f _____

Worksheet for Line 15:

Interest on Carryback of Multiple Payments to the Same Installment Due Date

	(a) Payment amount carried back	(b) Date the amount in column (a) was paid	(c) By how many days is the date in column (b) after the installment due date?	(d) Interest at 12% on amount in column (a) for number of days in column (c)
Totals				

(Column (a) total should equal amount on line 10 for the installment to which this worksheet applies)

(Enter Column d total on line 15 for the installment to which this worksheet applies)

Additional Information and Assistance

Web Resources. The Department of Revenue has a web page dedicated to combined reporting issues, including:

- Frequently asked questions
- Training materials
- Links to Administrative Code sections that relate to combined reporting
- Articles about transitional issues

Access the combined reporting web page at: <http://www.revenue.wi.gov/comb rept/index.html>

For questions that do not relate to combined reporting, the web page also has a library of frequently asked questions on general business tax topics, available at: <http://www.revenue.wi.gov/faqs/index.html>

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

- E-mail your question to corp@revenue.wi.gov
- Call (608) 266-2772
(Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, P.O. Box 8906, Madison, WI 53708-8906