

INSTRUCTIONS FOR 2009 WISCONSIN SCHEDULE U

Purpose of Schedule U

Use Schedule U to see if you owe interest for underpaying your estimated tax and, if you do, to figure the amount of interest you owe. It may be used by individuals, estates, and trusts (except trusts subject to the Wisconsin tax on unrelated business income must use Form 4U).

Note Unless indicated otherwise, “tax” includes alternative minimum tax and the recycling surcharge.

Who Must Pay Underpayment Interest

If you did not pay enough estimated tax by any due date, or if you did not have enough Wisconsin income tax withheld, you may be charged interest on the underpayment. This is true even if you have a refund when you file your tax return. Underpayment interest is figured separately for each due date. Therefore, you may owe underpayment interest for an earlier payment due date, even if you pay enough tax later to make up the underpayment.

In general, you may owe underpayment interest for 2009 if you did not pay at least the smaller of 90% of your current year (2009) tax liability, or 100% of your prior year (2008) tax liability if you filed a 2008 return that covered a full 12 months. (**Note** The alternative to pay 100% of prior year tax liability does **not** apply to an estate or trust with taxable income of \$20,000 or more.)

Exception Codes

Certain persons have to enter an exception code in the box on the underpayment interest line of their return. See (1) “Exceptions” below, (2) “Waiver of Underpayment Interest” in the next column, (3) the instructions for line 4 on page 2, (4) the instructions for line 18 on page 2, and (5) Part IV on page 3 of these instructions for information on when an exception code is required. If more than one exception code applies to you, enter the lowest applicable code number in the box.

Exceptions

You will not have to pay underpayment interest if any one of the following applies:

- (1) Your tax liability for 2008 was zero, you were a Wisconsin resident for that **entire** year, and your 2008 tax return was (or would have been had you been required to file) for a full 12 months. If you (and your spouse if filing a joint return) qualify for this exception, enter exception code “2” in the box on the underpayment interest line of your return.
- (2) The total tax shown on your 2009 return minus the amount of tax you paid through withholding is less than \$200. To determine whether you qualify for this exception, complete lines 1 through 8.
- (3) The taxpayer is an estate or grantor trust funded on account of a decedent’s death and the tax return is for a tax year ending before the date two years after the date of death. Enter exception code “3” in the box on the underpayment interest line of Form 2.
- (4) Your gross income from farming or fishing during 2008 or 2009 is at least two-thirds of your total gross income and you file your 2009 Wisconsin return and pay the balance

due on or before March 1, 2010. Enter exception code “4” in the box on the underpayment interest line of your return. (**Note** Total gross income is the joint total gross income of a married couple filing a joint return.)

- (5) You qualify for an extension of time to file your 2009 federal return or make any of your federal estimated tax payments because of a federally-declared disaster or terroristic or military action. Enter exception code “10” in the box on the underpayment interest line of your return.

Additional Exceptions For 2009

Your liability for underpayment interest may be reduced or eliminated if either of the following applies:

- (1) You incurred a long-term capital gain prior to July 1, 2009, from the sale or other disposition of assets other than farm assets. See the note in the instructions for line 4 on page 2 and Worksheet 1 on page 4.
- (2) Your 2009 taxable income (line 18 of Form 1, line 17 of Form 1A, line 39 of Form 1NPR, or line 5 of Form 2) is more than \$225,000 (\$300,000 if married filing jointly or \$150,000 if married filing separately). See the note in the instructions for line 4 on page 2 and Worksheet 2 on page 4.

These exceptions recognize that on July 1, 2009, new legislation decreased the capital gain exclusion for nonfarm assets from 60% to 30% and increased the top income tax rate from 6.75% to 7.75% for taxable year 2009.

Waiver of Underpayment Interest

If you have an underpayment on line 22 for any payment due date, you may apply for a partial or total waiver of the interest for that underpayment if:

- You underpaid because of a casualty, disaster, or other unusual circumstance and Exception (5) above does not apply to you (use exception code “5”).
- In 2008 or 2009 you retired after age 62 or became disabled and your underpayment was due to reasonable cause. Retirement alone is not reasonable cause (use exception code “6”).
- You were on active duty with the United States armed forces and were stationed outside the continental United States (use exception code “7”).

To apply for a partial or total waiver, enter the appropriate exception code indicated above in the box on the underpayment interest line of your return.

If applying for a **partial waiver**, also complete lines 1 through 10 and 18 through 31 of Schedule U. Enclose Schedule U and an explanation of how you qualify for the waiver and how much of the underpayment interest should be waived with your return.

If applying for a **total waiver**, do not complete Schedule U. Instead, enclose an explanation with your return titled “Application for Waiver of Interest on Underpayment of Estimated Tax.”

Part I – Required Annual Payment

Complete lines 1 through 10 to figure your required annual payment.

Note If you file an amended 2009 return, use the amounts shown on your amended return to figure your underpayment.

Line 4

Fill in on line 4 the total of the refundable credits from your 2009 return (lines 45 through 51 of Form 1, lines 32 through 34 of Form 1A, lines 70 through 76 of Form 1NPR, or lines 23 through 25 of Form 2).

Note If one or both of the additional exceptions for 2009 listed on page 1 apply to you, you may be able to claim an additional credit on line 4. If you qualify for the first exception, complete Worksheet 1 on page 4. If you qualify for the second exception, complete Worksheet 2 on page 4. If a credit from Worksheet 1 is included in the amount entered on line 4, enter exception code “11” in the box on the underpayment interest line of your return.

Line 9

Prior Year Tax Figure your 2008 tax. Use the net tax from your 2008 return (line 35 of Form 1, line 24 of Form 1A, line 61 of Form 1NPR, or line 16 of Form 2), plus any recycling surcharge (from line 36 of Form 1, line 62 of Form 1NPR, or line 18 of Form 2), and less any refundable credits (from lines 45 through 51 of Form 1, lines 31 through 33 of Form 1A, lines 70 through 76 of Form 1NPR, or lines 23 through 25 of Form 2).

If your 2008 return was adjusted either by the department or by the filing of an amended return, use the adjusted amounts when determining your prior year tax.

CAUTION Do not complete line 9 if any one of the following applies. Instead, fill in the amount from line 6 on line 10.

- You did not file a return for 2008, or
- Your 2008 tax year was for less than 12 months, or
- The taxpayer is an estate or trust and has 2009 taxable income of \$20,000 or more.

Filing Status Change If you are filing a joint return for 2009, but you did not file a joint return for 2008, add the tax shown on your 2008 return to the tax shown on your spouse’s 2008 return and fill in the total on line 9. If you filed a joint return for 2008 but you are not filing a joint return for 2009, your 2008 tax is your share of the tax on the joint return. To figure your share, first figure the tax both you and your spouse would have paid had you filed separate returns for 2008. Then multiply your joint tax liability by the following fraction:

$$\frac{\text{Your separate tax liability}}{\text{Both spouses' separate tax liabilities}}$$

Line 10

If the amount on line 7 is equal to or more than the amount on line 10, do not complete the rest of Schedule U. You do not owe underpayment interest.

Part II – Short Method

You may use the short method if:

- You made no Wisconsin estimated tax payments (or your only payments were withheld Wisconsin income tax), or
- You made estimated tax payments in four equal amounts by the due dates.

Note If any payment was made early, using the short method may cause you to pay more interest than the regular method. If the payment was only a few days early, the difference will generally be small.

Do not use the short method if:

- You made any of your estimated tax payments late, or
- You want to use the annualized income installment method (see Part IV), or
- You treat withholding as paid when it was actually withheld, instead of in four equal amounts, or
- You claim a waiver for any period (see “Waiver of Underpayment Interest” on page 1).

If you can use the short method, complete lines 11 through 17 and do not complete the rest of Schedule U. Otherwise, go on to Part III.

Part III – Regular Method

Complete lines 18 through 31 to compute underpayment interest using the regular method.

Line 18

Required Installments Divide the amount on line 10 by four (4) and fill in the result in each column.

Exceptions

- If you did not receive your income evenly throughout the year, you may be able to lower the amount of your required installment for the due dates by using the annualized income installment method. See Part IV for further information.
- If your gross income from farming or fishing for 2008 or 2009 is at least two-thirds of your total gross income, fill in the amount from line 10 in the last column of line 18. Fill in -0- in the first three columns. Also, enter exception code “4” in the box on the underpayment interest line of your return.

Line 19

Estimated Tax Paid Fill in the estimated tax that you paid for each installment period. Do not fill in on line 19 any payment made after January 19, 2010. Any payment made after January 19, 2010, and before April 15, 2010, should be entered on line 24 as a late payment. If you file a joint return, include the estimated tax payments of both you and your spouse.

Exception If you file your 2009 income tax return and pay the balance due by February 1, 2010, that payment will be accepted as your January 19 installment payment.

Line 20

Tax Withheld You are considered to have paid one-fourth of any withheld Wisconsin income tax on each payment due date unless you can show otherwise. If your tax was not withheld evenly throughout the year, you may fill in the amounts actually withheld during each period.

Line 22

Underpayment If line 22 is zero in all four columns, do not complete the rest of Schedule U. You do not have an underpayment. If there is any amount in any column of line 22, complete the rest of Part III.

Line 24

Carryback of Overpayment or Late Payment Complete line 24 only if there is an overpayment on line 23. The overpayment may be carried back to the prior installment period and offset against the underpayment of that period. Any remaining excess may then be carried back to the next prior period, etc. (**Exception** If you made an estimated tax payment after January 19, 2010, but before April 15, 2010, fill in the amount of that payment on line 24 in the January 19, 2010, column. However, do not fill in more than the amount on line 22. Any excess may be carried back to the next prior period, etc.)

Example The April 15 column on line 22 shows an underpayment of \$400. The June 15 column on line 23 shows an overpayment of \$300. The \$300 overpayment from the June 15 column would be filled in on line 24 in the April 15 column.

If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 24 each carryback used to offset the underpayment.

Line 25

Carryforward of Overpayment Any overpayment remaining after completing line 24 should be carried forward to the next period.

Example The April 15 column on line 22 shows an underpayment of \$500. The June 15 column on line 23 shows an overpayment of \$700. First, \$500 of the June 15 overpayment is carried back to the April 15 column on line 24. Since \$200 (\$700 – \$500) of the June 15 overpayment remains, that amount is carried forward to the September 15 column on line 25.

Lines 27 through 31

Complete lines 27 through 31 to determine the amount of interest due on the underpayment. Only complete lines 27 and 29 when an overpayment or late payment is carried back on line 24. If you apply more than one payment to a given installment, enclose a statement showing a separate computation for each payment.

Part IV– Annualized Income Installment Method Worksheet

If your income varied during the year, you may be able to lower or eliminate the underpayment interest for one or more installments by using the annualized income installment method.

Use the worksheet in Part IV to figure the amount to fill in on line 18 of Schedule U. Enter exception code “8” in the box on the underpayment interest line of your return.

Exception If you have a net operating loss carryforward on line 35, do not enter exception code “8.” Instead, enter exception code “9.”

Line 32

Income Nonresident and part-year resident individuals, fill in the larger of Wisconsin or federal income for each period. **But**, for any period Wisconsin income is zero or less, fill in -0-.

Line 35

Standard Deduction Use the amount on line 34 to determine your standard deduction from the Standard Deduction Table in the 2009 Form 1 or 1A instructions. Nonresidents and part-year residents must use their annualized federal income to determine the standard deduction from the table in the 2009 Form 1NPR instructions. Estates and trusts, fill in -0- on this line.

Net Operating Loss If you have a net operating loss (NOL) carryforward, fill in on line 35 the amount allowable for each period. Enter exception code “9” in the box on the underpayment interest line of your return.

Line 37

Deduction for Exemptions Fill in the deduction for exemptions from line 17c of your 2009 Form 1, line 16c of your 2009 Form 1A, or line 38c of your 2009 Form 1NPR. Estates and trusts, fill in -0- on this line.

Line 39

Tax Use the tax table in the instructions for your 2009 Wisconsin tax form to compute the amount of tax to fill in on line 39.

Line 40

Credits Fill in the total credits from line 26 of your 2009 Form 1, line 23 of your 2009 Form 1A, or line 43 of your 2009 Form 1NPR in all four columns.

Estates and trusts should fill in the total credits from line 9 of the 2009 Form 2 in all four columns.

Line 41

Proration Nonresident and part-year resident individuals, prorate the amounts to be filled in by the ratio of your annualized Wisconsin income to your annualized federal adjusted gross income.

Line 42

Alternative Minimum Tax Figure the alternative minimum tax on Schedule MT. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings of the worksheet. Multiply your Wisconsin alternative minimum taxable income by the annualization amounts on line 33 before subtracting the alternative minimum tax exemption amounts.

Line 46

Recycling Surcharge Figure your recycling surcharge based on your annualized business income for each period shown in the column headings of the worksheet. See the instructions for Schedule RS for further information.

Line 48

Other Credits Fill in the total of the credits from lines 45 through 51 of your 2009 Form 1, lines 32 through 34 of your 2009 Form 1A, lines 70 through 76 of your 2009 Form 1NPR, or lines 23 through 25 of the 2009 Form 2, in all four columns. Also include any additional credit from line 7 of Worksheet 1 on page 4 and line 6 or 8 of Worksheet 2 on page 4.

Note: You must submit this page with Schedule U if you claim either of these credits

Worksheet 1 – Credit for Revision of Capital Gain Exclusion

1	Amount from line 17 of Schedule WD. If line 17 is zero or blank, do not complete this worksheet; no credit is available to you	1		
2	Portion of the amount on line 14, column (g) of Schedule WD that is attributable to gain incurred before July 1, 2009, from the sale or other disposition of assets other than farm assets	2		
3	Amount from line 14, column (g) of Schedule WD	3		
4	Divide line 2 by line 3. Carry the decimal to 4 places	4		.
5	Multiply line 1 by the decimal amount on line 4	5		
6	Fill in 30% of line 5	6		
7	Multiply line 6 by 7.75%. Include this amount on line 4 of Schedule U	7		

Worksheet 2 – Credit for Increase in Top Income Tax Rate

1	Amount from line 18 of Form 1, line 17 of Form 1A, line 39 of Form 1NPR, or line 5 of Form 2	1		
2	Fill in 225,000 (300,000 if married filing jointly or 150,000 if married filing separately)	2		
3	Amount, if any, from line 6 of Worksheet 1	3		
4	Add lines 2 and 3	4		
5	Subtract line 4 from line 1. If the result is zero or less, stop here; no credit is available to you	5		
6	Multiply line 5 by 1%. Trusts, estates, and full-year resident individuals, stop here. Include the amount on line 6 on line 4 of Schedule U	6		
7	Part-year resident and nonresident individuals, enter the ratio from line 34 of Form 1NPR	7		.
8	Multiply line 6 by line 7. Include this amount on line 4 of Schedule U	8		