

Purpose of Schedule: Schedule WD is used to determine the amount of capital gain or loss which you must include in Wisconsin income. Generally, all amounts reported on your federal Schedule D must be reported on Schedule WD. However, for Wisconsin tax purposes, you may exclude 30% of the net capital gain from assets held more than one year (60% in the case of farm assets).

The amount of net capital loss that can be applied against other income after offsetting capital gains is limited to \$500. Unused capital losses are carried over to later years until fully used.

Note If your capital gain or loss reportable to Wisconsin consists only of a capital gain distribution from a mutual fund or real estate investment trust, you do not have to complete Schedule WD. See the instructions for line 10 of Form 1 or line 7 of Form 1NPR for information on claiming an exclusion on a portion of the capital gain distribution.

Enclose Schedule WD with your Wisconsin Form 1 or Form 1NPR.

Get Publication 103 from any department office for further information on reporting capital gains and losses for Wisconsin. You can also download Publication 103 from our Internet web site at: www.revenue.wi.gov.

Specific Instructions:

Part I and Part II, Capital Gains and Losses

If you are not affected by any of the items listed below under "Items Which Require Adjustment," fill in the net short-term capital gain or (loss) from line 7 of your federal Schedule D on line 7 of Schedule WD. Fill in the net long-term capital gain or (loss) from line 15 of your federal Schedule D on line 15 of Schedule WD. Write "Same as federal" in the space by line 1 of Schedule WD, and go on to Part III on page 2 of Schedule WD.

If you are affected by any of the items listed below under "Items Which Require Adjustment," fill in each separate amount from lines 1, 2, 4, and 5, column (f), of Part I and lines 8, 9, 11, 12, and 13, column (f), of Part II of your federal Schedule D on the appropriate lines of Schedule WD. Amounts from lines 2 and 9, column (f), of Schedule D should be filled in on lines 1 and 8 of Schedule WD. However, for those items which require adjustment, fill in the amount indicated in these instructions instead of the amount reported on your federal Schedule D.

Items Which Require Adjustment

The following items require adjustments to the amounts reported on your federal Schedule D or as to whether an amount is reported as a short-term or long-term capital gain or loss:

Capital Loss Carryovers: Fill in your capital loss carryover from assets held one year or less from line 26 of your 2008 Schedule WD on line 5 of Schedule WD. Fill in your capital loss carryover from assets held more than one year from line 31 of your 2008 Schedule WD on line 13 of Schedule WD.

Note:

- If you and your spouse are filing a joint return for 2009, but filed separate returns for 2008, combine the capital loss carryovers from your separate 2008 Schedule WDs.

- If (1) you and your spouse are filing separate returns for 2009 but filed a joint return for the year in which the capital loss was incurred, or (2) you are a widow(er) and your spouse died before the beginning of your 2009 tax year, you can only deduct the portion of the capital loss carryover that belongs to you. For a capital loss carryover incurred during a year before the Wisconsin marital property law applies to you, title to the property must be used to determine what portion of the loss is yours. For a capital loss carryover incurred during a year to which the marital property law applies, the classification of the property must be used to determine what portion of the loss is yours.
- You may have to reduce your capital loss carryover to 2009 if you excluded income from discharge of indebtedness from your 2009 taxable income. Contact any Department of Revenue office for further information.

Nonresidents and Part-Year Residents: Nonresidents should include only gain or loss from Wisconsin sources on Schedule WD. Part-year residents should include the amount of gain or loss received from all sources while a Wisconsin resident and the amount of gain or loss from Wisconsin sources while a non-resident.

Gain or loss from Wisconsin sources includes gain or loss from the sale of land, buildings, and machinery located in Wisconsin, gain from the sale of stock acquired under an incentive stock option or employee stock purchase plan to the extent attributable to personal services performed in Wisconsin, and your share of gain or loss from an estate or trust, partnership, limited liability company (LLC), or tax-option (S) corporation which has been reported to you on Wisconsin Schedule 2K-1, 3K-1, or 5K-1. It doesn't include losses from nonbusiness bad debts and worthless securities, and gains or losses from sales of stocks (except gain on stock acquired under an incentive stock option or employee stock purchase plan as explained above) while a nonresident.

Gain From Installment Sales:

- Taxable gain from installment sales reported on lines 4 and 11 of federal Schedule D must be reported on lines 2 and 9 of Schedule WD, as appropriate. Gain from an installment sale is reported on line 2 of Schedule WD if, at the time of sale or other disposition, you held the property for one year or less. If, at the time of sale or other disposition, you held the property for more than one year, the gain is reported on line 9 of Schedule WD.
- Taxable gain from installment sales which is from Form 4797 and included on line 11 of federal Schedule D is also included on line 9 of Schedule WD. However, if, at the time of sale or other disposition, you held the property for one year or less, report the installment sale gain on line 1 of Schedule WD. The remaining portion of the amount on line 11 of federal Schedule D should be reported on line 9 of Schedule WD.

Gain or Loss From Partnerships, S Corporations, and Fiduciaries: Fill in on line 3 or 10 the amount of capital gain or loss from partnerships, tax-option (S) corporations, estates, and trusts.

- If the partnership, S corporation, estate, or trust has informed you of any adjustment to be made to the capital gain or loss for Wisconsin, be sure to use the gain or loss as adjusted.
- If you are a shareholder in a federal S corporation that elects not to be treated as a Wisconsin tax-option corporation, do not include on Schedule WD any capital gain or loss distributed to

you by that federal S corporation. See page 21 of the Form 1 instructions or the instructions for line 11 of Form 1NPR for additions and subtractions you must make to adjust for tax-option (S) corporation income.

Basis Difference: Gain or loss from the sale or other disposition of assets may be different for Wisconsin and federal purposes because of a difference in the federal and Wisconsin basis of your property.

- If you have a difference in the federal and Wisconsin basis of property and that property is your principal residence, compute your gain on the sale of your residence using the Wisconsin basis instead of the federal basis. Fill in any taxable gain on line 1 or 8 of Schedule WD, as appropriate.
- If you have a difference in the Wisconsin and federal basis of property (other than your principal residence) and that property is a capital asset (sale or other disposition is reported on federal Schedule D), fill in the federal gain or loss in Part I or Part II of Schedule WD, as appropriate. You must also complete Part I of Wisconsin Schedule T to compute the amount to fill in on line 4 or 12 of Schedule WD.
- If you have a difference in the Wisconsin and federal basis of property and the sale or other disposition of such property is reported on federal Form 4797, see the instructions for Part II of Wisconsin Schedule T and recompute a Form 4797 as instructed. If you filled in a gain on line 7 or 9 of your "Wisconsin" Form 4797, you must use the amount from the "Wisconsin" Form 4797 to complete line 9 of Schedule WD.

An adjustment for difference in basis may apply to, but is not limited to, (1) stock you owned of a tax-option (S) corporation, (2) constant basis assets (for example, land) which you acquired before 1965, or (3) property you acquired by inheritance as a result of a death occurring before 1992, the value of which for Wisconsin inheritance tax purposes was different than the value for federal estate tax purposes.

Net Capital Gain on the Sale of Small Business Stock: Do not include on Schedule WD any net capital gain from the sale of qualified small business stock which you acquired on or after January 1, 1986, and held for at least 5 years, and which you did not acquire by gift. Both the stock and the corporation must have met certain requirements. You must enclose with your Form 1 or 1NPR a copy of the certification you received from the corporation which indicates the requirements were met. Contact any Department of Revenue office for further information.

Marital Property: Do not include on Schedule WD any gain or loss on the exchange of marital property by a surviving spouse and distributee under s. 857.03(2) of the Wisconsin Statutes.

Gain on Sale of Farm Assets Sixty percent of net long-term gain from the sale or other disposition of farm assets may be excluded. "Farm assets" means livestock, farm equipment, farm real property, and farm depreciable property. The exclusion applies to capital gain as computed under the Internal Revenue Code, not including amounts treated as ordinary income for federal purposes because of recapture of depreciation or any other reason. In order to determine the correct exclusion, each gain must be listed separately on Schedule WD.

"Farming" means the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity including the raising, shearing, feeding, caring for, training, and management

of animals. Trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity. The 60 percent exclusion applies only to assets used in farming. The sale of woodland that cannot be used in farming would not qualify for the 60 percent exclusion.

Part III, Summary of Parts I and II

Complete line 16. If line 16 is a loss, skip lines 17 through 25 and complete line 26. If line 16 is a gain, complete lines 17 through 25 and skip line 26.

When completing line 26, to figure whether 26(a), (b), or (c) is smaller, treat all numbers as if they were positive. To determine Wisconsin ordinary income, figure the amount from Form 1, line 13 (line 32 of Form 1NPR) without regard to capital gains and losses. If this amount is a loss, fill in -0- on line 26.

Form 1 Filers – Go on to Part IV. (**Exception:** If the gain on line 25 or the loss on line 26 is the same as the amount on line 13 of your federal Form 1040, you do not have to complete Part IV. Complete Part V if you have a net loss and the loss on line 16 is more than the loss on line 26.)

Form 1NPR Filers – Fill in the amount from line 25 or 26 of Schedule WD on line 7, column B, of Form 1NPR. Do not complete Part IV. Complete Part V if you have a net loss and the loss on line 16 is more than the loss on line 26.

Part IV, Computation of Wisconsin Adjustment to Income

Complete Part IV to figure the amount you must report as a capital gain/loss adjustment on line 3 or 10 of Form 1. When completing Part IV, do not put brackets around losses. All amounts should be entered as positive numbers.

- If you have a net gain for both federal and Wisconsin purposes, fill in lines 27a and 27b. Also, fill in either line 27c or line 27d, whichever applies.
- If you have a net loss for both federal and Wisconsin purposes, fill in lines 27e and 27f. Also, fill in either line 27g or line 27h, whichever applies.
- If you have a net gain for federal purposes and a net loss for Wisconsin, fill in your federal gain on lines 27a and 27d. Fill in your Wisconsin loss on lines 27f and 27g. Add the amounts on lines 27d and 27g. Fill in the total on line 10 of Form 1.
- If you have a net loss for federal purposes and a net gain for Wisconsin, fill in your federal loss on lines 27e and 27h. Fill in your Wisconsin gain on lines 27b and 27c. Add the amounts on lines 27c and 27h. Fill in the total on line 3 of Form 1.

Part V, Computation of Capital Loss Carryovers From 2009 to 2010

If you have a net loss and the loss on line 16 is more than the loss on line 26, complete Part V to figure the amount of your capital loss carryover. Complete lines 28 through 32 to figure your short-term capital loss carryover. Complete lines 33 through 37 to figure your long-term capital loss carryover.