Instructions for 2011 Form 4CS: Sharing of Research Credits for Combined Group Members

Purpose of Form 4CS

Form 4CS is for combined groups in which one or more corporations in the group are sharing research credits with the rest of the group, as permitted by sec. 71.255(6)(c), Wis. Stats.

The purpose of Form 4CS is to compute and report the amount of each combined group member's available research credit that it is sharing. Complete only one Form 4CS for the entire combined group.

Research Credits Eligible for Sharing

"Research credits" that may be eligible for sharing include:

- Research expense credits computed on Schedule R, R-1, or R-2, including unused carryforwards.
- Research facilities credits computed on Schedule R, R-1, or R-2, including unused carryforwards.
- Unused carryforward of the development zones research credit.

In general, a corporation may only share its research credits with the combined group if it was a member of that same combined group in the year the credit originated. However, if the credit originated before January 1, 2009, the corporation may share the credit if it would have been in that same combined group had Wisconsin law required combined reporting in the year the credit originated. **Note: The super research and development credit may not be shared among combined group members.**

> **NOTE:** A combined group member's research credit carryforwards may be shared with the rest of the group even if they originated before January 1, 2009, as long as they otherwise qualify as sharable credits.

In general, a corporation is considered to be in the same combined group as in the year the credit originated if it is in same common unitary business with its affiliates as in the year the credit originated. The mere addition of new members or departure of members does not create a different combined group.

For special rules that apply in cases of subgroups and a corporation's options regarding its sharable research credits, see s. Tax 2.61(10), Wisconsin Administrative Code. In general, the rules that apply to sharable research credits are similar to the rules that apply to sharable net business loss carryforwards, except net business loss carryforwards cannot be sharable if they were incurred in taxable years beginning before January 1, 2009.

Line-by-Line Instructions

These instructions are presented in the order the lines appear on Form 4CS:

Part I: Computation of Aggregate Sharable Amount

Part I applies only to the corporations that originated the sharable research credits.

■ **Columns a and b. Name and FEIN of Members with Sharable Research Credits –** Enter the name and federal employer identification number (FEIN) of each company that has sharable research credits that it will be sharing with the rest of the group. If there are more than five such companies, prepare a separate schedule with columns a through c and list the additional companies and their FEINs in columns a and b of that separate schedule.

> **NOTE:** A corporation that has sharable research credits is not required to share them. If there are corporations in the group that have sharable research credits but will not be sharing them, do not list those corporations in Part I.

■ **Column c. Sharable Research Credit Amount –** Enter the amount of sharable research credits each corporation will be sharing with the rest of the group. The amount you enter in column c cannot exceed the corporation's total sharable research credits as of the beginning of the taxable year, net of any amount already used by the member against its own gross tax on Form 4M, *Wisconsin Combined Group Member-Level Data,* Part III, line 3.

If the corporation has both sharable and non-sharable research credits and used a portion of those credits against its own gross tax, the research credits

are considered used on a pro rata basis from both their sharable and non-sharable amounts.

CAUTION: If the member with the sharable research credit already used part of that credit against its own tax liability on Form 4M, Part III, line 3, you must reduce the amount you enter in Part I of Form 4CS by the amount already used.

If a corporation is sharing its research credits, it may choose to share only a portion of the sharable amount. In column c, enter only the amount that the corporation will be sharing.

■ **Line 1f. Total from Additional Companies –** If there are more than five companies that will be sharing research credits with the rest of the group, enter the total from column c of that schedule on line 1f.

Part II: Tax Liability Eligible for Shared Credits

Part II applies to all corporations in the combined group that have a tax liability.

■ **Columns a and b. Name and FEIN of Members –** Enter the name and federal employer identification number (FEIN) of each company in the combined group that has a tax liability. Do not include corporations that are not combined group members, even if they are included in the combined return for purposes of reporting separate entity items.

If there are more than seven members of the combined group, prepare a separate schedule with columns a through g and list the additional companies and their FEINs on a separate schedule.

■ **Column c1. Share of Combined Unitary Income –** For each member you listed in columns a and b, enter the sum of the amounts on line L1 and line L2 of the member's Form 4M.

■ **Column c2. Tax Attributable to Combined Unitary Income –** Multiply the amount on line c1 by 7.9% and enter the result on line c2. This is the maximum amount of the member's tax liability that may be offset by shared research credits.

■ **Column d. Gross Tax –** On the line corresponding to each member, enter the gross tax from line Q of the member's Form 4M.

■ **Column e. Member's Own Credits Used –** On the line corresponding to each member, enter the total credits the member used against its own tax liability. This is the amount from the member's Form 4M, Part III, line 3.

■ **Column f. Gross Tax Minus Member's Own Credits Used –** The difference between the amounts in columns d and e represents the member's remaining tax liability.

■ **Line 3h. Total from Additional Companies –** If there are more than seven companies in the combined group, enter the total from column g of the additional schedule on line 3h.

Part III: Percentage to be Applied to Combined Return

■ **Line 6. Percentage of Aggregate Sharable Amount –** Compare the aggregate sharable research credits you computed in Part I (line 2) to the total eligible tax liability you computed in Part II (line 5 of Part III). The percentage on line 6 represents the percentage of the aggregate sharable research credits that will be used against the combined group's tax liability.

To apply the aggregate sharable research credits against the combined group's tax liability, do the following for each combined group member you listed in Part I:

1. Multiply the percentage on line 6 by the sharable credits you entered for that corporation in Part I, column c.
2. Enter the result on line 4 of Part III of that member's Form 4M.

The sum of the amounts on Line 4 of Part III of the members' Forms 4M should equal the lesser of line 2 or line 5 of Form 4CS.

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 on combined reporting

Access the combined reporting web page at: http://www.revenue.wi.gov/combrept/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, PO Box 8906, Madison, WI 53708-8906