

Wisconsin DOR Update
Division of Income, Sales & Excise Tax

Fall 2021

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Presenters

Wisconsin Department of Revenue
Division of Income Sales and Excise Tax

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Agenda

- ▷ Income/Franchise Tax Update
- ▷ Sales/Use Tax Update
- ▷ Unclaimed Property Update
- ▷ Processing, Procedures, and Projects
- ▷ My Tax Account (MTA) and My Case Manager (MCM) Update
- ▷ Customer Service Performance Metrics

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Income/Franchise Tax Update

- ▷ Internal Revenue Code Update
- ▷ Other Wisconsin Income/Franchise Tax Law Changes
- ▷ Pass-Through Entity Changes
- ▷ Miscellaneous Updates
- ▷ Form Updates

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Internal Revenue Code Updates

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Internal Revenue Code (IRC) Update

Tax Year 2020 - Wisconsin follows the IRC as of December 31, 2017, with certain exceptions

- ▷ 2021 Wisconsin Act 1 (effective 2/18/21) adopted numerous IRC updates, including: (see Wisconsin Tax Bulletin 212 for a complete list)
 - Earned income tax credit - election to use 2019 earned income
 - Paycheck Protection Program - allow deduction for expenses paid with PPP loan proceeds, even if PPP loan forgiven
 - Nontaxable treatment for economic injury disaster loans (EIDL) and advances, and certain federal grants and subsidies

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Internal Revenue Code (IRC) Update

Tax Year 2021

- ▷ Wisconsin follows the IRC as of December 31, 2020, with certain exceptions (see Wisconsin Tax Bulletin 212 for a complete list)
- ▷ Wisconsin computes depreciation and amortization using IRC in effect on January 1, 2014, with certain exceptions
- ▷ Wisconsin has not adopted federal bonus depreciation provisions
- ▷ Wisconsin follows changes to IRC section 179 expensing
- ▷ Wisconsin has not adopted any changes from the American Rescue Plan Act (ARPA) enacted March 11, 2021

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Internal Revenue Code (IRC) Update

Tax Year 2021

- ▷ Medical expense itemized deduction floor is 7.5% of AGI (same as federal)
- ▷ The federal \$300 or \$600 charitable contribution itemized deduction that is allowed for those claiming standard deduction (below the line deduction) is eligible for Wisconsin's itemized deduction credit (2021 only)
- ▷ Federal itemized deduction limitations for charitable contributions apply (2021 only):
 - Individuals - 50% of AGI suspended
 - Corporations - 10% of taxable income increased to 25%
 - Contributions of food inventory - increased from 15% to 25%

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IRC Update - Retroactive Adoption

- ▷ Expanded qualified expenses for withdrawals from 529 college savings accounts (Public Law 116-94)
 - For taxable years beginning after December 31, 2018
 - Fees, books, supplies, and equipment required for the designated beneficiary's participation in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act
 - Up to \$10,000 of principal or interest on qualified student loans for the designated beneficiary or the designated beneficiary's sibling

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IRC Update – Not Adopted

▷ Public Law 116-260 (Consolidated Appropriations Act, 2021) – December 27, 2020

- Extension of certain temporary provisions
 - Exclusion from gross income of discharge of qualified residence indebtedness (through 2025)
 - 7-year recovery period for motorsports entertainment complexes (through 2025)
 - Expensing rules for certain productions (through 2025)

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IRC Update – Not Adopted

▷ Public Law 116-260 (cont.)

- Empowerment zone designations (through 2025)
- Mortgage insurance premiums treated as qualified residence interest (through 2021)
- 3-year recovery period for certain race horses (through 2021)
- Accelerated depreciation for business property on Indian reservations (through 2021)
- Suspension of 50% limitation on meal expenses (paid or incurred before January 1, 2023)

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IRC Update – Not Adopted

▷ Public Law 117-2 (American Rescue Plan Act of 2021) – March 11, 2021

- Exclusion from gross income for COBRA premium assistance
- Exclusion from taxable wages for dependent care assistance – increased from \$5,000 to \$10,500 and \$2,500 to \$5,250 for MFS (2021)
- Restaurant revitalization grants excluded from gross income, deductions allowed

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IRC Update – Not Adopted

▷ Public Law 117-2 (cont.)

- Student loans discharged from 2021-2025 excluded from gross income
- Suspension of excess business loss limitation through 2026
- Unemployment compensation subtraction of \$10,200 (2020 tax year only)

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IRC Update – Not Adopted

▷ Public Law 117-2 (cont.)

- Earned income credit (EIC)
 - If 2021 earned income is less than 2019 earned income, may elect to use 2019 earned income
 - Raises investment income limit to \$10,000 (beginning in 2021)
 - Allows certain married individuals to claim EIC
 - Files separate from spouse, and
 - Lives apart from spouse for last 6 months of year, or
 - Has divorce or separation agreement by end of the tax year

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Other Wisconsin Income/Franchise Tax
Law Changes

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Retirement Income Subtraction

- ▷ 2021 Wis. Act 1
 - Up to \$5,000 per taxpayer
 - Prior law – exclusion was mandatory
 - New law
 - Subtraction is optional
 - Some taxpayers may obtain a higher homestead credit while having minimal or no effect on their income tax liability

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Homestead Credit

- ▷ 2021 Wis. Act 1
 - Eligibility – earned income
 - Definition of earned income added – wages, salaries, tips, other employee compensation, and net earnings from self-employment
 - Addition for disqualified losses – exception for farmers
 - Definition of primary income from farming added - claimant's income from farming is greater than 50 percent of the claimant's total gross income from all sources for the year to which the claim relates

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Medical Care Insurance Subtraction for Self-Employed Individuals

- ▷ 2021 Wis. Act 1
 - Prior law – subtraction limited to net earnings from self-employment
 - New law – subtraction limited to Wisconsin income before considering subtraction for medical care insurance

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Wisconsin Grant Programs - Coronavirus Relief Fund

- ▷ 2021 Wis. Act 1 (eff. 2/18/21)
- ▷ Income from the following Wisconsin-paid grants (funded with federal money from the CRF) is exempt from Wisconsin income/franchise tax:
 - Broadband expansion
 - Privately owned movie theater grants
 - Nonprofit grant program
 - Tourism grants program
 - Cultural organization grant program
 - Music and performance venue grants

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Wisconsin Grant Programs - Coronavirus Relief Fund

- ▷ 2021 Wis. Act 1 (cont.)
 - Lodging industry grants
 - Wisconsin Tomorrow Lodging Grant (received in 2021)
 - Low-income home energy assistance
 - Rental assistance program
 - Supplemental child care grants
 - Food insecurity initiative
 - Farm support program

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Wisconsin Grant Programs - Coronavirus Relief Fund

- ▷ 2021 Wis. Act 1 (cont.)
 - Grants to small businesses
 - Wisconsin Tomorrow Small Business Recovery Grant (received in 2021)
 - Ethanol industry assistance
 - Wisconsin Eye
 - Grants received from WEDC under the ethnic minority emergency grant program
- ▷ Expenses paid with any of these funds are deductible for WI

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Reporting Internal Revenue Service (IRS) Adjustments to Wisconsin

▷2021 Wis. Act 1

- Increases the amount of time to report Internal Revenue Service (IRS) adjustments to the department from 90 days to 180 days.
- Clarifies that if a partnership is audited by the IRS using the new centralized partnership audit rules under the Bipartisan Budget Act of 2015, both the partnership and its partners must file amended Wisconsin income/franchise tax returns for the "reviewed year(s)" as defined in sec. 6225 of the Internal Revenue Code.

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Individual Income Tax Return Due Date

▷2021 Wis. Act 40

- Prior law - returns due on or before April 15 following the close of the taxable year
- New law - returns due on the date the corresponding federal income tax return is required to be filed with the IRS, not including extensions (current WI law allows any federal extension)

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Individual Income Tax Rate Decrease

▷2021 Wis. Act 58

- Third tax bracket rate decreases starting in tax year 2021
 - 6.27% to 5.3%

▷Third year in a row for individual income tax rate decreases (see chart on next slide)

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2021 Individual Income Tax Rate Decrease

Bracket	Taxable Income*	2018 Tax Rate	2019 Tax Rate	2020 Tax Rate	2021 Tax Rate
1st Bracket	\$0-\$12,120	4.00%	3.86%	3.54%	3.54%
2nd Bracket	\$12,121-\$24,250	5.84%	5.04%	4.65%	4.65%
3rd Bracket	\$24,251-\$266,930	6.27%	6.27%	6.27%	5.30%
4th Bracket	\$266,931 & over	7.65%	7.65%	7.65%	7.65%

* These are the 2021 income brackets for a single taxpayer.

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Subtraction Expanded - Reserve or National Guard Members

▷ 2021 Wis. Act 58

- Amended sec. 71.05(6)(b)34., Wis. Stats.
- Taxable years beginning after December 31, 2020
- Subtraction for certain members of the Reserves or National Guard after being called into active federal service expanded to those called under 10 USC 12304b - preplanned missions in support of a combatant command

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New Subtraction - U.S. Armed Forces Active Duty Pay

▷ 2021 Wis. Act 58

- Repeal of Armed Forces Member Credit beginning in 2021
- Created sec. 71.05(6)(b)56., Wis. Stats.
 - Basic, special, or incentive pay income received from federal government under 37 USC chapters 3 and 5
 - While the individual is on active duty in the U.S. Armed Forces
 - No subtraction allowed if income excluded under the Reserve or National Guard members subtraction

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New Subtraction - AmeriCorps Education Awards

- ▷ 2021 Wis. Act 58
 - Created sec. 71.05(6)(b)55., Wis. Stats.
 - Taxable years beginning after December 31, 2020
 - Subtraction for amounts received as a national service educational award disbursed under 42 USC 12604
 - Subtraction not allowed for amounts deducted under tuition and fee expense subtraction or student loan interest deduction

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New Additional Child and Dependent Care Tax Credit

- ▷ 2021 Wis. Act 58
 - Effective for tax year 2022
 - Subtraction no longer available
 - Credit allowed equal to 50% of the federal child and dependent care tax credit under IRC 21
 - Not available to nonresidents or part-year residents
 - If married, must file a joint return unless considered not married

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Research Expense Credit

- ▷ 2021 Wis. Act 58
 - Effective for tax year 2021 and thereafter
 - Refundable portion of credit increased from 10% to 15%
 - Remaining amount may be carried forward for 15 taxable years

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Pass-Through Entity Changes

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S corporations

- ▷ 2021 Wis. Act 2
- ▷ Effective for tax year 2020 and thereafter
- ▷ S corporations making the election to pay tax at the entity level:
 - Can claim the 30% or 60% long-term capital gains exclusion
 - Are limited to \$500 net capital loss deduction
 - Are exempt from underpayment interest if S-corp had zero income or franchise tax liability in the prior year, regardless of the amount of WI net income in the current year

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Entity-Level Tax Filing Statistics

Tax-Option (S) Corporations (Form 5S)	2018	2019	2020
Returns filed	79,589	81,085	72,729
Entity-level tax elections filed	1,615	2,987	3,296
Percent of entity-level tax elections filed	2.03%	3.68%	4.53%
Net tax received from entity-level tax elections	156,576,240	238,345,313	251,152,232

Partnerships (Form 3)	2018	2019	2020
Returns filed	N/A	79,760	74,111
Entity-level tax elections filed	N/A	1,492	1,699
Percent of entity-level tax elections filed	N/A	1.87%	2.29%
Net tax received from entity-level tax elections	N/A	69,840,477	74,988,796

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Credits Claimed by Pass-Through Entity

- ▷ 2021 Wis. Act 58
- ▷ Effective for 2021 tax year and thereafter
- ▷ Partnerships and S corps may claim the WEDC-certified Jobs Tax Credit, Enterprise Zone Jobs Tax Credit, or Business Development Credit at the entity level
- ▷ All the following conditions must be met:
 - The credit results from a contract entered into with WEDC before December 22, 2017
 - The credit is claimed on the original-filed return (Form 3 or Form 5S)
 - The entity does **not** make the entity-level tax election for the tax year

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Tax Paid to Other State (TPOS) Rule Change

- ▷ Tax 2.955, Wis. Adm. Code
 - Updated to account for law change allowing TPOS credit for partnerships and S corporations electing to pay tax at the entity level
 - Also clarified that if the entity-level tax election is not made in Wisconsin, partners or members in a partnership or limited liability company may claim the TPOS credit for income taxes paid by the entity in another state

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Tax Paid to Other State (TPOS) Rule Change

- ▷ Tax 2.955 (cont.)
 - Added examples of when a credit is or is not allowable to a partner, shareholder, and member and partnership, tax-option (S) corporation, and limited liability company
 - Added instruction on how to claim credit on Schedules 5S-ET and 3-ET
 - Clarified what documentation is needed when an entity is claiming the credit (copy of other state return)

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Miscellaneous Updates

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Other Updates and Reminders

College Savings Account Subtraction

- ▷ \$3,380 (\$1,690 if married filing separately)
- ▷ 2020 amount was \$3,340

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Other Updates and Reminders

WI Tuition and Fees Subtraction

- ▷ Subtraction - increased from \$6,972 to \$6,973
 - Includes fees for course related books if paid to institution as condition of enrollment or attendance
- ▷ Phase-out
 - Single or head of household -- \$57,370 to \$68,840
 - Married filing joint -- \$91,790 to \$114,730
 - Married filing separate -- \$45,900 to \$57,370

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Other Updates and Reminders

Mileage Rate

- ▷2021
 - 56 cents per mile for business miles, down from 57.5 cents for 2020
 - 16 cents per mile for medical or moving purposes, down from 17 cents for 2020
 - 14 cents per mile in service of charitable organizations
- ▷2022
 - Not announced yet

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Nexus Relief – Telecommuting Employees and COVID

- ▷ From March 13, 2020 through December 31, 2021, Wisconsin relaxed its enforcement of nexus provisions on an out-of-state business if its only Wisconsin activity was having an employee working temporarily from the employee's home during this national emergency (COVID-19).
- ▷ This nexus relief applied to out-of-state businesses that would otherwise be required to file Wisconsin sales/use tax, withholding tax, and income/franchise tax returns.
- ▷ Beginning January 1, 2022, the above nexus relief no longer applies.

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Withholding Table Updates

- ▷ The Wisconsin withholding tables and alternate methods of withholding have been revised to reflect individual income tax rate cuts in 2019, 2020, and 2021, and inflation adjustments
- ▷ Employers are required to implement the revised withholding tables or alternate method no later than January 1, 2022
- ▷ The new tables and alternate methods are in Publication W-166

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Qualified Wisconsin Business (QWIB) – Income Exclusion / Deferral

▷ Capital Gain Exclusion / Deferral

- Long-term capital gain from investments made after December 31, 2010, in qualified Wisconsin business and held for at least five uninterrupted years are excluded from Wisconsin income
- Exclusion does not apply to any portion of gain due to amount of gain deferred at time of investment
- See Schedule QI, *Sale of Investment in a Qualified Wisconsin Business*

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Qualified Wisconsin Business (QWIB) Registration

▷ A business may register as a QWIB if, in the business's tax year ending immediately before the date of registration:

- The business has at least 2 full-time employees,
- The amount of payroll compensation paid by the business in WI is at least 50% of all payroll compensation paid by the business, and
- The value of real and tangible personal property owned or rented and used by the business in WI is at least 50% of the value of all real and tangible personal property owned or rented and used by the business.

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QWIB Registration (cont.)

▷ Registration for 2021 must be completed by January 3, 2022.

▷ To register your business with the department, use the department's online application here:

- https://tap.revenue.wi.gov/QualBus/_/

▷ A list of QWIBs can be found on the department's website here:

- <https://www.revenue.wi.gov/Pages/Report/qualified-businesses.aspx>

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Form Updates

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Wisconsin Identity Protection PIN

▷ Starting in November 2021, individuals can request a PIN for filing their income tax return or homestead credit claim to protect their identity

Sign here

▼ Under penalties of law, I declare that this return and all attachments are true, correct, and complete to the best of my knowledge and belief.

Your signature	Date	Daytime Phone	Wisconsin Identity Protection PIN (7 characters)
	()		
Spouse's signature (if filing jointly, BOTH must sign)	Date	Daytime Phone	Wisconsin Identity Protection PIN (7 characters)
	()		

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Income/Franchise Tax Form Changes

▷ Partnerships and S corporations (Forms 3 and 5S)

- removed lines for foreign transactions and added a check box to indicate whether federal Schedules K-2 and K-3 are attached
- added check box and lines for claiming certain entity-level credits

▷ Form C – Allocation and Separate Accounting

- Clarified that it can be filed with Form 3, 4, 4T, 5S, or 6

▷ Form 4T – Exempt Organizations

- Added check box for separate accounting (i.e., Form C)

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Income/Franchise Tax Form Changes

- ▷ Corporations (Form 4 and 6)
 - new addition to income line added for "actual distributions of previously taxed income"
 - new subtraction from income line added for "global intangible low-taxed income"
 - Previously, GILTI was included on the subtraction line with Subpart F income

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Power of Attorney Form Change

- ▷ Form A-222, *Power of Attorney*
 - Changed based on recommendations from WICPA
 - Clarifies whether granting authority to an Entity or an Individual
 - Added box to identify contact person if authority is granted to an entire entity or firm
 - Clarifies that POA can view DOR notices through MTA. If POA does not have MTA access:
 - Can ask DOR employee that POA is actively working with on a case to include POA in communications, or
 - Can request copies of taxpayer records through DOR's online request: https://tap.revenue.wi.gov/ReqCpy/_/

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Sales and Use Tax Update

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Exemption - Dried or Partially Dried Fruit

- ▷ 2021 Wis. Act 58
 - Amended sec. 77.51(1fm), Wis. Stats., effective October 1, 2021
 - Creates an exclusion from the definition of candy for dried or partially dried fruit
 - Dried or partially dried fruit qualifying for the exclusion is no longer taxable as candy
 - Exclusion language adopted by the Streamlined Sales Tax Governing Board on December 18, 2020

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Exemption - Dried or Partially Dried Fruit

- ▷ Candy does not include a preparation that:
 - The predominant ingredient is dried or partially dried fruit along with one or more sweeteners
 - May also contain other additives including oils, natural flavorings, fiber, or preservatives
 - Does not include chocolate, nuts, yogurt, or a confectionary coating or glazing on the dried or partially dried fruit
- ▷ For purposes of this exclusion, "dried or partially dried fruit" does not include fruit that has been ground, crushed, grated, flaked, pureed, or jellied

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Remote Sellers - Economic Nexus

- ▷ 2021 Wis. Act 1
 - Amended sec. 77.51(13gm), Wis. Stats, effective February 20, 2021
 - Eliminated the 200-transaction threshold used to determine if a remote seller has economic nexus
 - Requires a remote seller to use a calendar year to determine their activity for the previous or current year

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Remote Sellers - Economic Nexus

- ▷ As a result, a remote seller is required to register and collect Wisconsin sales and use tax if its gross sales into Wisconsin exceed \$100,000 in the previous or current calendar year
- ▷ Prior to February 20, 2021, a remote seller was required to register and collect sales and use tax if it had 200 or more separate sales transactions into Wisconsin or exceeded \$100,000 in gross sales into Wisconsin in the remote seller's previous or current taxable year for federal income tax purposes

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Building Materials Exemption

- ▷ 2021 Wis. Act 1
 - Section 77.54(9m), Wis. Stats., provides an exemption for materials sold to a construction contractor if the materials become a component of a facility in Wisconsin owned by certain exempt entities
 - The Act expanded the list of qualifying exempt entities to include University of Wisconsin Hospitals and Clinics Authority
 - First applies to contracts entered into February 20, 2021, and thereafter

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Property Transferred with Certain Services

- ▷ 2021 Wis. Act 1
 - Amended sec. 77.52(2m)(b) and 77.54(6)(am)2., Wis. Stats., effective February 20, 2021
 - Persons providing the following services can purchase without tax for resale, items that are transferred to the customer in conjunction with the service, regardless of whether the sale of the service is taxable or exempt:
 - Photography
 - Landscaping
 - Printing, fabricating, and processing
 - Services to tangible personal property

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Exemption for Nonprofit Organizations

- ▷ 2021 Wisconsin Act 1
 - Amended sec 77.54(9a)(f), Wis. Stats., effective February 20, 2021
 - Organizations with an 501(c)(3) determination letter from the IRS may make purchases exempt from tax
 - Churches and religious organizations meeting the requirements of IRC 501(c)(3) may also make purchases exempt from tax but are not required to have a determination letter

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Certificate of Exempt Status (CES)

- ▷ As a result of the law change:
 - DOR reviewed CES numbers issued in the past and provided new 15-digit CES numbers to qualifying organizations
 - Organizations (except churches and religious organizations) must have a 501(c)(3) determination letter from the IRS to get a CES number
 - Retailers may accept the 6-digit or the new 15-digit CES number
 - DOR will notify retailers when they may no longer accept 6-digit CES numbers

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Certificate of Exempt Status (CES)

- ▷ Wisconsin nonprofit organizations must obtain a CES number to make purchases exempt from tax
- ▷ Out-of-state nonprofit organizations that meet the requirements of sec. 501(c)(3) are not required to obtain (but may apply for) a CES number to make purchases exempt from tax. If no CES number, out-of-state organizations may provide their vendor a fully completed exemption certificate (Form S-211 or S-211E)
- ▷ Federal and Wisconsin governmental units, and federally recognized American Indian tribes or bands, may apply for a CES, but are not required to obtain one to make purchases exempt from tax
 - Governmental units of other countries and states cannot make purchases exempt from Wisconsin sales or use tax

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Certificate of Exempt Status (CES)

- ▷ Resources:
 - Common Questions: *Nonprofit Organizations - Certificate of Exempt Status*
 - Wisconsin Tax Bulletin 212 (page 14) and 213 (page 6)
 - CES status search (https://tap.revenue.wi.gov/mta/_/#1)
 - Application For CES - Form S-103

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Municipal Room Tax

- ▷ 2021 Wis. Act 55
 - Amended sec. 66.0615, Wis. Stats., effective October 1, 2021
 - Resources:
 - Explanation of changes provided in Wisconsin Tax Bulletin 214 (page 5)
 - Municipal Room Taxes webpage - mailing addresses of each municipality and room tax rates
 - Article - *Homeowners and Individuals Selling Short-Term Lodging*

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Municipal Room Tax

- ▷ Form RT-200, *Marketplace Provider Municipal Room Tax Return*
 - Filed by marketplace providers facilitating sales of short-term lodging in municipalities imposing a municipal room tax
 - Filed and paid directly to municipality (quarterly or more frequent by written agreement)
 - May incur penalty for failure to file or pay room tax
- ▷ Must notify seller that tax was collected and forwarded to the municipality
- ▷ Lodging Marketplace License repealed

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Municipal Room Tax

- ▷ Counties must submit county tax roll in form and manner prescribed by DOR
- ▷ Other changes to local room tax
 - Defines "short-term rental" as period fewer than 30 days
 - Clarifies tax imposed on furnishing and *selling* accommodations
 - Authorizes municipalities to conduct joint room tax audits
 - Limits audit determination to within 4 years after due date of return, unless no return filed
 - Municipalities must report total room tax retained from 2010 - 2014

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Section Tax 11.55 and 11.88(6), Adm. Code

- ▷ Rules in progress
 - Repeal and recreate Tax 11.55, Agents, consignees, lienors, and brokers
 - Repeal and recreate Tax 11.88(6), Consignment sales
- ▷ Updating to be consistent with 2019 Wis. Act 10 for marketplace providers and sellers

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Wisconsin Court Cases

- ▷ *William Becker (Becker Trailers, LLC)*
 - Issue - Are trailers sold by Becker exempt "truck bodies" under sec. 77.54(a)4, Wis. Stats. when sold to nonresidents for immediate removal?
 - "Truck bodies" is not defined in the Wisconsin Statutes
 - Supreme Court case in 1981 (*DOR v. Trudell*) stated that "truck bodies" included semitrailers, but only those that are designed to be connected to a tractor-truck
 - Becker acknowledges that the types of trailers sold were designed to be used in conjunction with pickup trucks and automobiles
 - TAC ruled that sales of trailers at issue failed to fall within the plain language of the exemption
 - Becker appealed Tax Appeals Commission (TAC) decision to Circuit Court

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Virtual Currency

- ▷ Virtual currency represents an intangible right; therefore, sales of virtual currency are not subject to sales tax
- ▷ Sales tax is computed when virtual currency is redeemed for a taxable product
- ▷ The taxable sales price of the product is the value of the virtual currency, measured in U.S. dollars, as of the date and time that the virtual currency is received by the seller
- ▷ Persons that redeem virtual currency may owe income/franchise tax on the gains realized
- ▷ See Wisconsin Tax Bulletin 213 (page 1)

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Temporary Event Operator

- ▷ An event operator or promoter must furnish to DOR within 10 days of event close:
 - Information about Event and Operator
 - Information about Sellers (info can be obtained using Form S-240 or substitute form)
- ▷ \$200 penalty for failure to comply (\$500 for subsequent failure)
- ▷ Resources
 - Wisconsin Temporary Events Common Questions
 - Publication 228
 - Sections Tax 11.53 and 11.535, Wis. Adm. Code

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Premier Resort Area Tax

- ▷ Village of Ephraim in Door County adopted 0.5% PRAT
- ▷ Effective January 1, 2022
- ▷ Imposed on certain sellers making taxable sales that are sourced to the premier resort area
- ▷ Reported on Form PRA-012, *Premier Resort Area Tax Return*
- ▷ Resources:
 - Premier Resort Area Tax Common Questions
 - Fact Sheet 2500

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Telecommunications vs. Telecommunications Messaging Services

- ▷ Streamlined Sales Tax Governing Board approved on October 5, 2021 an interpretation of the definition of "telecommunication services"
 - Transactions related to an online banking platform between Educators Credit Union and Alkami do not fall within the definition of "telecommunication services"
- ▷ Rationale of decision:
 - Telecommunications services are services needed to carry information and messages between various points (pipeline that carries the information)
 - ECU and ECU's customers purchased telecommunication services from a third-party, not from Alkami

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Telecommunications vs. Telecommunications Messaging Services

- ▷ Wisconsin imposes tax on:
 - telecommunications services (sec. 77.52(2)(a)5.am., Wis. Stats.)
 - telecommunications message services (sec. 77.52(2)(a)5m., Wis. Stats.)
- ▷ See the article in the November 2021, Wisconsin Tax Bulletin 215 that describes these services and provide examples

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Internet Tax Freedom Act Update

- ▷ Beginning July 1, 2020, charges for internet access are no longer taxable
- ▷ The definition of "internet access" in the Internet Tax Freedom Act (ITFA) includes electronic mail. Therefore, electronic mail services are also no longer taxable as of July 1, 2020.
- ▷ A service provider is selling an electronic mail service if it is providing a mailbox as a means or system of transmitting, receiving, and storing messages electronically (as between computers on a network)

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Internet Tax Freedom Act Update

- ▷ Electronic mail services do not include a mass mailing service such as sending advertising e-mail blasts
- ▷ *Wisconsin Tax Bulletin 210* (July 2020) incorrectly stated email services that are separate and optional from internet access services are taxable
- ▷ Correction made in the November 2021, *Wisconsin Tax Bulletin 215*

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Net Metering and Net Billing Utility Charges

- ▷ Utilities may sell electricity to their customers and purchase electricity from their customers
 - Net metering involves one meter to net the electricity sold and purchased
 - Net billing involves two meters but only one billing statement or invoice
- ▷ Sales tax treatment is the same for both methods
 - If the monthly billing is an amount due, sales tax is applied to the net amount due, unless an exemption applies (e.g., sale to governmental entity)
 - If the monthly billing is a credit balance, there is no sales tax due as the credit amount represents the charge for electricity sold by the customer to the utility for resale (the carryforward of a credit balance does not reduce taxable sales price on future sales of electricity - it should be applied like a payment)

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Exemption Certificates

- ▷ Sections 77.52(13) and (14), Wis. Stats., Section Tax 11.14 Wis. Adm. Code
- ▷ "...it shall be presumed that all receipts are subject to tax until the contrary is established. The burden of proving that a sale of tangible personal property, ...or services is not a taxable sale at retail is upon the person who makes the sale unless that person takes from the purchaser an electronic or a paper certificate...."
- ▷ Most entity and used based exemptions require an exemption certificate
- ▷ Most product-based exemptions (food and food ingredients) do not require an exemption

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Exemption Certificates

- ▷ Why is obtaining exemption certificates important?
 - If seller cannot prove a transaction was exempt, seller may be liable for the tax, interest, and penalties on the sale
- ▷ Why is it important to receive an exemption certificate within 90 days of the sale?
 - Seller is relieved of the tax liability if the seller obtains a fully completed exemption certificate from the purchaser within 90 days of the date of the sale
- ▷ How does a seller prove an exemption certificate was received within 90 days?
 - Request the purchaser to sign the exemption certificate
 - Keep exemption certificates with the business records
 - If exemption certificate received electronically, save electronic receipt (e.g., email) with exemption certificate

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Exemption Certificates

- ▷ What if the seller doesn't obtain an exemption certificate within 90 days?
 - If requested by DOR, the seller has 120 days to obtain, in good faith, a fully completed exemption certificate from the purchaser
 - A seller accepts an exemption certificate in good faith if the exemption certificate is fully completed and claims an exemption that:
 - Was authorized by law on the date of the transaction in the jurisdiction to which the transaction was sourced
 - Could be applicable to the property, item, good, or service being purchased
 - Is reasonable for the purchaser's type of business

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Exemption Certificates

- ▷ What does it mean for an exemption certificate to be fully completed?
 - A fully completed exemption certificate must contain all the following:
 - Purchaser's name and address,
 - General description of the type of business
 - Reason(s) for exemption
 - If paper is used, signature of the purchaser

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Exemption Certificates

- ▷ Seller must:
 - Keep exemption certificates as part of the seller's business records
 - Review all exemption certificates for completeness
- ▷ Seller should not:
 - Accept certificates that are not fully completed
 - Accept certificates with false statements
 - Unlawfully solicit exemption certificates

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Publications

- ▷ New or Revised Publications coming soon:
 - Field Audit of Wisconsin Tax Returns (Pub. 501)
 - Office Audit of Wisconsin Income Tax Returns (Pub. 511)
 - Sampling in Sales and Use Tax Audits (Pub. 515)
 - Will cover both statistical and non-statistical sampling (currently Pub. 515 is non-statistical; Pub. 516 is statistical)
 - Filing Claims for Refund of Sales/Use Tax (Pub. 216)
 - Digital Goods (Pub. 240)
 - New Fact Sheet on Sales/Use Tax Exemption for Fuel & Electricity Consumed in Manufacturing

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Unclaimed Property Update

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Unclaimed Property

- ▷ Make sure your clients are reporting unclaimed property if required
- ▷ Unclaimed property includes uncashed payroll checks, loan collateral, deposits, credit balances, refunds, etc.
- ▷ Reports are due November 1 each year for property that met the dormancy period in the previous fiscal year
- ▷ Holder report guide and webinar are available on our website if you have questions
- ▷ Please provide as much detail as possible on the holder report

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Unclaimed Property

- ▷ Pending legislation – AB325 / SB370 makes substantial changes to Chapter 177 to update and modernize statute
- ▷ Legislation is modeled after Revised Uniform Unclaimed Property Act developed by national unclaimed property administrator's association
- ▷ Chapter 177 has not changed much since adopted in 1981, except for update in 1995
- ▷ Data matching of unclaimed property to tax returns was implemented in 2013

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Unclaimed Property – Key Provisions

- ▷ Creates voluntary disclosure program for holders
- ▷ Adopts confidentiality provisions for unclaimed property records
- ▷ Eliminates interest and revises penalties for holders who fail to report or deliver property
- ▷ Provides appeal rights to holders
- ▷ Clarifies the business to business exemption
- ▷ Clarifies that virtual currency is subject to unclaimed property laws, once converted to US currency

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Unclaimed Property – Key Provisions

- ▷ Voluntary disclosure (VDA) program will be available on the first day of the 3rd month after the bill is effective, and will be available for one year
- ▷ DOR will accept property from previous five years during the VDA program without assessing penalty
- ▷ Once holder is accepted into the VDA program, they have 120 days to complete the due diligence process and submit holder report / payment
- ▷ Subscribe to holder email listserv for more information

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Processing, Procedures, and Projects

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Filing Season Opening

- ▷ The IRS has not yet announced the opening dates for Modernized e-File
- ▷ All 2021 Wisconsin draft income/franchise tax forms are on DOR's website and are being finalized

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2020 Filing Season Stats

Tax Type	Returns Filed	e-File Rate
Corporation Franchise tax (4, 4H 5S, 6)	41,318	86.6%
Fiduciary (2, 4T, Schedule CC)	62,570	75.7%
Individual Income (1, 1NPR, Schedule H, H-EZ and X-NOL)	3,208,276	89.0%
Pass-Through (1CNS/1CNP, 3, 5S, PW-1)	199,792	92.7%
Sales (ST-12)	898,965	96.0%
Withholding (WT-6, WT-7)	287,500	95.6%

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Individual Income Tax e-File Rates-Historical

- ▷ 1992 - 36,200 e-filed returns - 1%
- ▷ 2002 - 1.28 million - 45%
- ▷ 2012 - 2.33 million - 77%
- ▷ 2021 YTD (as of 10/9/21) - 2.91 million - 91%
 - Finished 2020 with an e-file rate of 89%, so this would be the first time we broke 90% for our e-file rate

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Certain Tax Forms Must be Filed Electronically

- Form 3, Wisconsin Partnership Return
- Form 5S, Wisconsin Tax-Option (S) Corporation Franchise or Income Tax Return
- Form 6, Wisconsin Combined Corporation Franchise or Income Tax Return
- Form 1CNS, Composite Wisconsin Individual Income Tax Return for Nonresident Tax-Option (S) Corporation Shareholders
- Form 1CNP, Composite Wisconsin Individual Income Tax Return for Nonresident Partners
- Form PW-1, Nonresident Income or Franchise Tax Withholding on Pass-Through Entity Income
- Form PW-2, Nonresident Pass-Through Withholding Exemption - Beginning January 1, 2022 - My Tax Account
- Form WT-6, Withholding Tax Deposit Report
- Form WT-7, Employers Annual Reconciliation of Wisconsin Income Tax Withheld
- Form ST-12, Wisconsin Sales and Use Tax Return

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New PO Box for Payments

▷ The following payment vouchers have a new mailing address.

- Estimated income and franchise tax
 - Form 1-ES (individuals, estates, and trusts)
 - Form 3-ES (partnerships)
 - Form Corp-ES (corporations)
- Estimated pass-through withholding tax
 - Form PW-ES (partnerships, S-corporations, estates, and trusts)

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New PO Box for Payments (cont.)

▷ The following payment vouchers have a new mailing address.

- Return payments
 - Form 3-EPV (partnerships)
 - Form C-EPV (corporations)
 - Form EPV (individuals, estates, and trusts)
- Prepayment voucher
 - Form A-115 (individuals)

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New PO Box for Payments (cont.)

▷ The new mailing address for these payment vouchers is:

PO Box 3028
Milwaukee, WI 53201-3028

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Online Payment Portal Project

- ▷ Focus is shifting to increasing electronic payments AND promoting existing DOR payment methods
 - Interactive vouchers
 - Self service options - *My Tax Account*
- ▷ Creating one stop payment portal on our website, similar to IRS "Pay Your Taxes" page
- ▷ Page will launch in early 2022
- ▷ URL: www.revenue.wi.gov/pay

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Filing Tips – Individual Income

- ▷ Include full SSN on paper filed returns, schedules & vouchers
- ▷ Attach K-1s to individual income tax returns to facilitate processing, particularly if credits, subtractions or pass-through withholding are claimed
- ▷ Use "See statement" sparingly; we need to know entity name & ID number when claiming credits
- ▷ If wages are reported differently than W-2, include an explanation of the difference as an attachment and indicate where income was earned (1NPR)

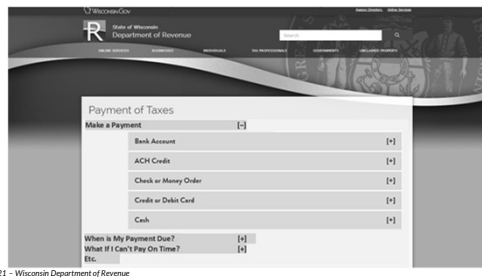
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Online Payment Portal Project

- ▷ Goal of this project is to create an easy-to-use SINGLE page for payments, with a prominent button or launch page from our home page (not including MTA payments)
- ▷ Payment terminology will be written in a way that taxpayers can understand
- ▷ We are looking at a separate URLs such as revenue.wi.gov/billpay that will take a taxpayer directly to a bill payment page

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Online Payment Portal – Sample



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Filing Tips – M&A Credit

- ▷ Manufacturing and Agriculture Credit
 - Ensure that boxes A, B and C are completed on Schedule MA-A and boxes A, B, C and D are completed on Schedule MA-M
 - Parcel numbers should be included on MA-M
 - Be sure to include the computed credit as income in the following taxable year

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Filing Tips – Decedent's Refund

- ▷ Form 804 should be filed with decedent's return
- ▷ If no Form 804 is filed, DOR will issue refund to the estate of the decedent
- ▷ We cannot issue a refund to a trustee UNLESS trustee is a surviving relative or creditor of decedent

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Filing Tips – Pass Through

- ▷ An apportionment schedule must be included if less than 100% apportionment is used
- ▷ Form N must be included if reporting nonapportionable income or using separate accounting
- ▷ If entity-level tax election is made, and claiming credit for tax paid to another state (Schedule ET-OS), attach other state's tax return

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Information Returns

	2018	2019	2020	2021 YTD
January only	5.88 million	6.21 million	6.50 million	6.58 million
January – September	7.08 million	7.38 million	7.33 million	7.75 million
e-File Rate	94.5%	96.5%	97.1%	97.9%

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Information Returns – 2021 YTD

- ▷ 5.10 million W-2s – 99.1% e-file rate
- ▷ 1.17 million 1099-Rs – 99.5% e-file rate
- ▷ 604,400 1099-Gs – 100% e-file rate
- ▷ 572,100 1099-NECs – 85.8% e-file rate
- ▷ 177,800 W-2Gs – 99.9% e-file rate
- ▷ 145,200 1099-MISC – 84.2% e-file rate
- ▷ 9,900 "other" – 13.3% e-file rate
- ▷ 2021 YTD data through the end of September

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Filing Tips – Withholding

- ▷ Make sure WT-6s have valid Wisconsin tax account numbers; do not use "888" number
- ▷ Can use data exchange or online lookup to get tax account number, if needed
- ▷ Do not file zero WT-6s after the entity is ceased; this triggers an automatic letter
- ▷ Final WT-7s are due 30 days after a business ceases

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Filing Frequency Review

- ▷ DOR reviews filing frequency in November (sales tax and withholding tax)
 - If account selected for change, taxpayer will be notified via letter
 - Changes are effective in January
 - Taxpayers may request more frequent filing than required. Submit request through My Tax Account beginning late November through December.

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ID Verification

	FY21	FY20	FY19	FY18
Returns Evaluated	3,010,713	2,875,034	3,087,501	3,075,709
Quizzes Required	2,029	3,083	2,591	5,088
PINs Required	36,078	36,480	49,919	75,053
ID Docs Required	2,746	4,931	7,725	9,518
ID Docs Reviewed	2,186	6,597	8,959	9,813
Total ID Verification Actions Required	40,853	44,944	60,235	89,659
% of Returns Evaluated Requiring ID Verification	1.36%	1.55%	1.95%	2.92%
Refunds Denied for Failure to Verify ID	2,854	12,198	23,481	19,202

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Bad Refunds Stopped

Bad Refunds Adjusted/Stopped	Fraud Detection With Analytics	Processing Fraud - OCI	Processing Fraud - Tax Ops	Earned Income Credit	Homestead Credit	Total for Specific Initiatives
FY21	\$3,190,632	\$9,878,995	\$4,631,190	\$19,748,512	\$24,148,497	\$61,597,826
FY20	\$5,613,949	\$7,940,577	\$2,856,902	\$8,123,852	\$4,776,598	\$29,111,778
FY19	\$8,595,886	\$5,970,625	\$6,020,804	\$20,436,036	\$14,358,603	\$55,381,754
FY18	\$7,052,669	\$5,869,413	\$5,628,995	\$17,943,046	\$14,862,551	\$51,356,674
FY17	\$9,300,745	\$6,059,255	\$8,044,070	\$20,134,976	\$16,046,799	\$59,585,845
FY16	\$11,149,599	\$8,092,817	\$6,849,591	\$19,946,592	\$17,004,928	\$63,043,527
FY15	\$11,050,119	\$7,335,531	\$6,889,513	\$16,682,990	\$15,828,093	\$57,786,246
FY14	\$3,550,473	\$4,904,089	\$8,195,222	\$17,710,656	\$15,299,425	\$49,659,865
FY13		\$3,434,613		\$14,257,838	\$12,480,794	\$30,173,245
FY12		\$1,702,300		\$9,341,511	\$14,694,458	\$25,738,269
FY11		\$3,324,200		\$13,610,224	\$12,219,984	\$29,054,408
Total						\$450,891,611

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Other Initiatives

- ▷ Online Chat - You can chat with Customer Service and Unclaimed Property agents from our website
- ▷ Bilingual efforts - DOR has increased the number of letters printed in Spanish, expanded the number of languages available for translations and translated more webpages into Spanish
- ▷ Extended hours - DOR will extend call center hours to 6:00 two days per week for two weeks prior to the filing due date during the 2021 filing season

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My Tax Account (MTA) and My Case Manager (MCM) Update

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MTA Update

▷ New version of MTA went live in September

- New look and feel
- Responsive design and simplified navigation
- Simplified acquiring third-party access to client's account
- Session ID function – allows unregistered users to share screen with DOR agent to work through issues together
- Print PDFs of some tax returns after submitting them
- Electronic Notice Option – Users can choose to receive most notices electronically
- Informational videos highlighting improvements are available from the DOR training web page: revenue.wi.gov/Pages/Training/Home.aspx

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MTA Update

▷ Improved MTA Security

- More secure password requirement
- Two-step authentication allows use of authentication app such as Google Authenticator

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MTA Update – IP PIN

▷ Voluntary, opt-in process for taxpayers to request a PIN

▷ PINs required on tax returns if taxpayer is part of program

▷ e-Filed returns without PIN will reject

▷ ID fraud processing will be bypassed if PIN is supplied correctly

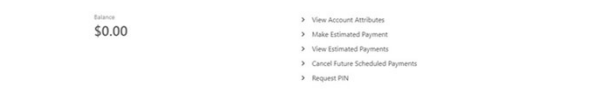
▷ WI PIN is 7 digits, and the 7th character is ALWAYS "W" to differentiate from IRS PIN and our ID Verification PIN

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MTA Update – IP PIN

- ▷ PINs will be requested through individual income tax account on MTA
- ▷ New PIN must be requested every year (a reminder will be sent)
- ▷ PIN link available at period level – see below



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MTA Update – IP PIN

Wisconsin Identity Protection PIN Request

@gmail.com

Wisconsin Identity Protection PIN Request

PIN Request

Confirm PIN Request

Select "Yes" and "Submit" to request your Wisconsin Identity Protection PIN. By submitting this request, you will be required to enter your Wisconsin Identity Protection PIN on your 2021 and forward individual income tax returns and nonresident credit claims. This PIN will expire on December 31, 2021. Common Questions.

I want a Wisconsin Identity Protection PIN:

No Yes


Cancel Previous **Submit**

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MTA Update – IP PIN

- ▷ PIN is displayed on confirmation screen (PIN is partially redacted in image below)



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MTA Update – IP PIN

▷ Once PIN has been requested, different links are available

- > View Account Attributes
- > Make Estimated Payment
- > View Estimated Payments
- > Cancel Future Scheduled Payments
- > Resend PIN
- > Cancel PIN

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MTA Update – IP PIN

▷ PINs display as web notices or messages in MTA

102875875						
Inbox		Outbox	Archived	Search		
Messages						
Date	Subject	Account Type	Account ID	Period	Archive All	Print
25-Oct-2021	Wisconsin Monthly Prepayment PIN Registration	Individual Income Tax	001	02	Archive	
25-Oct-2021	Wisconsin Monthly Prepayment PIN Registration	Individual Income Tax	001	02	Archive	
25-Oct-2021	My Tax Account Access Request				Archive	
25-Oct-2021	Welcome to My Tax Account				Archive	
25-Oct-2021	My Tax Account - Request for Account Password				Archive	

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MTA Update – IP PIN & Individuals

▷ IP PIN is first substantial functionality available for individual income taxpayers in MTA who are NOT in collections

▷ Registration process is similar to business registration

- Two step authentication
- Requires income validation from prior tax return
- Requires identity authentication
- Taxpayer will be prompted for letter ID OR collection case number; if not available, taxpayer will be mailed the "MTA Personal Account Registration Letter"

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MTA Update – Individuals

▷ Process steps for adding individual income account & welcome letter request

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MTA Update – IIT Functionality

- ▷ Can schedule estimated payments, and cancel estimated payments scheduled for the future
- ▷ View letters and web notices / messages in Inbox
- ▷ Check refund status; same information as "Where's My Refund"
- ▷ View 1099-G
- ▷ Functions are easier to use than "unregistered" users in MTA, since taxpayer is already in their account

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MTA Update – Taxpayer Is Master

- ▷ Individual income taxpayers **MUST** register for MTA themselves so they are Master of their own account
- ▷ They can provide access to you later, if they wish
- ▷ Practitioners – **DO NOT** set up MTA on behalf of your client

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MTA Update

- ▷ New this year – simplified third-party access
 - Third-party representatives can request access to taxpayer accounts from MTA or from DOR when a power of attorney form is on file
 - The taxpayer or master account holder no longer needs to log in separately to approve the request – the taxpayer may set default third-party access level to either "View only" or "All Access"
 - The third-party representative submits validation information based on recently filed tax returns
 - Once access is obtained, the third-party representative can view tax account information and certain letters at the customer level.

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MTA Update

- ▷ Unregistered persons can make one-time payments through MTA
 - Individual and fiduciary income tax and consumer use tax
 - estimated payments, return payments, bill payments, and delinquent tax payments
 - Other debts referred to DOR for collection
- ▷ Registered MTA users can manage their My Collection cases
 - Request or change a payment plan
 - Ask for a wage attachment reduction
 - Pay toward collection balance
 - View lien information

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What is My Case Manager?

- ▷ Part of My Tax Account (MTA) which tells you:
 - Audit progress and timeline
 - Audit stage and target date for next stage
 - Outstanding requests
 - Audit or case history
 - How to contact auditor/supervisor
- ▷ Together with MTA, it provides:
 - A secure messaging option
 - Electronic copies of most major audit letters and notices
 - Links to resources relevant to your audit or case



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Third Party Access to My Case Manager

- ▷ If you are under field audit and have a representative, the auditor can give your POA access to My Case Manager if you consent
 - Valid POA Form required
 - Auditor will request additional written consent
- ▷ Auditor will never give a POA access to file or pay your returns, nor to view any tax types other than the one under audit

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MTA Update

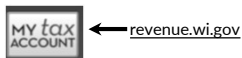
- ▷ Annual New User Webinars
 - December 14
- ▷ Annual Refresher Webinars
 - January 11, 13, 19, & 20
 - Register online, starting in November at <https://www.revenue.wi.gov/Pages/Training/Home.aspx>

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Resources for MTA and My Case Manager



- Resources**
- > Business Videos
 - > Individual Videos
 - > More Videos
 - > My Tax Account Common Questions
 - > More Common Questions

▷ MTA How-To Videos on DOR Website:

- [My Case Manager for Audits](#)
- [Third Party Access](#)

▷ [Publication 701, My Case Manager User Guide](#)

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Customer Service
Performance Metrics

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FY21 - Call Center

Call Center Surveys		
	Professional	Knowledgeable
Customer Service	99.4%	99.2%
Compliance	99.2%	99.3%
Tax Operations	99.6%	99.1%
Audit	99.5%	99.1%

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FY21 - Call Center

Bureau	Inbound Answer Rate	Average Hold H:MM:SS
Customer Service	99.33%	0:01:44
Tax Operations	99.36%	0:00:17
Audit	98.16%	0:00:18
Compliance	99.45%	0:00:34
Average	99.33%	0:01:06
Goal	97.80%	0:01:30

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FY21 Call Center

Total Customer Call Center Contacts	
Customer Service	339,059
Tax Operations	43,836
Audit	35,523
Compliance	355,672
Total	774,090

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Thanks!
Any questions?

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