

**WISCONSIN TAX  
UPDATE**

Presented by  
**WISCONSIN DEPARTMENT OF REVENUE**  
Fall 2018

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**Agenda**

- Internal Revenue Code Update
- Income /Franchise Tax
- Sales and Use Tax
- Other Law Changes and Updates
- Processing Update
- My Tax Account
- DOR Initiatives

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**IRC Update**

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**IRC Update - Provisions Adopted**

2017 Federal Itemized Deductions	2018 Federal Changes	2018 Wisconsin Changes to Itemized Deduction Credit
Medical Expenses	No change - AGI threshold remains at 7.5%	AGI threshold lowered to 7.5%
State and Local Taxes Paid (property and income taxes)	Limited to \$10,000	N/A
Interest Paid	Disallow interest on second mortgages / home equity loans not used to buy, build, or substantially improve the taxpayer's home that secures the loan  Lowered limit on new home debt to \$750,000	Disallow interest on second mortgages / home equity loans not used to buy, build, or substantially improve the taxpayer's home that secures the loan  Lowered limit on new home debt to \$750,000

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**IRC Update - Provisions Adopted**

2017 Federal Itemized Deductions	2018 Federal Changes	2018 Wisconsin Changes to Itemized Deduction Credit
Gifts to Charity	Increased cash contribution limit to 60% of AGI	Increased cash contribution limit to 60% of AGI
Casualty and Theft Losses	Limited to losses only from federally declared disasters	No change for WI – result is same as 2018 federal amounts
2% Miscellaneous	Disallowed entirely	N/A
Overall "Pease" Limitation	Eliminated	Eliminated

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**IRC Update - Provisions Adopted**

- **Temporary reduction in medical expense deduction floor**
  - 7.5% of adjusted gross income
- **Limitation on state and local taxes paid - \$10,000**
  - N/A – no change for WI

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**IRC Update - Provisions Adopted**

- **Limitation for qualified residence interest**
  - Home equity debt not allowed if not used to buy, build, or substantially improve home
  - Amount of debt limited to \$750,000 (debt incurred after 12/15/17)
- **Increase limitation for certain charitable contributions**
  - 60% of federal AGI (increased from 50%)
  - Excess allowed as carryover for five years

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**IRC Update - Provisions Adopted**

- **Modify deduction for personal casualty losses**
  - Losses related to federally declared disaster
  - No change for Wisconsin
- **Suspend miscellaneous itemized deductions**
  - N/A - no change for Wisconsin
- **Suspend overall "Pease" limitation on itemized deductions**

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**IRC Update - Provisions Adopted**

- **Additional contributions to ABLE accounts**
  - Additional amount equal to lesser of:
    - Designated beneficiary's compensation
    - Poverty line for one-person household – \$12,140 for 2018
- **Rollovers to ABLE account from 529 account**
  - Limited to annual contribution amount - \$15,000 for 2018

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### IRC Update - Provisions Adopted

- **529 account funding for elementary and secondary education**
  - Withdrawals allowed for tuition for elementary or secondary public, private, or religious school
  - \$10,000 withdrawal limitation per beneficiary
- **2017 WI Act 231**
  - Wisconsin's private school tuition subtraction not allowed for amounts paid from college savings account

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### IRC Update - Provisions Adopted

- **Suspend exclusion for qualified moving expense reimbursements**
  - Included in gross income on W-2
  - Exception for members of the Armed Forces
- **Suspend deduction for moving expenses**
  - Exception for members of the Armed Forces

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### IRC Update - Provisions Adopted

- **IRS Notice 2018-75**
  - Additional guidance provided by the IRS for qualified moving expense reimbursements
- **Employer's reimbursements or payments are not taxable to employee if:**
  - Employee's move occurred prior to January 1, 2018
  - Employee's move was work-related
  - Employee's moving expenses would have been deductible under sec. 217, IRC, if paid directly by individual prior to January 1, 2018
  - Employee did not claim deduction for expenses
  - Expenses otherwise satisfy requirements of sec. 132(g)(1), IRC

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**IRC Update - Provisions Adopted**

- **Repeal deduction for alimony payments**
  - Applies to divorce or separation instrument executed after 12/31/18
  - Payments no longer included in payee's federal AGI

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**IRC Update - Provisions Adopted**

- **Increase exemption and phase-out for alternative minimum tax**

Filing Status	Exemption Amount	Phase-Out Amount
MFJ	\$109,400	\$1,000,000
Single or HoH	\$70,300	\$500,000
MFS	\$54,700	\$500,000
Estate or Trust	\$24,600	\$81,900

- **AMT no longer applies for Wisconsin in TY2019**

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**IRC Update - Provisions Adopted**

- **Like-kind exchanges**
  - Only applies to real property
- **Transportation and commuting benefit expenses for employees**
  - No deduction allowed for employers
  - Exception for ensuring safety of employee

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### IRC Update - Provisions Adopted

- **Small business accounting method reform and simplification**
  - Persons eligible to use cash method of accounting - gross receipts threshold increased from \$5 million to \$25 million
  - Persons eligible to use completed contract method (instead of percentage-of-completion method) - gross receipts threshold increased from \$10 million to \$25 million
- **Repeal of domestic production activities deduction**
  - N/A - no change for Wisconsin

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### IRC Update - Provisions Adopted

- **Contributions to corporations by government entities not treated as contributions to capital**
  - IRC sec. 118(b) – contributions to capital of a corporation does not include contributions by any governmental entity or civic group

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### IRC Update - Provisions Adopted

- **Repeal of technical termination of partnerships**
  - Previously technical termination triggered if more than 50% of total capital and profit interest was sold or exchanged
- **Unrelated business taxable income (UBTI)**
  - UBTI now computed separately for each trade or business
  - Loss from one business cannot offset income from another
  - Taxable income increased by fringe benefit expenses for which deduction is now disallowed

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**IRC Update - Provisions Not Adopted**

- **Limitation on business losses**
  - Deductions cannot exceed gross income plus \$250,000 (\$500,000 for joint return)
  - Applies to taxpayers except corporations
  - Applied at individual, partner, or shareholder level
  - Disallowed loss is NOL carryover

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**IRC Update - Provisions Not Adopted**

- **Business interest expense limitation**
  - An exemption applies to businesses with average annual gross receipts of \$25 million or less
- **Meals and entertainment expense limitation**
  - Meals provided by employer - deduction limited to 50% (WI still 100% deductible)
  - Entertainment, amusement, or recreation expenses – deduction disallowed (WI still 50% deductible)

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**IRC Update - Provisions Not Adopted**

- **Certain special rules for taxable year of inclusion (sec. 451, IRC)**
  - Accrual method taxpayers – income recognition generally must match financial reporting
  - Multiple performance obligations - income recognition generally must match financial reporting
  - Advance payments – included in year received
    - Election available to defer income inclusion based on financial reporting

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**IRC Update - Provisions Not Adopted**

- **20% deduction for domestic qualified business income**
  - Applies to partnerships, tax-option (S) corporations, and Schedule C businesses
  - Aligns tax rates applied to business income - federal individual income tax rates are higher than corporate tax rate
  - WI individual income tax rate is lower than corporate rate

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**IRC Update - Provisions Not Adopted**

- **Modification of net operating loss deduction**
  - NOL deduction limited to 80% of taxable income
  - Unused portion has unlimited time period for carryover
  - WI has own NOL provisions

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**IRC Update - Provisions Not Adopted**

- **Dividend received deduction modifications**
  - Foreign source dividends - 100% deduction for 10% owned foreign corporations
  - Other dividends
    - Reduced 80% deduction to 65% for 20% owned corporations
    - Reduced 70% deduction to 50% for <20% owned corporations
- **WI has own dividend received deduction**

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**IRC Update - Provisions Not Adopted**

- **Repatriation of foreign deferred income**
  - Applied to 2017 tax year
  - 15.5% tax on cash and cash equivalents for untaxed income located in foreign countries
- **Global intangible low taxed income (GILTI)**
  - Applies global minimum tax to U.S. shareholder's portion of income from controlled foreign corporation

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**IRC Update - Provisions Not Adopted**

- **Base-erosion and anti-abuse tax (BEAT)**
  - Similar to alternative minimum tax
  - Targets corporations that make base-erosion payments to related foreign persons
- **Partnership audit rules**
  - Allows IRS to assess tax at partnership level

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**IRC Update -  
Depreciation/Amortization**

- Wisconsin computes depreciation and amortization using IRC in effect on January 1, 2014 (see exceptions on next slide)
- Wisconsin has not adopted federal bonus depreciation provisions

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**IRC Update -  
Depreciation/Amortization**

- **Tax Cut and Jobs Act provisions adopted**
  - Depreciation method for personal use property (listed property)
    - Limitation no longer applies to computer and peripheral equipment
  - Applicable recovery period for real property
    - Residential rental property – ADS reduced from 40 years to 30 years

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**IRC Update -  
Depreciation/Amortization**

- **Tax Cut and Jobs Act provisions adopted**
  - Modifications of treatment of certain farm property
  - Use of ADS for electing farm businesses
  - Expensing of certain costs of replanting citrus plants lost by reason of casualty

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**IRC Update -  
Depreciation/Amortization**

- **Luxury auto limits adopted by WI**
  - Modifications to depreciation limitations on luxury auto – sec. 280F, IRC
    - \$10,000 – 1<sup>st</sup> year (plus \$6,400 in 2018 and \$4,800 in 2019 for qualified property)
    - \$16,000 – 2<sup>nd</sup> year
    - \$9,600 – 3<sup>rd</sup> year
    - \$5,760 – succeeding years

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**IRC Update  
Section 179 Expense**

- **Wisconsin follows federal changes to Section 179 expensing**
  - Section 179 expense limitation
    - Increased from \$500,000 to \$1,000,000
  - Expense limit phase-out
    - Increased from \$2 million to \$2.5 million

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**IRC Update  
Depletion**

- Wisconsin follows IRC in effect for federal purposes for year in which property is placed in service
- 2017 WI Act 231 clarified that applicable IRC is that in effect for federal purposes

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**Wisconsin  
Income/Franchise Tax  
Law Changes**

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**Law Changes – Income/Franchise**

• **Research Credit – 10% Refundable**

- Up to 10% of current year’s research credit claimed is refundable if any current year’s research credit remains after offsetting tax due for year
- Any amount not used to offset tax, and not refunded, may be carried forward for following 15 taxable years
- Effective for taxable years beginning after December 31, 2017 (2018 tax year)

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**Law Changes – Income/Franchise**

• **Research Credit – 10% Refundable**

- Carryforward may not be used to compute 10% refundable portion
- Taxpayer can choose to use research credit carry forward from prior year to offset current tax and claim full 10% refundable portion of current year’s credit

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**Law Changes – Income/Franchise**

• **Research Credit – 10% Refundable**

- Refundable portion is not shareable for combined groups
- Combined group member must use all its research credits to offset tax before it can share any portion of remaining credits

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**Law Changes – Income/Franchise**

**Research Credit - Example 1**

2018 Research credit computed	\$10,000
Less 2018 WI gross tax computed	(\$5,000)
Remaining 2018 research credit	\$5,000
10% of research credit (\$10,000 x 10%)	\$1,000
Portion of research credit refundable	\$1,000
Research credit carryforward (\$5,000 – \$1,000)	\$4,000

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**Law Changes – Income/Franchise**

**Research Credit - Example 2**

2018 Research credit computed	\$10,000
Less 2018 WI gross tax computed	(\$9,500)
Remaining 2018 research credit	\$500
10% of research credit (\$10,000 x 10%)	\$1,000
Portion of research credit refundable	\$500
Research credit carryforward (\$500 – \$500)	\$0

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**Law Changes – Income/Franchise**

- **Homestead Credit**
  - For taxable years beginning after December 31, 2017 (2018 claims filed in 2019), disqualified losses must be added back to household income
  - Exception to addback of disqualified losses applies to certain farmers

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**Law Changes – Income/Franchise**

- **Homestead Credit**
  - Disqualified loss means sum of following amounts, exclusive of (1) net gains from sale or exchange of capital or business assets and (2) net profits
    - Net loss from sole proprietorships
    - Net capital loss
    - Net loss from sales of business property, excluding loss from involuntary conversions
    - Net loss from rental real estate, royalties, partnerships, tax-option (S) corporations, trusts, estates, and real estate mortgage investment conduits
    - Net farm loss

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**Law Changes – Income/Franchise**

**Disqualified Losses - Example 1**

- Taxpayer has three businesses
  - Schedule C 1 - net loss of (\$6,000)
  - Schedule C 2 - net loss of (\$3,000)
  - Schedule C 3 - net income of \$4,000
- Enter \$9,000 on line 2, Schedule 4, of Schedule H

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**Law Changes – Income/Franchise**

**Disqualified Losses - Example 2**

- The taxpayer sold:
  - 100 shares of XYZ stock - gain of \$1,000
  - 150 shares of ABC stock - loss of (\$4,000)
  - Federal return - capital loss deduction of (\$3,000)
  - WI Form 1 - \$2,500 addition modification
- Enter \$1,500 loss on line 3, Schedule 4, of Schedule H (\$500 loss + \$1,000 current year loss used to offset gains)

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### Law Changes – Income/Franchise

#### Disqualified Losses - Example 3

- The taxpayer sold:
  - 100 shares of ABC stock - gain of \$10,000
  - 150 shares of XYZ stock - loss of (\$4,000)
  - Wisconsin capital loss carryover of (\$7,000)
  - Federal return - capital loss deduction of (\$1,000)
  - WI Form 1 - addition modification of \$500
- Enter \$4,000 loss on line 3, Schedule 4, of Schedule H
- Add back \$6,500 capital loss carryover to household income on line 11e of Schedule H

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### Law Changes – Income/Franchise

#### • Homestead Credit - Net loss from tax-option (S) corporation, partnership, and fiduciary

- Net all items of income or loss reported on Schedules 2K-1, 3K-1, and 5K-1 for each entity
  - Adjust for any Wisconsin income modifications made on Schedule WD and Form 1, line 11, related to each entity
- If total from each entity results in loss, that amount is added back to household income as disqualified loss

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### Law Changes – Income/Franchise

#### • Homestead Credit – Disqualified Losses Exception

- Claimant does not add back disqualified losses if:
  - Claimant is a farmer,
  - Claimant's primary income is from farming, **and**
  - Claimant's farming operations generate less than \$250,000 of gross receipts

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### Law Changes – Income/Franchise

- **Homestead Credit – Disqualified Losses Exception**
  - Primary income is from farming if taxpayer has more positive net income from farming than all other sources combined
  - If claimant is partner of farming partnership and a farmer, use share of partnership's gross receipts for determining \$250,000 threshold
  - "Primary income" means more than 50% of income comes from farming. Income is farmer's adjusted gross income after add-backs, such as depreciation, deferred compensation, nontaxable portions of pension, social security or unemployment compensation, etc., except disqualified losses

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### Law Changes – Income/Franchise

- **Homestead Credit – Disqualified Losses Exception - Example 1**
  - Farmer's Schedule F has gross receipts of \$60,000 and net loss of (\$20,000)
  - Farmer has wages of \$10,000
  - Taxpayer must add back (\$20,000) loss because
    - Primary income is not from farming – wages are more than farm net income

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### Law Changes – Income/Franchise

- **Homestead Credit – Disqualified Losses Exception - Example 2**
  - Farmer's Schedule F has gross receipts of \$60,000 and net income of \$10,000
  - Farmer's Schedule C 1 has net income of \$8,000
  - Farmer's Schedule C 2 has net loss of (\$3,000)
  - Taxpayer does not add back (\$3,000) business loss because:
    - Primary income is from farming - net farm income is greater than all other income
    - Gross receipts from farming are less than \$250,000

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**Law Changes – Income/Franchise**

• **Earned Income Tax Credit (EITC) Pilot and Permanent Program**

- Advanced monthly payments of state and federal EITC made to test group of 100 eligible claimants
- Additional test group of 100 claimants selected to compare financial stability during 2019 and 2020
- Only applies if IRS and DOR can reach an agreement
- IRS indicated unable to implement program

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**Law Changes – Income/Franchise**

• **Supplement to Federal Historic Rehabilitation Credit**

- Federal changes:
  - 10% credit for pre-1936 qualified buildings eliminated
  - Beginning 2018, credit must be claimed ratably over a 5-year period
  - Transition rule applies if 24 or 60 month measuring period is selected by taxpayer by June 19, 2018

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**Law Changes – Income/Franchise**

• **Supplement to Federal Historic Rehabilitation Credit**

- Wisconsin changes
  - \$3,500,000 project/parcel certification limitation from WEDC
  - 20% credit for pre-1936 buildings eliminated
  - Beginning in 2018, credit must be claimed ratably over 5-year period or transitional rule applies
  - May only sell/transfer amount eligible to claim (1/5 each year)
  - Purchasers of credit may use entire amount purchased

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**Law Changes – Income/Franchise**

- **Employee College Savings Account Contribution Credit**
  - New nonrefundable credit claimed on Schedule ES
  - Employers may claim nonrefundable credit for contributions to employees' college savings accounts
  - Maximum amount of credit is 25% of employer's contribution
    - Maximum contribution for computing credit may not be more than 25% of college savings account subtraction limitation for current year

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**Law Changes – Income/Franchise**

- **Employee College Savings Account Contribution Credit - Example**
  - Corporation ABC contributes \$4,000 to Employee A's 529 account
  - Maximum amount of contribution allowed for credit = \$800 ( $\$3,200 \times 25\%$ )
  - Credit amount = \$200 ( $\$800 \times 25\%$ )

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**Law Changes – Income/Franchise**

- **Employee College Savings Account Contribution Credit**
  - Claimant must be corporation or individual who is partner, member, or shareholder
  - Employer must be corporation, partnership, or tax-option (S) corporation (not sole proprietor or fiduciary)

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**Law Changes – Income/Franchise**

- **New – Low Income Housing Credit**
  - Nonrefundable credit claimed on Schedule LI
  - Based on federal credit under sec. 42, IRC – part of rental units must be for low to moderate household incomes
  - Credit is awarded over 6-year period
  - WHEDA awards credit amount – Maximum credit for all claimants is \$42 million (\$7 million per year)
  - 30-year compliance period, otherwise credit recapture
  - Credit is nontransferable

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**Law Changes – Income/Franchise**

- **Business Development Credit Amended**
  - Effective September 23, 2017, corporations must add credit to income
  - Previously, only S corporations, partnerships, individuals, and fiduciaries add credit to income
  - WEDC may allocate up to \$22 million each year (previously \$17 million) - amounts not used increase following year's allocation

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**Law Changes – Income/Franchise**

- **Economic Substance Standards Amended**
  - Effective for taxable years beginning on January 1, 2018
  - Standard changed from clear and convincing to clear and satisfactory
  - WI Supreme Court states terms mean same thing  
"It has been our opinion in recent cases that the words 'satisfactory' and 'convincing' mean the same thing. The word 'convincing' is defined to mean satisfying by proof. In the latest cases of this type, we have used the expression 'clear and satisfactory evidence' as meaning the same thing as 'clear and convincing evidence.'"
  - Tax Appeals Commission has long used the terms interchangeably
  - Taxpayers still bear burden of proof

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### Law Changes – Income/Franchise

- **Dependent Exemption**

- Wisconsin has not eliminated personal and dependent exemptions - 2018 amounts same as 2017
- Definition of dependent follows sec. 152, IRC , for following Wisconsin tax benefits:
  - Tuition and fees subtraction
  - Private school tuition subtraction
  - Human organ donation subtraction
  - Personal exemptions

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### Other Updates and Reminders

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### Other Updates and Reminders

- **College Savings Account Subtraction**

- \$3,200 (\$1,600 if married filing separately)
- 2017 amount was \$3,140

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### Other Updates and Reminders

- **WI Tuition and Fees Subtraction**

- Subtraction – increased from \$6,958 to \$6,974
  - Includes fees for course related books if paid to institution as condition of enrollment or attendance
- Phase-out
  - Single or head of household -- \$54,190 to \$65,030
  - Married filing joint -- \$86,700 to \$108,380
  - Married filing separate -- \$43,350 to \$54,190

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### Other Updates and Reminders

- **Mileage Rate**

- 2018
  - 54.5 cents per mile for business miles, up from 53.5 cents for 2017
  - 18 cents per mile for medical or moving purposes, up from 17 cents for 2017
  - 14 cents per mile in service of charitable organizations
- 2019
  - Not announced yet

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### Other Updates and Reminders

- **Qualified Wisconsin Business - Capital Gain Exclusion/Deferral**

- May exclude long-term capital gain on sale of investment if investment made after December 31, 2010 in qualified Wisconsin business and held for at least five uninterrupted years
- May defer long-term capital gain on sale of assets that are reinvested in qualified Wisconsin business.
- Exclusion does not apply to any portion of gain due to amount of gain deferred at time of investment
- See Schedule QI

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### Other Updates and Reminders

- **Qualified Wisconsin Business - Capital Gain Exclusion/Deferral**
  - "Investment" in qualified Wisconsin business means amounts paid to acquire stock or other ownership interest in partnership, corporation, tax-option corporation, or limited liability company treated as partnership or corporation
  - Amount of qualifying gain eligible for exclusion may not exceed fair market value of investment on date sold less fair market value of investment on date acquired

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### Other Updates and Reminders

- **Qualified Wisconsin Business - DOR Online Registration**
  - Business eligible if in taxable year immediately before date of registration:
    - At least two employees
    - 50% of payroll in Wisconsin
    - 50% of real estate and tangible property in Wisconsin
  - Must register every year

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## Sales and Use Tax

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### New Publications

- **Pub 244, Hunting Preserves and Game Farms**
- **Fact Sheet 2110, Occasional Sale of Business Assets**
- **Coming soon**
  - Computer hardware and software (will replace Common Questions on website)
  - Propane dealers

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### Wisconsin Court Cases

- *Tetra Tech EC, Inc.*
  - Cleaning soil from river taxable processing service
  - WI Supreme Court – Affirmed taxable processing service
- *Healthcare Services Group*
  - Laundry services performed under contract taxable service (not nontaxable temporary help service)
  - Court of Appeals affirmed taxable service – taxpayer appealed to WI Supreme Court

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### Wisconsin Court Cases

- *PMFC Holding, LLC*
  - Fuel and electricity used in operating air handling equipment in a manufacturing facility - industrial waste treatment facility exemption
  - Circuit Court held qualified for exemption – DOR will not appeal

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**Sales and Use Tax Update**

• **Tax Rate Changes**

- 0.5% premier resort tax in Village of Sister Bay effective July 1, 2018
- Counties adopting 0.5% county tax
  - Brown County, effective January 1, 2018
    - Court challenge of Brown County's authority to impose tax
  - Calumet County, effective April 1, 2018

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**Law Changes – Sales/Use**

• **Sales Tax Rebate and Holiday (2017 Wis. Act 367)**

- One-time sales and use tax rebate for qualified child
  - Application deadline was June 30, 2018
  - No rebates issued after December 31, 2018
- One-time sales tax holiday Aug 1-5, 2018

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**Law Changes – Sales/Use**

• **Sales Tax Rebate**

- Total Claims - 557,839
- Amount of refunds issued - \$ 86,189,329
- Amount applied to debt - \$ 8,070,574
- Count of individual child rebates - 942,599
- Cases adjusted or denied – 24,306
- Amount adjusted/denied – \$2,590,800

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### Law Changes – Sales/Use

- **Sellers That Over-Collect Tax from Consumers (2017 WI Act 324)**
  - If seller erroneously collects tax from buyers after receiving two written notices from DOR, seller:
    - Not entitled to adjustment or refund of tax collected, unless returns tax and interest to buyer
    - If the buyer cannot be located, must return tax and interest to DOR
  - If seller does not return tax and interest to buyer or DOR, seller subject to penalties:
    - 25% of the tax and interest, or
    - 100% of tax and interest, if fraud

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### Law Changes – Sales/Use

- **Exemption for State Veterans Organizations (SVO) (2017 WI Act 190)**
  - Exemption for certain purchases by SVO
    - Does not apply to purchases of property and services used primarily in preparing, storing, serving, selling, or delivery food and beverages
  - SVO must provide vendor with Form S-211
    - SVO cannot obtain CES number

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### Law Changes – Sales/Use

- **Exemption for Certain Title Holding Companies (2017 Wis. Act 231)**
  - Exemption for purchases by title holding company organized under sec. 501(c)(2), IRC, and exempt from federal income tax under sec. 501(a), IRC
  - Must apply for a CES number with DOR

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### Law Changes – Sales/Use

#### • Building Materials for Exempt Entities

- Building materials exemption for contracts with certain exempt entities expanded to include additional qualifying entities
  - State Veterans Organization
    - Became qualifying entity for contracts July 1, 2018, and after
  - 501(c)(2) Holding Company
    - Became qualifying entity retroactive for contracts September 1, 2017, and after

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### Disaster Relief

#### • Qualifying out-of-state business performing disaster relief work in Wisconsin

- Exemption from use tax on products and services purchased outside WI and brought into WI for disaster relief work
- **New** - Exemption for certain services sold to and by electric cooperatives and telecommunications utilities
  - Service must be for disaster relief work under mutual aid agreement when at least 20% of system was nonoperational
  - Effective retroactively on January 1, 2017

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### *Wayfair vs. South Dakota*

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**Wayfair vs. South Dakota**

- U.S. Supreme Court, June 21, 2018
- Ruled state can require out-of-state retailers without a physical presence (i.e., remote sellers) in that state to collect and remit sales or use tax on sales delivered into that state

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**Wayfair and Wisconsin**

- Previously, out-of-state retailer was not required to collect Wisconsin sales or use taxes unless retailer had physical presence in Wisconsin
- Based on prior U.S. Supreme Court decisions (now overruled)
  - *Quill Corp. v. North Dakota*
  - *National Bellas Hess, Inc. v. Department of Revenue of Ill.*

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**Wayfair and Wisconsin**

- Wisconsin law – sec. 77.51(13g)(c), Wis. Stats.
- "Retailer engaged in business in this state" includes any retailer making sales of taxable products and services, unless otherwise limited by federal law

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**Wayfair and Wisconsin**

- **South Dakota small seller exception by law**
- **Wisconsin created small seller exception by rule**
  - Emergency rule (EmR1819) currently in place
    - Effective October 1, 2018
  - Permanent rule – in process

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**Wayfair and Wisconsin**

- **Who is affected by Wayfair?**
  - Out-of-state retailers with no other nexus-creating activities in WI, if either criteria is met in current or prior year:
    - Annual gross sales into WI exceed \$100,000
  - OR
  - Number of separate sales transactions into WI is 200 or more

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**Wayfair and Wisconsin**

- Annual amounts include taxable and nontaxable sales into WI
- "Year" means the retailer's taxable year for federal income tax purposes
- Deposits made in advance of sale are not transactions
- Annual amounts include sales into WI by:
  - Retailer on behalf of other persons
  - Another person on retailer's behalf

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### Wayfair and Wisconsin

- **Who is not affected?**
  - Retailers who have physical presence in WI
    - Small seller exception does not apply to retailers with physical presence in WI
  - Out-of-state retailers that qualify for small seller exception
  - WI purchasers
    - Use tax still applies, even if purchased from out-of-state retailer that qualifies for small seller exception

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### Wayfair and Wisconsin

- **When must retailers start collecting WI tax?**
  - October 1 – Applies to retailers who meet at least one threshold in
    - Prior year (2017), or
    - Current year (2018)
  - If neither threshold met in prior year, and at least one threshold met in current year, requirement to register, collect and remit begins with next transaction (See *Examples 4 and 5*)
    - Retailer must be registered in following year

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### Wayfair and Wisconsin

- **Example 1**
  - Out-of-state (OOS) retailer had \$300,000 annual gross sales and 175 separate sales transactions in 2017
  - OOS retailer is required to register and collect WI sales or use tax October 1, 2018

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**Wayfair and Wisconsin**

• **Example 2**

- OOS retailer had \$45,000 annual gross sales and 95 separate sales transactions in 2017
- From 1-1-18 through 9-30-18, OOS retailer has \$65,000 gross sales and 120 separate sales transactions
- From 10-1-18 through 12-31-18, OOS retailer has additional \$10,000 gross sales and 10 additional separate sales transactions
- OOS retailer not required to register and collect WI sales or use tax in 2018 or 2019, unless it meets one of the thresholds in 2019

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**Wayfair and Wisconsin**

• **Example 3**

- OOS retailer had \$90,000 annual gross sales and 155 separate sales transactions in 2017
- From 1-1-18 through 9-30-18, OOS retailer has \$75,000 gross sales and 220 separate sales transactions
- OOS retailer required to register and collect WI sales or use tax October 1, 2018
- OOS retailer also required to collect WI sales or use tax in 2019

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**Wayfair and Wisconsin**

• **Example 4**

- OOS retailer had \$90,000 annual gross sales and 155 separate sales transactions in 2017
- From 1-1-18 through 9-30-18, OOS retailer has \$95,000 gross sales and 185 separate sales transactions
- On 10-19-18, OOS retailer has \$6,000 WI sale (brings gross sales to \$101,000)
- OOS retailer is required to register and collect WI sales or use tax beginning with next sales transaction in 2018
- OOS retailer is also required to collect WI sales or use tax in 2019

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### Wayfair and Wisconsin

- **Example 5**
  - OOS retailer had \$90,000 annual gross sales and 185 separate sales transactions in 2017
  - From 1-1-18 through 9-30-18, OOS retailer has \$65,000 gross sales and 199 separate sales transactions
  - On 10-15-18, OOS retailer has a \$1,000 WI sale (brings separate sales transactions to 200)
  - OOS retailer is required to register and collect WI sales or use tax beginning with the \$1,000 sales transaction in 2018
  - OOS retailer is also required to collect WI sales or use tax in 2019

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### Wayfair and Wisconsin

- **Example 6**
  - OOS retailer had \$140,000 annual gross sales and 245 separate sales transactions in 2017
  - During 2018, OOS retailer has \$68,000 annual gross sales and 160 separate sales transactions
  - OOS retailer required to register and collect WI sales or use tax October 1, 2018
  - OOS Retailer not required to collect WI sales or use tax in 2019 if it inactivates its use tax registration certificate effective January 1, 2019

If it meets one or more thresholds in 2019, it must register beginning with its next sales transaction in 2019 once one of thresholds met

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### Wayfair and Wisconsin

- **Remote sellers – Wayfair web page**
  - Link on DOR website under "Current Topics"
- **Resources include:**
  - Link to Emergency Rule (EmR1819)
  - Link to U.S. Supreme Court decision
  - Registration and collections dates for remote sellers
  - Information for Wisconsin sellers selling in other states

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### Lodging Marketplace

- "Lodging marketplace" and "short-term rental" defined in ch. 66, Wis. Stats. (municipal law)
- "Lodging marketplace" is platform used by unaffiliated 3<sup>rd</sup> party for "short-term rentals"
- "Short-term rental" is residential dwelling offered for rent, for fee, for fewer than 29 days

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### Lodging Marketplace

- For "short-term rentals," lodging marketplace must:
  - Register with DOR for lodging marketplace license
  - Register for seller's permit, collect sales and use taxes from occupant, and remit taxes to DOR
  - Collect applicable room taxes from occupant and remit to municipality
  - Notify owner that taxes have been collected

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### Lodging Marketplace

- Effective September 23, 2017
- Online list of active licenses
  - Keyword search "lodging marketplace"
- Common questions
- License Application - Form S-231

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## Other Laws

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**Unclaimed Property**

- **2017 WI Act 235**
- DOR may not allow third-party auditor to conduct unclaimed property audit on contingent fee basis (effective for contracts entered into after April 4, 2018)
- **Exception:** DOR may use third-party auditor to conduct audit of an out-of-state company if fee does not exceed 12% of total amount of property reportable

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**Unclaimed Property**

- DOR may not purchase information or documents arising from unclaimed property audit conducted by third-party auditor, except for information received by federal government
- DOR may not allow third-party auditors to use statistical sampling, unless person being audited consents to use of estimate

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**Relying on Past Audits**

- Law revised effective for audit determinations issued on or after April 5, 2018
- Taxpayers may not rely on prior audit to prevent DOR from making adjustment in current audit, if any of the following apply:
  - Audit period begins after promulgation of a rule
  - Dissemination of written guidance to public or person who is subject to audit determination
  - Effective date of a statute, or
  - Date Tax Appeals Commission or court decision becomes final and conclusive and if rule, guidance, statute, or decision imposes liability as result of the tax issue

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**Relying on Past Audits**

- Continued - Taxpayers may not rely on prior audit to prevent DOR from making adjustment in current audit, if any of following apply:
  - DOR establishes by clear and satisfactory evidence that taxpayer provided incomplete or false information relevant to tax issue in prior audit determination
  - Tax issue was settled in prior audit by written agreement entered into before April 5, 2018
  - Tax issue was settled in prior audit by written agreement entered into on or after April 5, 2018, in which parties acknowledged DOR did not adopt taxpayer's position on tax issue

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**Electronic Notice**

- DOR may serve notice to taxpayer through electronic transmission if, before person receives electronic transmission, intended recipient consents to receiving such notices electronically
- DOR is identifying notices to pilot this program
- 2017 WI Act 324

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**Power of Attorney**

- If intended recipient of notice has appointed another person or entity to act on intended person's behalf as power of attorney, service to power of attorney is considered service upon intended recipient
- 2017 WI Act 324

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**Tax Processing Update**

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**TY2017 Filing Statistics**

Tax Type	Returns Filed	Efile Rate
Corporation Franchise Tax (4, 4H, 5, 6)	44,548	80.5%
Fiduciary (2, 4T, Schedule CC)	64,214	65.0%
Individual Income (1, 1A, 1NPR, WI-Z, Schedule H, H-EZ, & X-NOL)	3,026,120	85.6%
Pass-Through (1CNS/1CNP, 3, 5S, PW-1)	205,459	89.5%
Sales (ST-12)	863,559	94.5%
Withholding (WT-6, WT-7)	270,693	92.0%

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**Due Dates**

- Wisconsin e-filing for 2018 individual income tax returns and homestead credit claims will begin when the Internal Revenue Service (IRS) opens its MeF filing
- 2018 individual income tax returns are due April 15, 2019 (calendar-year filers)

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**E-File Mandate - 2018**

- E-filing is required for Forms 1CNS, 1CNP, and PW-1 for TY2018 (due in 2019)
- Mandate letters were sent to 2,222 filers in October 2017
- E-filing is also required for Form 6, Combined Franchise/Income Tax Return (since form introduction in 2014)

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**2018 – New Schedules**

- Schedule EIT - Electronics and Information Technology Manufacturing Zone Credit
- Schedule ES – Employee College Savings Account Contribution Credit
- Schedule LI – Low-Income Housing Credit

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### 2018 – New Schedules

- NOL Schedules
  - Previously worksheets in Publication 120 Appendices
  - Since sent with returns, decided to make official schedules
    - NOL1 – WI Net Operating Loss Deduction
    - NOL2 – WI Net Operating Loss Deduction and Modified Taxable Income
    - NOL3 – Record of 2018 WI NOL Carryback and Carryforward of Losses

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### Form 1A & WI-Z Eliminated

- Federal Form 1040 simplified for TY2018, with Forms 1040A and 1040EZ eliminated
- Forms 1A and WI-Z were created to match the 1040A and 1040EZ
- Less confusing for taxpayers
- Cost savings for DOR, software vendors

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### 2018 Form Changes

- New Addition and Subtraction Codes
  - 20 – Employee College Savings Account Contribution Credit (addition)
  - 53 – Charitable Contributions (addition and subtraction)

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### 2018 Form Changes

- **Renumbered Addition Codes**
  - 21 – Difference in Federal and Wisconsin Basis of Depreciated or Amortized Assets
  - 22 – ABLE Accounts
- **Renumbered Addition and Subtraction Codes**
  - 54 – Differences in Federal and Wisconsin Basis of Assets
  - 55 – Differences in Federal and Wisconsin Basis of Partnership Interest
  - 56 – Differences in Federal and Wisconsin Reporting of Marital Property Income

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### 2018 Form Changes

- **Form 1 Changes**
  - Updated line reference to federal Form 1040 and Schedule A due to federal form changes
  - Modified Schedule 1 (Itemized Deduction Credit - IDC) - casualty loss limited to federally declared disasters (same as WI)
  - Modified Line 17 (exemptions) to remove reference to federal return

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### 2018 Form Changes

- **Form 1NPR**
  - Removed line 29 for domestic production activities
  - Updated line numbers
  - Modified line 38 (exemptions) to remove reference to federal return
  - Modified Schedule 1 (IDC) - casualty losses limited to federally declared disasters (same as WI)
  - Updated line references to federal Schedule A and Form 1040

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### 2018 Form Changes

- **Form W-RA, Required Attachments for Electronic Filing**
  - Added check box for employee college savings account contribution credit
  - Added check box for low-income housing credit (copy of allocation certificate)

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### 2018 Form Changes

- **Form 2, Wisconsin Fiduciary Income Tax for Estates and Trusts**
  - Added two new boxes in first section of form
    - Number of beneficiaries
    - Number of nonresident beneficiaries
  - Redesign project delayed to TY 2019

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### 2018 Form Changes

- **Form 3, Wisconsin Partnership Return**
  - New line – Page 1, line 13, for Wisconsin apportionment percentage
  - New line – Page 5, Part III, for Employee College Savings Account Contribution Credit

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### 2018 Form Changes

- **WT-11 – Nonresident Entertainer's Report**
  - Form redesigned for My Tax Account and paper filing
- **WT-12 – Nonresident Entertainer's Lower Rate Request**
  - New for TY 2018
  - Also available on My Tax Account

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### 2018 Schedule Changes

- **Schedule H and H-EZ, Homestead Credit**
  - Updated wording to clarify requirements for age, disability and earned income
  - Added line 8c for medical and long-term care subtraction
- **Schedule H, Homestead Credit**
  - Added a new line for disqualified losses
  - Added new Schedule 4 for disqualified losses

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### 2018 Schedule Changes

- **Rent Certificate**
  - Added "security deposit paid during the year" to amounts not included in rent in line 4a instruction
- **Schedule AR – Explanation of Amended Return**
  - Expanded to include Forms 1CNS, 1CNP, PW-1, 3, 3K-1, 4, 4T, 5K-1, 5S, & 6
  - Number of explanations expanded from 12 to 21

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### 2018 Schedule Changes

• **Schedule CR, Other Credits**

- Added refundable portion of research credit
- Added employee college savings account contribution credit
- Added low-income housing credit
- Removed separate lines for nonrefundable research credit for internal combustion engines and energy efficient products

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### 2018 Schedule Changes

• **Schedule CS, College Savings Accounts**

- Updated subtraction amounts due to inflation (\$3,200 MFJ and \$1,600 MFS or divorced parent)
- Added section to account for rollovers to qualified ABL account

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### 2018 Schedule Changes

• **Schedule HR, Wisconsin Historic Rehabilitation Credits**

- Added line 4 to account for 20% limitation on credit per year unless transition rule applies
- Added lines 2c and 2d to determine if transition rule applies
- If 24 or 60 month measuring period begins by June 19, 2018, transition rule applies and credit is not limited to 1/5 per year

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### 2018 Schedule Changes

- **Schedule I, Adjustments Federal Adjusted Gross Income and Itemized Deductions**

- Updated references to federal Form 1040
- Removed line for domestic production activities deduction

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### 2018 Schedule Changes

- **Schedule M, Form 1NPR - Additions to and Subtractions from Income**

- Added line for employee college savings account contribution credit
- Updated lines references due to federal form changes

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### 2018 Schedule Changes

- **Schedule MT, Wisconsin Alternative Minimum Tax**
  - Updated exemption amounts to match new federal exemption amounts for alternative minimum tax
- **Schedule OS, Credit for Net Tax Paid to Another State**
  - Redesigned schedule to account for limitation at both individual and entity level (added Parts III & IV)
  - Eliminated columns so that only two states can be listed (paper form)

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### 2018 Schedule Changes

- **Schedule PS, Private School Tuition**

- Changed instructions to single column
- Added language to instructions reminding taxpayers that subtraction should not be taken for amounts withdrawn from an Edvest or Tomorrow's Scholar account

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### 2018 Schedule Changes

- **Schedule R, Wisconsin Research Credit**

- Lines 18-23 added to split refundable and non-refundable portions of credit

18	Amount of credit from line 16 (line 16b for fiduciary) used to offset tax.....	18	_____	.00
19	Subtract line 18 from line 16 (line 16b for fiduciary) .....	19	_____	.00
20	Enter the lesser of line 17 or line 19. This is the refundable portion of the credit.....	20	_____	.00
21	Subtract line 20 from line 19. This is the remaining nonrefundable portion of the credit.....	21	_____	.00
22	Carry-over of prior year's unused research credit. <b>Include Schedule CF</b> .....	22	_____	.00
23	Add lines 21 and 22. This is the total nonrefundable portion of the credit. <b>Include Schedule CF</b> if the credit was not used in full .....	23	_____	.00

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### 2018 Schedule Changes

- **Schedule R, Wisconsin Research Credit**

- Line 18 – must know amount of credit used to offset tax so refundable portion can be computed
- Line 19 – subtraction line
- Line 20 – refundable portion of credit reported on line 40 of Schedule CR

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**2018 Schedule Changes**

• **Schedule R, Wisconsin Research Credit**

- Line 21 – nonrefundable portion for current year
- Line 22 – carryover from prior year (must have Schedule CF)
- Line 23 – total nonrefundable (line 21 plus 22). Report on Line 18, Column A, Schedule CR

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**2018 Schedule Changes**

• **Schedule R, Wisconsin Research Credit**

Line	Value
16 – Total Research Credit	\$10,000
17 – Line 16 * 0.10	\$1,000
18 – Amount of credit used to offset tax	\$0
19 – Subtract line 18 from 16	\$10,000
20 – Lesser of line 17 or 19 (refundable portion of credit reported on Line 42, Schedule CR)	\$1,000
21 – Subtract line 20 from 19	\$9,000

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**2018 Schedule Changes**

• **Schedule R, Wisconsin Research Credit**

Line	Value
16 – Total Research Credit	\$10,000
17 – Line 16 * .10	\$1,000
18 – Amount of credit used to offset tax	\$0
19 – Subtract line 18 from 16	\$10,000
20 – Lesser of line 17 or 19 (refundable portion of credit reported on Line 42, Schedule CR)	\$1,000
21 – Subtract line 20 from 19	\$9,000
22 – Carry-over of prior year's unused research credit (include Schedule CF)	\$20,000
23 – Add lines 21 & 22 (total nonrefundable portion of credit, reported in Column A, Line 18, Schedule CR)	\$29,000

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## 2018 Schedule Changes

### • Schedule R, Wisconsin Research Credit

Line	Value
16 – Total Research Credit	\$10,000
17 – Line 16 * .10	\$1,000
18 – Amount of credit used to offset tax	\$10,000
19 – Subtract line 18 from 16	\$0
20 – Lesser of line 17 or 19 (refundable portion of credit reported on Line 42 on Schedule CR)	\$0
21 – Subtract line 20 from 19	\$0
22 – Carry-over of prior year's unused research credit (include Schedule CF)	\$20,000
23 – Add lines 21 & 22 (total nonrefundable portion of the credit, reported in Column A of Line 18 on Schedule CR)	\$20,000

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## Filing Tips – Individual Income Tax

- Use estimated payment online lookup to verify estimated and extension payments
- Document submission process expanded; letter requesting additional information will include instructions for online document submission, if available
- Click on My Tax Account icon to launch options for individuals

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## Filing Tips – Individual Income Tax

Registered
**Quick-Links**
Unclaimed Property

**INCOME TAXES**

- Pay Online
- Submit Required Attachments (W-RA)
- Print/View Letter
- Submit Additional Information
- Appeal Bill or Notice
- Submit ID Verification PIN
- Take ID Verification Quiz
- Submit ID Verification Documents

**DEBTORS**

- Pay Non-Tax Debt
- Look Up Referred Debt

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### Filing Tips – Individual Income Tax

- **Use correct payment type and period**
  - Use Form 1-ES for estimated payments (2018 1-ES for 2018 tax year; 2019 1-ES for 2019 tax year)
  - Use 1EPV voucher for return payments (2018 1EPV)
  - Use Form 1-ES for extension payments if paying by check, or select "Extension payment" type if using My Tax Account
  - If payment type or period is incorrect, it can be moved by submitting a request in writing (e-mail is okay)
- **Be sure vouchers, including fiduciary, provided to clients contain complete information, including scanline**

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### Filing Tips – Corporate Franchise

- Make estimated payments electronically
- If estimated payment made via paper check, include Form Corp-ES
- Do not send checks without voucher or Form Corp-ES

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### Filing Tips – 4T Estimated Payments

- 4T – Corporations: Use Form Corp-ES for estimated payments
- 4T – Trusts: Use Form 1-ES for estimated payments

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### Software Companies

- Wisconsin has Letter of Intent (LOI) with software vendors
- Vendors must agree to meet DOR Standards for software and substitute forms
- Vendor software and substitute forms go through extensive testing/review prior to approval
- Vendors cannot e-file until software passes

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### Software Companies

- Wisconsin has extensive list of required forms and schedules
- Exception: Only for vendors who submitted 1,000 or fewer returns last year and who support .pdf attachments with electronic returns

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### Required Forms - Individual Vendors

Form 1	Form 1NPR	Standalone H
Form 1-ES Form EPV (Voucher)	Form 1-ES Form EPV (Voucher)	Homestead Notes
Schedule AR	Schedule AR	Property Tax Bill
Schedule BD	Schedule BD	Rent Certificate
Schedule CF	Schedule CF	Schedule AR
Schedule CR	Schedule CR	
Schedule CS	Schedule CS	
Schedule DC	Schedule DC	
Schedule DE	Schedule DE	
Schedule EC	Schedule EC	
Schedule ED	Schedule ED	
Schedule HR	Schedule HR	
Schedule JT	Schedule JT	
Schedule MA-A	Schedule MA-A	
Schedule MA-M	Schedule MA-M	
Schedule PS	Schedule PS	
Schedule R	Schedule R	
Schedule VC	Schedule VC	
Schedule WD	Schedule WD	

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### Required Forms - Fiduciary Vendors

- Form 2**
- Form 1-ES
  - Form EP-V
  - Schedule 2K-1
  - Schedule 2M
  - Schedule AR
  - Schedule BD
  - Schedule CF
  - Schedule CR
  - Schedule DC
  - Schedule DE
  - Schedule EC
  - Schedule ED
  - Schedule HR
  - Schedule JT
  - Schedule MA-A
  - Schedule MA-M
  - Schedule NR
  - Schedule R
  - Schedule VC
  - Schedule WD2

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### Required Forms - Business Vendors

- |   |  |  |  |
|---|--|--|--|
| <p><b>Form 3</b></p> <ul style="list-style-type: none"> <li>Form A-1</li> <li>Form N</li> <li>Schedule 3K-1</li> <li>Schedule AR</li> <li>Schedule BD</li> <li>Schedule DE</li> <li>Schedule DC</li> <li>Schedule EC</li> <li>Schedule ED</li> <li>Schedule HR</li> <li>Schedule JT</li> <li>Schedule MA-A</li> <li>Schedule MA-M</li> <li>Schedule R</li> <li>Schedule VC</li> </ul> | <p><b>Form 4</b></p> <ul style="list-style-type: none"> <li>Form C-EPV</li> <li>Form A-1</li> <li>Form N</li> <li>Form U</li> <li>Schedule AR</li> <li>Schedule BD</li> <li>Schedule CF</li> <li>Schedule CR</li> <li>Schedule DC</li> <li>Schedule DE</li> <li>Schedule EC</li> <li>Schedule ED</li> <li>Schedule HR</li> <li>Schedule JT</li> <li>Schedule MA-A</li> <li>Schedule MA-M</li> <li>Schedule R</li> <li>Schedule VC</li> </ul> | <p><b>Form 5S</b></p> <ul style="list-style-type: none"> <li>Form C-EPV</li> <li>Form A-1</li> <li>Form N</li> <li>Form U</li> <li>Schedule 3K-1</li> <li>Schedule AR</li> <li>Schedule BD</li> <li>Schedule DC</li> <li>Schedule DE</li> <li>Schedule EC</li> <li>Schedule ED</li> <li>Schedule HR</li> <li>Schedule JT</li> <li>Schedule MA-A</li> <li>Schedule MA-M</li> <li>Schedule R</li> <li>Schedule VC</li> </ul> | <p><b>Form 6</b></p> <ul style="list-style-type: none"> <li>Form C-EPV</li> <li>Form 6BL</li> <li>Form 6CL</li> <li>Form 6CS</li> <li>Form 6Y</li> <li>Form C-EPV</li> <li>Form A-1</li> <li>Form N</li> <li>Schedule AR</li> <li>Schedule BD</li> <li>Schedule CF</li> <li>Schedule DC</li> <li>Schedule DE</li> <li>Schedule EC</li> <li>Schedule ED</li> <li>Schedule HR</li> <li>Schedule JT</li> <li>Schedule MA-A</li> <li>Schedule MA-M</li> <li>Schedule R</li> <li>Schedule VC</li> </ul> |
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### Filing Tips - Withholding

- Form WT-7 should include:
  - All Forms W-2 reportable to WI (with AND without withholding)
  - Only Forms 1099 with withholding
- Forms 1099s with no withholding should not be included on lines 1 - 4 of Form WT-7 (counts)

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### Filing Tips - Withholding

- Form WT-7 must be completed for all active withholding accounts, even if no employees
  - If no employees, fill in zero on each line
  - Failure to file will result in estimate issued
- Consider ceasing withholding account; can reactivate if needed in future

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### Withholding Update

- **New** - Forms WT-7s will reject if final WT-6 has not been filed (XML and My Tax Account)
- Duplicate WT-7s will be rejected (XML and My Tax Account)
- Be sure to check the box if amending return
- Amended returns may be filed electronically

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### Withholding Update

- "Missing Information Returns" letter will be updated to provide better information on what is missing or incomplete
- Current process automatically sends letter when counts reported on Form WT-7 do not match Forms W-2 or 1099 submitted

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**Withholding Update**

- Forms W-2/1099 entry in My Tax Account available in 2019 without restriction
- Previously, Forms W-2/1099 could only be entered when submitting Form WT-7
- Entry requires MTA username and password, even if no withholding account

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**Withholding Update**

- Benefits
  - Forms W-2/1099 may be submitted at any time
  - Entry does NOT require active withholding account
  - May be used for Forms W-2/1099s with no withholding
  - May submit single Form W-2 omitted from previous submission
  - Forms W-2/1099 may still be submitted with Form WT-7

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**Information Returns – 2017 vs 2018**

	2017	2018
January only	5.63 million	5.88 million
February only	0.83 million	0.61 million
January – September	6.79 million	7.08 million
eFile Rate	90.1%	94.5%

- In 2018, e-file threshold changed from 50 to 10 AND changed due date to January 31 for ALL W-2s & 1099s.

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### Information Returns

- Intuit (QuickBooks)
  - Desktop product
    - Print Forms 1099 contain Wisconsin Taxpayer ID
    - E-file Forms 1099 using partner product Tax1099 contains Wisconsin Taxpayer ID
  - Online product
    - No changes
    - Intuit says 160 QuickBooks online customers submitted more than ten Forms 1099 last year via efile
    - QuickBooks online users who receive a penalty may request reimbursement from Intuit

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### Unclaimed Property

- Holder Reports
  - Make sure business clients are reporting unclaimed property
  - Includes uncashed payroll checks, accounts payable checks, loan collateral, deposits, credit balances, refunds, etc.
  - Reports are due November 1st each year for prior fiscal year (July 1 – June 30)

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### Unclaimed Property

- Holder Reports
  - Provide complete and accurate owner information on holder report
  - Holder reports must be submitted electronically (My Tax Account upload, other holder software)
- See **Publication 82, Holder Report Guide, for more information**

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## My Tax Account

### • NAICS Code

- My Tax Account users are required to update business' North American Industry Classification System (NAICS) code
- Mandatory update will end with annual filers in January
- Only the first user to log in to business account is prompted to enter NAICS
- First user could be third party

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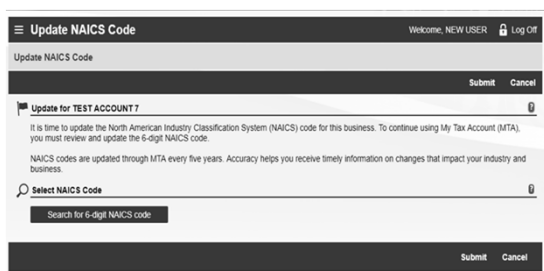
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## My Tax Account



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## My Tax Account

### • Email confirmation

- MTA users can now choose to receive confirmation email after submitting returns and payments with limited form types
- DOR continues to add the feature to more forms as resources permit

### • Automated account inactivation

- DOR will systematically inactivate MTA account if not been accessed in past 18 months
- User must call Customer Service to re-active

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### My Tax Account

- **Cigarette and Tobacco Forms Added**
  - New .xml schema required for forms filed in 2019
  - Can use MTA to electronically file returns in 2019
  - Replaces current filing system that uses Adobe LiveCycle fill-in forms
  - Forms revised per national uniformity recommendation

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### MTA - Helpful Hints

- Submit last Form WT-6 for 2018 prior to submitting Form WT-7
- Request more frequent filing than required by statute by selecting the appropriate link under "I Want To"
- May not request less frequent filing
- Remember to update profile information when there are changes (i.e., cell provider, cell number, email address)
- DOR will annually ask you to review profile and update

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### DOR Initiatives

- **New online application for requesting copies of returns**
  - Available in late 2018
  - Paper form will no longer be available
  - If no access to computer, call (608) 266-2772 – representative will enter request and send letter for submitting required documents by mail
  - Search fee remains \$5.00 per year or period

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### DOR Initiatives

#### • My Case Manager

- MTA application allows taxpayer and/or representative to see current information about audit
- Available for following field audit tax types:
  - Corporation Franchise or Income Tax
  - Partnership
  - Pass-Through Withholding
  - Sales & Use Tax
  - Local Exposition Tax
  - Excise Tax

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### DOR Initiatives

#### • My Case Manager

- Includes following information about audit:
  - Audit start date
  - Audit stage
  - Audit stage due date
  - Audit deadline
  - Auditor's and supervisor's contact information
  - Outstanding information requested by auditor
  - Audit history
  - Resources

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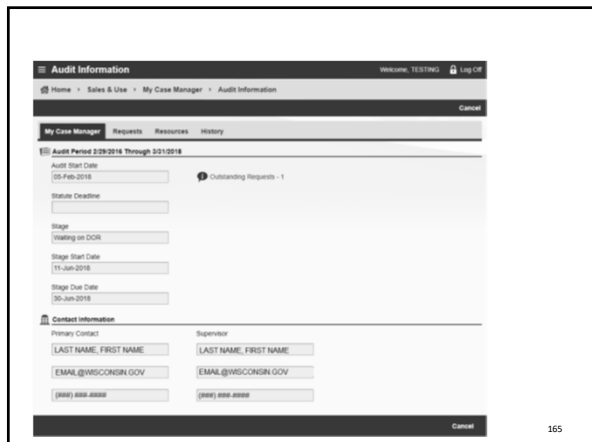
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### DOR Initiatives

- **My Case Manager**
  - Audit stage is current stage of audit
  - Audit can only have one stage at a time
  - Requests tab shows information requests made during audit and whether each request has been satisfied
  - Status of request does not necessarily affect stage of audit

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### DOR Initiatives

- **My Case Manager**
  - History tab shows audit stage and appeal history, including:
    - Total days in audit
    - Total days waiting on taxpayer
    - Total days waiting on DOR
    - History of when audit changed stages
    - Number of days audit remained in each stage
    - Appeal period and deadline
    - Date appealed (if appealed)
    - Date appeal closed (if appealed)

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### DOR Initiatives

- **My Case Manager**
  - User guide on DOR website – Publication 701
  - Improvements in progress
    - Add Date Requested and Extended Due Date columns
    - Add "Progress Indicator"
    - Add "Case Estimated Completion"

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### DOR Initiatives

#### • My Case Manager

- Phase 1.5 (2019)
  - Add nexus, claims for refund and appeal cases
  - Add pre-audit and post-audit questionnaires
- Phase 2 (2020-21)
  - Portal for sharing files and messages information

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### DOR Initiatives

#### • Electronic Exemption Certificate

- Created to address limited size of paper certificate and increase in exemptions
- Complete seller and purchaser information, select only exemptions claiming, and create one-page PDF document
- Form S-211E can be saved to computer and delivered to seller electronically

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### DOR Initiatives

Electronic Wisconsin Sales and Use Tax Exemption Certificate

You may use the electronic certificate to claim an exemption from Wisconsin state, county, baseball stadium, local exposition, and premier resort sales or use taxes. Fully complete the information in tabs 1 through 4 before providing your vendor with an electronic copy of the certificate or a printed and signed copy. Do not send this form to the Department of Revenue (DOR). Exemption certificate instructions can be found here: [For questions or assistance, please contact DOR Customer Service Bureau at \(608\) 266-2776 or \[DOESalesandUse@wisconsin.gov\]\(mailto:DOESalesandUse@wisconsin.gov\).](#)

1. Purchaser's Information    2. Seller's Information    3. Acknowledgement    4. Exemptions

Purchaser's Name: \_\_\_\_\_ Type of Business:

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Tax ID Number: \_\_\_\_\_ State of Issue: \_\_\_\_\_

If no Tax ID Number, enter one of the following:    FEIN: \_\_\_\_\_    Driver's License or State Issued ID Number: \_\_\_\_\_    State of Issue: \_\_\_\_\_

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## DOR Initiatives

### • Electronic Exemption Certificate

1. Purchaser's Information 2. Seller's Information 3. Acknowledgement 4. Exemptions

Seller's Name

Address

City State Zip Code

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## DOR Initiatives

### • Electronic Exemption Certificate

1. Purchaser's Information 2. Seller's Information 3. Acknowledgement 4. Exemptions

Check one of the following:

- Single Purchase - Check if this certificate is for a single purchase only. Future purchases should be taxed unless another certificate is provided.
- Continuous Purchases - Check if this certificate is for continuous purchases. A continuous certificate remains in force as long as the purchaser continues making purchases or until otherwise cancelled by the purchaser.

Enter your name and title after reading this statement:

I declare that the information provided is complete and accurate to the best of my knowledge, and that the product(s) purchased will be used in the exempt manner indicated. If a product is not used in an exempt manner, I will remit use tax on the purchase price at the time of first taxable use. I understand that failure to remit the use tax may result in a future liability, including tax, interest, and penalty. CAUTION: Using this certificate to avoid paying sales tax may result in a fine of \$250 for each transaction for which the certificate is used.

Name (Employee, officer or manager) Title

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## DOR Initiatives

### • Electronic Exemption Certificate

1. Purchaser's Information 2. Seller's Information 3. Acknowledgement 4. Exemptions

Select the reason for exemption from the list below. Search Exemptions (Type at least 3 characters)

- Resale  
The property, goods, and services will be resold, licensed, or rented.  
Purchaser's seller's permit or use tax certificate number: \_\_\_\_\_  
Enter purchaser's seller's permit or use tax certificate number: \_\_\_\_\_
- Aircraft  
Aircraft, including accessories, attachments, and fuel for the aircraft and services to the aircraft that are sold to persons who use the aircraft as certified or licensed carriers of persons or property in interstate or foreign commerce. Section 77.54(5)(a)1, Wis. Stats.  
[\(Click here for additional information\)](#)
- Aircraft - Nonresident

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## DOR Initiatives

- **Electronic Exemption Certificate**

1 of 5

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## DOR Initiatives

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## DOR Initiatives

- **Statistical Sampling Rule**

  - DOR required to create rule establishing criteria applicable to field audits
  - Tax 11.905, Wis. Adm. Code
  - Provides that any person with less than \$10,000,000 in annual sales during any year may choose to have audit conducted using statistical sampling

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### DOR Initiatives

- **Statistical Sampling Rule**
  - Must have electronic records
  - DOR may use more than one sample population and method to draw sample units because of significant changes during audit period
    - Accounting software
    - Laws
    - Recordkeeping or internal procedures
    - Business operations or organizational structure

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### DOR Initiatives

- **Statistical Sampling Rule**
  - Specifies number of transactions necessary to qualify for statistical sampling
    - 10,000 sample units in sample population
  - Specifies maximum sample units selected for review for each sample population
    - may not exceed 10% of sample population or 15,000 transactions, whichever is less
    - relative precision of 20% or less

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### DOR Initiatives

- **Fraud Prevention**
  - No significant changes for TY18

	FY18	FY17	FY16
Returns Evaluated	3,075,709	3,058,791	3,061,766
Quizzes Required	5,088	8,674	31,259
PINs Required	75,053	47,453	12,055
ID Docs Required	9,518	8,251	14,566
Total ID Verification Actions Required	89,659	64,378	57,880
% of Returns Evaluated Requiring ID Verification	2.92%	2.10%	1.89%
Refunds Denied for Failure to Verify ID	19,202	20,298	21,698
Refunds Reinstated on Appeal	2,302	2,754	8,112

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## Fraud Prevention

### • Bad Refunds Stopped - Historical

	Fraud Detection With Analytics	Processing Fraud - OCI	Processing Fraud - Tax Ops	Earned Income Credit	Homestead Credit	Total for Specific Initiatives
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	\$20,115,117	\$16,046,799	\$59,566,026
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		\$13,510,224	\$12,219,984	\$29,054,408

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## Performance Metrics

### FY18 Post - Field Audit Survey Results

Auditor was professional	95.2%
Auditor was knowledgeable	89.7%
Auditor communicated & explained well	91.32%
I understood the notices I received	92.93%
The audit took reasonable amount of time	84.57%

Response rate = 19%

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## Performance Metrics

Total Customer Call Center Contacts	
Customer Service	415,605
Tax Operations	29,725
Audit	37,020
Compliance	241,704
Total	724,054

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### Performance Metrics

#### FY18 - Call Centers

Bureau	Inbound Answer Rate	Average Hold H:MM:SS
Customer Service	96.19%	0:02:17
Tax Operations	99.25%	0:00:13
Audit	98.82%	0:00:11
Compliance	99.63%	0:00:15
Total	97.57%	0:01:28
Goal	97.80%	0:01:30

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### Performance Metrics

Call Center Surveys		
	Professional	Knowledgeable
Customer Service	98.82%	98.89%
Compliance	99.04%	99.20%
Tax Operations	98.96%	97.68%
Audit	98.86%	97.20%

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### DOR Resources

- Practitioner Assistance

- Email  
dortaxpractitioners@wisconsin.gov
- Phone  
608-261-5199

**\*\*Do Not Share This Information\*\***

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**Questions?**

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**DOR Resources**  
**Speaker Contact Information**

<b>Vicki Gibbons</b> Deputy Administrator 608/266-3612 vicki.gibbons@wisconsin.gov	<b>Erin Egan</b> Tax Operations Director 608/261-5235 erinb.egan@wisconsin.gov
<b>Jennifer Bacon</b> Customer Service Director 608/266-1179 jenniferm.bacon@wisconsin.gov	

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