

**WISCONSIN TAX
UPDATE**

Presented by
WISCONSIN DEPARTMENT OF REVENUE
Fall 2017

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Agenda

- Tax Law Changes, Updates, and Reminders
- Tax Processing Update
- Fraud Prevention
- DOR Initiatives
- Audit Update

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**Tax Law Changes,
Updates, and
Reminders**

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Law Changes

- 2017 Wisconsin Act 2 (Due Dates)
- 2017 Wisconsin Act 17 (Technical Bill)
- 2017 Wisconsin Act 58 (New Credit)
- 2017 Wisconsin Act 59 (Budget Bill)

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Income, Franchise & Withholding Tax

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2017 Due Dates

Form	Due Date/Extended Due Date
Form 1: Calendar Year	4/17 10/15
Form 1NPR: Calendar Year	4/17 10/15
Form 1A/WI-2: Calendar Year	4/17 10/15
Schedule H/H-EZ: Calendar Year	4/15/22 N/A
Form 2: Calendar Year	4/17 10/1
Form 3: Calendar Year	3/15 9/17
Form 4/6: Calendar Year	4/17 11/15
Form 4/6: Fiscal end 6/30	3/17 5/15
Form 4/6: Fiscal end other than 6/30 or 12/31	15th day of 4th month 15th day of 11th month
Form 4T: Exempt Corporation	5/15 12/17
Form 4T: Trust, IRA, MSA	4/17 10/15

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2017 Due Dates

Form	Due Date/Extended Due Date
Form 4T: Other than employees trust, IRA, MSA	5/15
Form 55: Calendar Year	12/17
	3/15
Form PW-1: Partnerships	10/15
	3/15
Form PW-1: S-Corporations	10/15
	3/15
Form PW-1: Estates and trusts	4/17
	11/15
Form PW-2: Partnerships	1/31
	N/A
Form PW-2: S-Corporations	1/31
	N/A
Form PW-ES: 1st installment	3/15
	N/A
Form 1CNP	4/17
	10/15
Form 1CNS	4/17
	10/15
Form Corp-ES: 1st installment	4/17*

* Tax years beginning in April are due 6/15

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Law Changes – Income Tax Refunds

- **Fraud Prevention**
 - DOR may not issue income tax refunds before March 1, unless both employer and employee have filed all required returns and forms

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Law Changes – Information Returns

- **Fraud Prevention**
 - Employers/payers filing 10 or more wage statements or 10 or more information returns with DOR must file statements/returns electronically
 - Prior threshold was 50 or more
 - First applies to statements and returns required to be filed in 2018

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Law Changes – Information Returns

- January 31 due date for filing information returns with DOR
 - Rent or royalty payments
 - Nonwage payments
- Prior due dates were February 28 or March 15
- First applies to payments made January 1, 2017

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Law Changes – Information Returns

- **Extension Request**
 - 60-day extension reduced to 30-day for:
 - Rent or royalty payments
 - Nonwage payments
 - Effective September 23, 2017

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Internal Revenue Code Update

- Wisconsin income/franchise tax based on IRC provisions as of December 31, 2016
 - Depreciation – IRC as of 1/1/14 (no bonus)
 - Amortization – IRC as of 1/1/14
 - Depletion – WI follows changes in federal law
 - Section 179 expense – WI follows changes in federal law

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Internal Revenue Code Update

- For taxable years that begin on or after 1/1/14, following federal provisions enacted in 2015 and 2016 apply for Wisconsin:
 - Public Law 114-41 – Requires that fair market value determination from property received from decedent be consistent with value determined for federal estate tax purposes and adopts underpayment accuracy-related penalty of 20%
 - Effective for returns filed after July 31, 2015

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Public Law 114-239 – Exempts value of Olympic or Paralympic medals and related prize money from US Olympic Committee for winning medal at Olympic or Paralympic Games
- Exception - Claimant has AGI that exceeds \$1 million in year of related Games
- Effective for prizes and rewards received after December 31, 2015

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Wisconsin law allows subtraction for value of Olympic or Paralympic medals and related prize money from US Olympic Committee for claimants whose AGI exceeds \$1 million
- To extent included in federal adjusted gross income, subtraction also includes value of Special Olympic medals and related prize money from Special Olympics Board of Directors
- Effective for taxable years beginning after December 31, 2015

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Public Law 114-113 (section 302) – Computer equipment and technology are eligible education expenses for 529 accounts
- Distributions from 529 accounts that are re-contributed to 529 account within 60 days are eligible distributions
- Any distribution from 529 account is only from that account, even if individual making distribution operates multiple accounts
- Effective for taxable years beginning after December 31, 2016

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Public Law 110-246 – Deduction is allowed for endangered species recovery expenditures as soil and water conservation expenditures
- Effective for taxable years beginning on or after January 1, 2017

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Public Law 114-113 (section 304) – Excludes from income civil damages, restitution, or other monetary awards for wrongly-incarcerated individuals
- Effective for taxable years beginning after December 31, 2016

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Public Law 114-113 (section 308) – Expands exception to 10% penalty on retirement account withdrawals for public safety officers to also include nuclear material couriers, U.S. Capitol Police, Supreme Court Police, and diplomatic security special agents
- Effective for taxable years beginning after December 31, 2016

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Public Law 114-113 (section 331) – Allows deduction of up to 50% of taxpayer's contribution base to count as charitable contributions made to agricultural research organization under certain conditions
- Agricultural research organizations are treated as public charities regardless of financial sources of support
- Effective for taxable years beginning after December 31, 2016

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Internal Revenue Code Update

(apply for Wisconsin continued)

- Charitable distributions from an individual retirement account – Individual 70 ½ and older may exclude from gross income charitable distributions from IRAs
- Effective for taxable years beginning after December 31, 2017

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Law Changes – Income/Franchise

WI Tuition and Fees Subtraction

- Subtraction and phase-out amounts increased
 - Subtraction – increased from \$6,943 to \$6,958
 - Includes fees for course related books if paid to institution as condition of enrollment or attendance
 - Phase-out
 - Single or Head of Household -- \$53,160 to \$63,790
 - Married filing joint -- \$85,050 to \$106,310
 - Married filing separate -- \$42,530 to \$53,160

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Law Changes – Income/Franchise

College Savings Account Subtraction

- Amount of subtraction for 2017 is \$3,140 (\$1,570 if married filing separately)
- 2016 amount was \$3,100

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Law Changes – Income/Franchise

2017 Mileage Rate

- 53.5 cents per mile for business miles driven, down from 54 cents for 2016
- 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016
- 14 cents per mile driven in service of charitable organizations

2018 Mileage Rate

- Not announced yet

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Law Changes – Income/Franchise

- **Subtraction for Adoption Expenses Expanded**

- \$5,000 subtraction now applies to final order of adoption entered by court of any state or upon registration of foreign adoption under sec. 48.97(2), Wis. Stats.
- Effective for taxable years beginning after December 31, 2016

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Qualified Wisconsin Business

- **Capital Gain Exclusion / Deferral**

- Long-term capital gain on 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

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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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Law Changes – Income/Franchise

- **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
 - Effective June 23, 2017

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Law Changes – Income/Franchise

- **Qualified Wisconsin Business – Change in Qualifying Payroll**
 - When determining eligible payroll, employee of professional employer organization or professional employer group who is performing services for business is considered employee solely of that business for purposes of registering as qualified Wisconsin business
 - Effective September 23, 2017

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Law Changes – Income/Franchise

- **Inconsistent Estate Basis Reporting**
 - Any underpayment of tax resulting from inconsistent estate basis reporting is subject to additional tax of 20% of underpayment
 - Estate basis is considered inconsistent if property basis on WI return exceeds property basis under sec. 1014(f), IRC
 - First applies to property for which federal estate return is filed after July 31, 2015

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Law Changes – Income/Franchise

- **Alternative Minimum Tax**

- Exemption amounts federalized for 2017
 - Married filing joint -- \$84,500
 - Single or head of household -- \$54,300
 - Married filing separate -- \$42,250
- Eliminate alternative minimum tax for taxable years beginning after December 31, 2018

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Law Changes – Income/Franchise

- **S Corporation Reporting Requirements**

- Payments for wages, salaries, commissions, and bonuses of \$600 or more may only be deducted if name, address, and amount is reported on Form W-2 or 1099
- Payments for rent may only be deducted if name, address, and amount is reported on Form 1099
- Effective for taxable years beginning on January 1, 2017

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Law Changes – Income/Franchise

- **Net Operating/Business Loss Carry-Forward**

- Wisconsin income may not be offset by net operating/business loss unless loss is computed on tax return filed within four years of unextended due date for taxable year in which loss was incurred
- First applies to loss claimed on September 23, 2017, regardless of year loss was incurred

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Law Changes – Income/Franchise

- **Net Operating Loss Carry-Back**
 - Losses may not be carried back unless claimed on tax return filed within four years of unextended due date for taxable year in which loss is carried back
 - First applies to loss claimed on September 23, 2017, regardless of year loss was incurred

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Law Changes – Income/Franchise

- **Homestead Credit**
 - For 2017 homestead claims filed in 2018, claimants who are under age 62 and not disabled must have earned income to claim homestead credit
 - Earned income includes:
 - Wages
 - Salaries
 - Tips
 - Other employee compensation
 - Net earnings from self-employment

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Law Changes – Income/Franchise

- **Homestead Credit**
 - For those without earned income, claimant or claimant's spouse must be 62 or older or claimant must be disabled to claim homestead credit
 - "Disabled" means individual is unable to engage in any substantial gainful employment by reason of medically determinable physical or mental impairment which has lasted or is reasonably expected to last for continuous period of not less than 12 months

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Law Changes – Income/Franchise

• **Homestead Credit**

- If claimant is disabled, proof of disability must be provided with claim filed
- Acceptable proof includes:
 - Statement from Veteran's Administration certifying that claimant is receiving disability benefit due to 100% disability
 - Document from Social Security Administration stating date disability began
 - Statement from physician stating beginning date of disability and whether disability is permanent or temporary

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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
- Addback of disqualified losses does not apply to farmers whose primary income is from farming and whose farming generates less than \$250,000 of gross receipts

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Law Changes – Income/Franchise

• **Homestead Credit**

- Disqualified loss means sum of following amounts, exclusive of net gains from sale or exchange of capital or business assets and exclusive of 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

- **Itemized Deduction Credit for Nonresidents**
 - For computing itemized deduction credit on Form 1NPR, standard deduction is no longer limited to fraction (Wisconsin adjusted gross income ÷ federal adjusted gross income)
 - May reduce amount of itemized deduction credit
 - Effective for taxable years beginning on January 1, 2017

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Law Changes – Income/Franchise

- **Itemized Deduction Credit for Nonresidents – 2016 Example**

Two Nonresidents Married Filing Joint Form 1NPR	
Joint Wisconsin net income	\$40,000
Joint federal net income	\$80,000
Ratio of WI to federal net income	50%
WI eligible expenses - federal Schedule A	\$25,000
WI standard deduction	\$7,462

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Law Changes – Income/Franchise

- **Itemized Deduction Credit for Nonresidents – 2016 Example**

WI eligible expenses - federal Schedule A	\$25,000
Ratio X WI standard deduction	\$3,731
	\$21,269
Itemized deduction credit rate	5%
WI Itemized Deduction Credit	\$1,063

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Law Changes – Income/Franchise

- Itemized Deduction Credit for Nonresidents – 2017 Example

WI eligible expenses - federal Schedule A	\$25,000
Less WI standard deduction	\$7,462
	\$17,538
Itemized Deduction Credit Rate	X 5%
WI Itemized Deduction Credit	\$877

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Law Changes – Income/Franchise

- Credit for Tax Paid to Other States (TPOS)

- Credit cannot exceed amount determined by multiplying taxpayer's net Wisconsin income tax by ratio of income subject to tax in other state that is also subject to tax in Wisconsin divided by taxpayer's Wisconsin adjusted gross income
- Limitation does not apply to income taxed by four bordering states (Minnesota, Iowa, Illinois, and Michigan)
- Effective for taxable years beginning on January 1, 2017

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Law Changes – Income/Franchise

- Credit for Tax Paid to Other States – Example

Income taxable to both WI and CA	\$100,000
Wisconsin income – Form 1, line 13	÷ \$120,000
Ratio	83.33%
WI net tax before TPOS credit	X \$7,224
Maximum TPOS Credit	\$6,020

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Law Changes – Income/Franchise

- **Manufacturing and Agriculture (M&A) Credit**
 - Eligible qualified production activities income claimant may claim in computing credit is reduced by qualified production activities income taxed by another if same income used for credit paid to other states claimed
 - Effective for taxable years beginning on January 1, 2017

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Law Changes – Income/Franchise

- **Example**
 - WI resident - S corporation shareholder
 - Business has nexus in Other State
 - Business has retail store in Wisconsin
 - Business has manufacturing facility in Wisconsin
 - 50% of sales of manufactured goods to Other State
 - All manufactured goods were produced in Wisconsin
 - Individual shareholder in 7.65% income tax bracket

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Law Changes – Income/Franchise

- **M&A/TPOS Credit Example**

	Total Income	Taxable - Other State
Income from sales of mfg goods	\$100,000	\$50,000
Income from sales at retail store	\$100,000	
Taxable Income	\$200,000	\$50,000
Tax rate	7.65%	
WI gross tax	\$15,300	
WI gross tax on mfg income	\$7,650	
WI gross tax on retail income	\$7,650	

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Law Changes – Income/Franchise

• **M&A Credit - Example**

Qualified Production Activities Income	\$100,000
Less: QPAI taxable in Other State	(\$50,000)
QPAI	\$50,000
M&A credit rate	7.50%
M&A credit	\$3,750

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Law Changes – Income/Franchise

• **M&A Credit Example**

	Total Income
WI gross tax on manufacturing income	\$7,650
Less: M&A credit	(\$3,750)
Remaining tax due on manufacturing income	\$3,900
Remaining tax due on retail income	\$7,650
Total remaining tax due after M&A credit	\$11,550
TPOS credit (\$50,000 taxable income in other state x 7% other state tax rate)	(\$3,500)
WI Net Tax Due	\$8,050

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Law Changes – Income/Franchise

• **Research Credit**

- If allowable amount of claim exceeds tax due, amount of claim not used to offset tax due and not exceeding 10% of allowable amount of claim is refundable
- Any amount exceeding tax due and not allowed as refundable credit 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 – 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

• **Enterprise Zone Jobs Credit**

- Refundable credit certified by WEDC
- Additional credit allowed if claimant retains minimum number of full-time employees and maintains average zone payroll equal to or greater than base year
- Credit amount is percentage (determined by WEDC) of claimant's zone payroll over claimant's full-time employees
- Effective September 20, 2017

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Law Changes – Income/Franchise

- **Electronics and Information Technology Manufacturing Zone Credit**

- Refundable credit certified by WEDC
- 17% of zone payroll for taxable year for full-time employees employed by claimant
- 15% of claimant's significant capital expenditures in zone in taxable year allowed
- Effective September 20, 2017

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Law Changes – Income/Franchise

- **Business Development Credit**

- Amount of credit computed is now included in corporation's income in tax year computed
- Amount WEDC may grant per year is increased from \$17 million to \$22 million
- Effective September 23, 2017

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Law Changes – Income/Franchise

- **Supplement to Federal Historic Rehabilitation Credit**

- If taxpayer is required to repay any amount of federal credit, taxpayer must also repay to DOR proportionate amount of credit claimed for Wisconsin purposes (effective September 23, 2017)
- Amount WEDC may certify per claimant for all projects on the same parcel of land is reduced from \$5 million to \$500,000 (effective July 1, 2018)

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Law Changes – Income/Franchise

- **WEDC Refundable Tax Credits**

- Following refundable tax credits are intended by Legislature to become permanent part of working capital structure of business (sec. 238.28, Wis. Stats):
 - Jobs tax credit
 - Business development credit
 - Electronics and information technology manufacturing zone
 - Enterprise zone credits
- Effective September 23, 2017

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Law Changes – Income/Franchise

- **Addition to Income – Certain Refundable Credits**

- Amount of following WEDC credits not included in corporate federal taxable income under IRC 118(a) are included in federal taxable income for Wisconsin purposes:
 - Jobs tax credit
 - Enterprise zone jobs credit
 - Electronics and information technology manufacturing zone credit
 - Business development credit
- Effective for taxable years after December 31, 2016

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Law Changes – Income/Franchise

- **WEDC Credit Revocations**

- When taxable year is otherwise closed to assessment, DOR may make assessment to recover tax credit within one year of receiving notice of revocation from WEDC
- Effective September 23, 2017

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Law Changes – Income/Franchise

- **No Interest on WEDC Refundable Credits**

- Interest is not paid on refund of following refundable credits:
 - Jobs tax credit
 - Enterprise zone jobs credit
 - Electronics and information technology manufacturing zone credit
 - Business development credit

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Law Changes – Income/Franchise

- **No Interest on WEDC Refundable Credits**

- First applies to refunds paid on September 20, 2017, for electronics and information technology manufacturing zone credit and September 23, 2017, for remaining refundable credits

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Law Changes – Income/Franchise

- **Active Foreign Business Income**

- Replaces obsolete IRC reference in sec. 71.255(2)(c)
- Active foreign business income means gross income derived from sources outside U.S., as determined in subch. N , IRC, including income of subsidiary corporation, and attributable to active conduct of trade or business in foreign country or in U.S. possession.

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Law Changes – Income/Franchise

- **Active Foreign Business Income**
 - A corporation is considered subsidiary if parent corporation directly or indirectly owns at least 50% of total voting stock of corporation and stock has value equal to at least 50% of total value of stock of corporation
 - Effective June 23, 2017

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Law Changes – Income/Franchise

- **Documents Executed for Combined Group**
 - Waivers, closing agreements, power of attorneys and other documents executed by designated agent apply to all members of group, including members DOR asserts are members
 - Effective for documents executed on January 1, 2017

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Law Changes – Income/Franchise

- **Apportionment Factor for Sales of Services Modified**
 - For services relating to tangible personal property, benefit of service is received in WI if tangible personal property is delivered directly or indirectly to customers in WI
 - Under prior law, gross receipts from services were sourced to Wisconsin if service related to tangible personal property that was:
 - located in Wisconsin at time service is received, or
 - delivered directly or indirectly to customers in Wisconsin.
 - Effective for taxable years beginning on January 1, 2017

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Law Changes – Income/Franchise

- **Apportionment Factor for Sales of Services Modified**
 - Example: Wisconsin purchaser contracts with an Illinois manufacturer (who has nexus with WI) to paint machine parts in Illinois and ship them back to Wisconsin
 - Illinois manufacturer's gross receipts from service are included in numerator of its WI sales factor

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Law Changes – Income/Franchise

- **Apportionment Factor for Sales of Services Modified**
 - Benefit of service is received in WI if services are purchased by individual who is physically present in WI at time service is received
 - Pertains to all services purchased by individuals, not just services "provided" to individuals (e.g., counseling services)
 - Effective for taxable years beginning on January 1, 2017

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Law Changes – Income/Franchise

- **Apportionment Sales Factor for Broadcasters**
 - Effective for taxable years beginning after December 31, 2018
 - Gross receipts from advertising are in WI if advertiser's commercial domicile is in WI
 - Gross royalties and gross receipts from use or license of intangible property are sales in WI if commercial domicile of purchaser or licensee is in WI and purchaser or licensee has direct connection with broadcaster under contract

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Law Changes – Income/Franchise

- **Apportionment Sales Factor for Broadcasters**

- "Broadcaster" means television or radio station licensed by FCC, television or radio broadcast network, cable television network, or television distribution company
- "Broadcaster" does not include cable service provider, direct broadcast satellite system, or Internet content distributor

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Sales and Use Tax

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Law Changes – Sales/Use

- **Income/Franchise Due Date Changes**

- Effective March 11, 2017
- Affects due dates for sales and use tax claims for refund
 - Buyer generally has four years from unextended due date of buyer's franchise/income tax return to file claim for refund
 - Exception: No change for corporation (filing Form 4 or Form 6) with FYE June 30
- See *Wisconsin Tax Bulletin #197 (April 2017)* for 2017 Corporate Estimated Tax Due Dates Chart

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Law Changes – Sales/Use

- **Medical Records**

- Effective June 23, 2017
- Sales of health care records (medical records) are exempt if sold to patient or person authorized to receive medical records
- Prior to exemption, paper copies were not taxable as result of decision by Wisconsin Tax Appeals Commission
- Medical records transmitted electronically continue to be nontaxable

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Law Changes – Sales/Use

- **Hotels and Motels Deemed Consumers**

- Effective June 23, 2017
- Deems hotels to be consumers of telecommunications services, Internet access services, ancillary services, and cable TV services
 - Even if service provider charges its customer separately for such services
- Hotel's purchases of these services are taxable
- Charges by hotel for these services are not taxable
- Codifies current tax treatment

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Law Changes – Sales/Use

- **County Sales Tax Termination**

- Effective June 23, 2017
- Prohibits DOR from acting on claim for refund or adjustment four or more years after county tax is terminated
- Allows DOR to seek reimbursement from county for overpayment of taxes refunded by DOR

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Law Changes – Local Expo

- **Local Expo - Food and Beverage Tax**
 - 2015 WI Act 60 gave Wisconsin Center District Board authority to re-impose local food and beverage tax to fund new sports and entertainment arena
 - When District bonds expire, sales of food and beverages by food and beverage stores defined by North American Industry Classification System (NAICS) are exempt from food and beverage tax (e.g., grocery stores)
 - Effective June 23, 2017, exemption refers to most recent NAICS version and allows DOR to determine NAICS code if disputed

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Law Changes – Sales/Use

- **Exemption for Items Used to Build Electronics and Information Technology Manufacturing Zone**
 - First applies to purchases after WEDC enters into contract with business to locate in electronics and information technology manufacturing zone
 - Sales and use tax exemption for sale (or storage, use, or other consumption) of:

Building materials	Landscaping services
Equipment	Supplies

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Law Changes – Sales/Use

- **Exemption for Items Used to Build Electronics and Information Technology Manufacturing Zone**
 - Sold to owners, lessees, contractors, subcontractors, or builders if acquired solely for, or used solely in, construction or development of electronics and information technology manufacturing zone designated under sec. 238.396(1m), Wis. Stats.

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Law Changes – Sales/Use

• County Tax Purpose Exception

- A county where an electronics and information technology manufacturing zone exists may issue bonds
 - Principal and interest on bonds is paid only through county sales and use tax revenues
 - County may not repeal tax or obstruct collection of tax until all bond payments have been made or accounted for
- Other than this exception, county sales and use taxes may only be imposed for purpose of directly reducing property tax levy

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Law Changes – Sales/Use

• Private Label Credit Card Bad Debt Deductions

- Effective July 1, 2078 (retroactive)
 - Originally effective July 1, 2015 (2013 Wis. Act 229)
 - 2015 Act 55 changed effective date to July 1, 2017
- Seller may claim sales/use tax bad debt deduction for amounts lender writes off as uncollectible in its books and records for federal income tax purposes
- Applies to bad debts resulting from sales completed on or after July 1, 2078

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Law Changes – Sales/Use

• Occasional Sales Exemption

- First applies to sales beginning on January 1, 2018
- Increases annual threshold from \$1,000 to \$2,000
- Presumes seller with less than \$2,000 of taxable sales is not pursuing vocation, occupation, or business for sales tax purposes

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Law Changes – Sales/Use

- **Prepared Food**

- Effective September 23, 2017
- Exempts prepared food that is not candy, soft drinks, or dietary supplements, and is one of following:
 - Sold in **frozen state** without eating utensils, or
 - Consists of **more than 50% yogurt**
- Retailer must manufacture prepared food at building assessed as manufacturing property
- Retailer cannot make retail sales of prepared food at manufacturing property

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Law Changes – Sales/Use

- **Amusement Devices**

- Effective December 1, 2017
- Video or electronic games purchased by person who provides taxable service through amusement device, if game is used exclusively for amusement device, are exempt
- Prizes purchased by amusement device operator and awarded or transferred through use of amusement device are also exempt

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Law Changes – Sales/Use

- **Tournament or League Entrance Fees**

- Effective December 1, 2017
- Admission fees paid by participants to enter tournament or league are exempt if:
 - Fees are set aside as prize money
 - Amount of prize money is advertised

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Law Changes – Sales/Use

- **Exemption for PSC Surcharges Amended**

- Effective September 23, 2017
- Exemption no longer applies to revenues collected for surcharges established by PSC for customers of wireless communications providers
- Surcharge was repealed in 2017 Act 59 - no need for exemption
- Revenues collected for countywide systems continue to be exempt from sales and use tax

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Law Changes – Sales/Use

- **Repeal Tax on Internet Access Charges**

- Effective July 1, 2020
- Sale of Internet access services not taxable after June 30, 2020
- Law change is consistent with Internet Tax Freedom Act (ITFA) that permanently banned state and local governments from imposing sales tax on Internet access
- Taxable products and services purchased via Internet continue to be taxable on and after July 1, 2020

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Law Changes – Sales/Use

- **Exemptions for Beekeeping**

- Effective December 1, 2017
- Definition of "farming" amended to include beekeeping
- Farming exemptions may be claimed by persons in business of beekeeping
 - "Beekeeping" means business of moving, raising, producing, and other management of bees or bee products, *regardless of number of hive of bees managed*
- Previously, "farming" was defined by rule to include raising bees and producing honey products by beekeeper of 50 or more hives

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Law Changes – Sales/Use

- **Exemption for Farm-Raised Fish**
 - Effective September 23, 2017
 - Exemption for sale of farm-raised fish sold to fish farm registered with DATCP
 - "Farm-raised fish" means any fish egg that is present on fish farm or any fish that is reared on fish farm

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Law Changes – Sales/Use

- **Off-Highway Motorcycles**
 - Effective September 23, 2017
 - Similar sales and use tax treatment as other registered vehicles in Wisconsin
 - Excludes off-highway motorcycles from occasional sales exemption
 - Allows nonresidents to claim exemption for temporary use in, or move to, Wisconsin
 - **Note:** Technical correction to include provisions that were overlooked in 2015 Act 170

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Law Changes – Sales/Use

- **Lodging Marketplace**
 - Effective September 23, 2017
 - Lodging marketplace and short-term rental defined in ch. 66, Wis. Stats. (municipality law)
 - Lodging marketplace is platform used by unaffiliated 3rd 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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Law Changes – Sales/Use

- **Lodging Marketplace**

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

91

Law Changes – Sales/Use

- **Reminder – Building Materials Exemption for Contracts with Certain Exempt Entities**

- Effective for contracts entered into January 1, 2016 and after
- Sales and use tax exemption for building materials sold to construction contractor who transfers materials to qualifying exempt entity if building materials become part of facility in WI owned by exempt entity

92

Law Changes – Sales/Use

- **Reminder – Building Materials Exemption for Contracts with Certain Exempt Entities**

- For exemption to apply, following criteria must be met:
 - Construction must be for qualifying exempt entity;
 - Property must become part of facility in WI that is owned by exempt entity; and
 - Property must be transferred to qualifying exempt entity

93

Law Changes – Sales/Use

- **NEW - Technical Colleges and UW Are Qualifying Entities for Building Materials Exemption**
 - First applies to contracts entered into on and after July 1, 2018
 - Expands exemption to include following qualifying entities:
 - Technical college district
 - Board of Regents of University of Wisconsin System
 - Institution, as defined in sec. 36.05(9), Wis. Stats.
 - College campus, as defined in sec. 36.05(6m), Wis. Stats.
 - University of Wisconsin-Extension

94

Law Changes – Sales/Use

- **Expansion of Lump Sum Contract Exemption**
 - First applies to contracts entered into or extended, modified, or renewed on or after December 1, 2017
 - Applies to "construction contract" if total taxable sales price of all products is less than 10% of total amount of contract
 - Includes lump sum contracts and time and materials contracts

95

Law Changes – Sales/Use

- **Expansion of Lump Sum Contract Exemption**
 - "Prime contractor" is deemed consumer
 - "Subcontractor" of prime contractor is deemed consumer
 - Exception for contracts with exempt entities
 - Contractor may purchase without tax products not consumed in real property

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Law Changes – Sales/Use

- **Expansion of Lump Sum Contract Exemption**

- Prior to December 1, 2017, "lump sum contract" provisions:
 - Applied to contracts quoted for one price
 - Did not apply to time and materials contracts
- Contractor was consumer of taxable products sold by subcontractors

97

Sales and Use Tax Update

- **Tax Rate Changes**

- 0.5% premier resort tax in City of Rhinelander effective January 1, 2017
- Counties adopting 0.5% county tax
 - Sheboygan County, effective January 1, 2017
 - Kewaunee County, effective April 1, 2017
 - Brown County, effective January 1, 2018
 - Calumet County, effective April 1, 2018

98

Personal Property Tax

99

Personal Property Tax Overview

- Commercial and manufacturing Property
- January 1, 2018 - assessment date
- March 1, 2018 - due date to self report taxable personal property with assessor
- December 2018 - tax bills distributed based on January 1, 2018 assessment date

100

Personal Property Tax Overview

- **Commercial Personal Property**
 - Form PA-003, *Statement of Personal Property*
 - revenue.wi.gov/Pages/Form/govasr-spflist.aspx
 - File with local assessor where property is located: town, village or city
 - revenue.wi.gov/DOR%20Publications/assrlist.pdf

101

Personal Property Tax Overview

- **Manufacturing Personal Property**
 - Form M-P, *Manufacturing Personal Property Return*
 - File with DOR (state assessor)
 - Online filing only - revenue.wi.gov/Pages/Manufacturing/efilinginfo.aspx

102

Law Changes – 2017 Act 59

• Machinery, Tools and Patterns Exemption

- Manufacturing property
 - No changes to report machinery, tools and patterns on Form M-P, Schedule M
 - Exempt machinery continues to be exempt
 - Taxable machinery continues to be taxable

109

Law Changes – 2017 Act 59

• Machinery, Tools and Patterns Exemption

- Continue to report property on other schedules and columns as filed on 2017 forms
- Assessors will compare 2017 forms to 2018, and may question inconsistencies

110

Other

111

Law Changes – PFPF

- **Police and Fire Protection Fee**
 - Effective June 23, 2017
 - Provides communications providers and retailers with appeal rights
 - Gives DOR right to collect both \$0.75 fee and \$0.38 fee
 - Codifies in law what is currently provided by PSC Rule 172
 - Allows PSC and DOR to bring actions to collect fee

112

Law Changes – Unclaimed Property

- **Unclaimed Property - Interest on U.S. Savings Bonds**
 - Effective June 23, 2017
 - DOR not required to pay interest on proceeds from redemption of U.S. Savings Bonds
 - Prior law required DOR to pay interest on property that is interest-bearing at time of receipt
 - DOR cannot redeem savings bonds until bond has reached final maturity (i.e., interest has stopped accruing)

113

Law Changes – Disregarded Entities

- Effective September 20, 2017
- Applies to all laws administered by DOR
- DOR notice to either owner or disregarded entity is notice to both
- Both are liable for any amounts due in notice
- Disregarded entities are determined under sec. 7701, IRC

114

Law Changes – Audit

- **Statistical Sampling**
 - Effective March 1, 2018
 - Requires DOR to create rules to establish criteria for using statistical sampling methods during field audits
 - Criteria will specify:
 - Any person with less than \$10,000,000 in annual sales during any year at issue during field audit may choose to have statistical sample
 - Number of transactions necessary to qualify for statistical sampling and maximum sample size

115

Tax Processing Update

116

E-file Statistics

Tax Type	Returns Filed	TY 2016 E-file Rate	TY 2015 E-file Rate
Corporation Franchise/Income (4, 4H, 5, 6)	44,670	78.60%	75.70%
Fiduciary (2, 4T, Sch. CC)	65,476	61.70%	58.90%
Individual Income (1, 1A, 1NPR, WI-Z, Sch. H, H-EZ, and X-NOL)	3,096,748	84.60%	83.10%
Pass-Through (1CNS/1CNP, 3, 5S, PW-1)	177,252	88.20%	88.50%
Sales (ST-12)	814,187	94.20%	93.60%
Withholding (WT-6, WT-7)	255,008	90.10%	90.60%

Due Dates

- Wisconsin e-filing for 2017 individual income tax returns and homestead credit claims will begin when Internal Revenue Service (IRS) opens its MeF filing
- 2017 Individual income tax returns are due April 17, 2018 (calendar-year filers)

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Due Dates

- 2017 Wisconsin Act 2 changed due dates for corporate franchise and partnership returns to conform with federal due dates
- 2017 corporate franchise returns are due April 17, 2018; extended due date is November 15, 2018
- 2017 partnership returns are due March 15, 2018; extended due date is September 17, 2018

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2017 Form Changes

- Form 1NPR - Ratio for computing standard deduction removed (lines 6b & 6c)
- Schedule H and H-EZ – added questions about claimant / spouse:
 - Being 62 or older
 - Being disabled
 - Having earned income

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2017 Form Changes

- Form 2
 - Added check boxes for Qualified Subchapter S Trust, Nonresident Estate or Trust and Part-year Resident Estate or Trust
 - Added Third Party Designee section to page 2, similar to Form 1
 - Complete redesign for TY 2018 similar to Forms 3 and 5S

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2017 Form Changes

- Form 2
 - Added line to report sales/use tax on internet, mail order or out of state purchases (line 15b)
 - Added line to report inconsistent basis penalty (line 15c)
 - Added subtotal line (line 15d)

122

2017 Form Changes

- Form 3
 - Changed due date
 - Added use tax question
- Schedule 3K
 - Added line for Electronic and Information Technology Manufacturing Zone Credit (line 6)

123

2017 Form Changes

- Form 4
 - Changed due date
 - Added language to not use this form if filing as combined group
 - Added language that estimated tax payments should include credit carryforward (line 25)

124

2017 Form Changes

- Form 5S
 - Changed due date
- Schedule 5K
 - Added Electronics and Information Technology Manufacturing Zone Credit (line 6)

125

2017 Form Changes

- Form 6
 - Added Electronics and Information Technology Manufacturing Zone Credit (Part II)
 - Removed elimination adjustments for gross receipts and total sales because amounts have already been eliminated on apportionment schedule (Part VI, lines 7 and 8)

126

2017 Form Changes

- Form W-RA
 - Added line for Electronics and Information Technology Manufacturing Zone Credit Certificate
 - Added line for tax-option (S) corporation, partnership, limited liability company, trust, or estate adjustments; must provide copies of Schedules 2K-1, 3K-1 or 5K-1
 - Added Schedule GL to Homestead Credit items

127

New Schedule

- Schedule GL
 - Gain/loss reported on sale of claimant's home
 - Gain added to household income, even though not taxable for income tax purposes
 - For Schedule H only
 - Include with WR-A unless attaching with electronically filed Schedule H or H-EZ

128

Schedule Changes

- Schedule CR – Added line for new Electronics and Information Technology Manufacturing Zone Credit
- Schedule QI – Added line 4a for name and FEIN of pass-through entity that sold investment

129

Schedule Changes

- Schedule OS – Added five lines for new limitations on amount of credit

30	Multiply line 28 by line 29. Round the result to the nearest dollar. If claiming a credit for net tax paid to Minnesota, Iowa, Illinois, or Michigan, skip lines 31 through 34 and fill in the amount from line 30 on line 35	.00
31	Wisconsin income from Form 1, line 13, Form 1NPR, line 32, or Form 2, line 5	.00
32	Divide line 26 by line 31. Carry the decimal to four places and fill in on line 32. If line 31 is less than line 26, fill in 1.0000	.
33	Fill in the Wisconsin net income tax from: <ul style="list-style-type: none"> • Form 1, line 28, less the amounts on lines 29 and 30 • Form 1NPR, line 54, less the amounts on lines 55 and 56 • Form 2, line 10, less the amounts on line 11 	.00
34	Multiply line 32 by line 33. Round the result to the nearest dollar	.00
35	Enter the smaller of line 30 or line 34	.00
36	Income and franchise tax (see instructions)	.00
37	Add lines 35 and 36 in each column	.00

Schedule Changes

- Schedule FC
 - Removed line 17 on page 2 and renumbered remaining lines. Credit Based on Prior Year's Law is no longer available
 - Replaced references to zoning certificates with farmland preservation agreement - zoning certificates no longer provided

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Schedule Changes

- Schedule M – Added lines for Electronics and Information Technology Manufacturing Zone Credit addback and U.S. Olympic Medal subtraction
- Schedules MA-A and MA-M – Added line after 15e for qualified production activities income taxed in other states and new subtotal line

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Schedule Changes

- Schedule 2K-1
 - Redesigned to look like Schedules 3K-1 and 5K-1
 - Added line 16 for income (loss) reconciliation
- Schedule CC
 - Moved line 7 to line 1 and moved line 8 to line 1 (page 2)
 - Added Third Party Designee section

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Schedule Changes

- Schedules 2K-1, 3K-1, and 5K-1
 - Added credit codes for Angel Investment Credit and Early Stage Seed Credit to distinguish for partners because both on Schedule VC
 - Added line for partner's share of Electronics and Information Technology Manufacturing Zone Credit

134

Filing Tips – Individual Income Tax

- Paper Filed Returns
 - If duplex printing, make sure 1st page of return is included; it is often on back of filing instructions and may get discarded
 - Check that software hasn't redacted or masked information (e.g., XXX-XX-1111)
- Payment Vouchers
 - Check that software hasn't redacted or masked information (e.g., XXX-XX-1111)
 - Check scan line

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Filing Tips – Individual Income Tax

- Amended Returns
 - File electronically
 - Most software companies support Wisconsin amended return e-filing (unlinked from federal return)
 - Wait 24 hours after filing original return. An amended return e-filed via MeF within 24 hours of original return will reject.

136

Filing Tips – Individual Income Tax

- Payment Type and Period
 - Selecting wrong payment type or period can delay payment posting, resulting in Notice of Amount Due
 - Extensions
 - For extension payments, choose "Extension payment" type if paying electronically, or use Form 1-ES voucher if paying by check

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Filing Tips – Individual Income Tax

- Submitting Required Documents
 - Online application for submitting documents required with returns (e.g., property tax bill), ID verification documents, and documents requested by DOR during return processing
 - Don't use application to appeal notice or send general correspondence
 - When return posts, documents are matched with return and may not be reviewed

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Filing Tips – Corporation

- Make estimated payments electronically
- If you do send estimated payment by check, you must include Corp-ES voucher
- Do not send checks without voucher

139

Filing Tips – Corporation

- Form 6 must be filed electronically
- Use form for correct year for short period returns
- DOR will waive late filing fee if short period check box is checked (page 1, Part D)

140

Filing Tips – Exempt Organizations

- Form 4T Estimated Payments By Check
 - Corporations: Use Form Corp-ES
 - Trusts: Use Form 1-ES

141

E-file Mandate

- E-filing will be required for Tax Year 2018 (due in 2019) for Forms 1CNS, 1CNP, and PW-1; necessary for automated withholding matching
- Mandate letters to all paper filers will be mailed in late 2017

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Software Companies

- Wisconsin follows National Security Summit requirements for tax software companies
- Tax software companies must register with DOR by November 1st for following year
- Registration required for both professional products and DIY software
- All tax software companies must pass DOR testing before e-filed returns will be accepted

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Software Companies

- DOR has expanded required forms and schedules that must be supported if returns are e-filed in Wisconsin
- Exception: Companies who submitted 1,000 or fewer Wisconsin returns last year **and** support pdf attachments with returns

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Required Individual Forms

Forms 1 and 1NPR		
Form 1-ES	Schedule CS	Schedule JT
Form EPV (Voucher)	Schedule DC	Schedule MA-A
Schedule AR	Schedule DE	Schedule MA-M
Schedule BD	Schedule EC	Schedule PS
Schedule CF	Schedule ED	Schedule R
Schedule CR	Schedule HR	Schedule VC

Forms 1A and WI-Z		
Form 1-ES	Form EPV (Voucher)	Schedule AR

Stand Alone Schedule H		
Homestead Notes	Property Tax Bill	Rent Certificate

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Required Individual Forms

Form 2		
Form 1-ES	Schedule CR	Schedule JT
Form EPV (Voucher)	Schedule DC	Schedule MA-A
Schedule 2K-1	Schedule DE	Schedule MA-M
Schedule AR	Schedule EC	Schedule R
Schedule BD	Schedule ED	Schedule VC
Schedule CF	Schedule HR	

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Required Business Forms

Form 3		
Form A-1	Schedule DE	Schedule MA-A
Form N	Schedule EC	Schedule MA-M
Schedule 3K-1	Schedule ED	Schedule R
Schedule BD	Schedule HR	Schedule VC
Schedule DC	Schedule JT	

Form 55		
Form C-EPV	Schedule DC	Schedule JT
Form A-1	Schedule DE	Schedule MA-A
Form N	Schedule EC	Schedule MA-M
Form U	Schedule ED	Schedule R
Schedule 5K-1	Schedule HR	Schedule VC
Schedule BD		

Required Business Forms

Form 4		
Form C-EPV	Schedule CR	Schedule JT
Form A-1	Schedule DC	Schedule MA-A
Form N	Schedule DE	Schedule MA-M
Form U	Schedule EC	Schedule R
Schedule BD	Schedule ED	Schedule VC
Schedule CF	Schedule HR	

Form 6			
Form C-EPV	Form A-1	Schedule DC	Schedule JT
Form 6BL	Form N	Schedule DE	Schedule MA-A
Form 6CL	Form U	Schedule EC	Schedule MA-M
Form 6CS	Schedule BD	Schedule ED	Schedule R
Form 6Y	Schedule CF	Schedule HR	Schedule VC

MeF Changes/Rejects

- Corporate income/franchise returns must have four to six-digit NAICS code
- Form 6 - if Part V, line 4, not zero, Schedule 6CS (Sharing Research Credits) must be included

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Information Returns

- All Forms W-2 and 1099 are due January 31, even if no withholding
- In 2018, Forms W-2 and 1099 must be filed electronically if filing **10** or more (previously 50)
- 30-day extensions available if requested by due date

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Information Returns

- **Filing Tips**

- Use state code 55 for Wisconsin
 - Form W-2, line 15
 - Form 1099 e-file format - position 747-748 of Record B
- Include correct tax year

151

Information Returns

- **Filing Tips**

- Do not mail paper copies of information returns if they've already been e-filed
- Paper filed Forms W-2 and 1099 must be readable, with text appearing in correct box

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Information Returns

- **2017 Results**

- 6.79 million received through end of September
- 5.63 million received in January (82.9% of total)
- 0.83 million received in February (12.3% of total)
- 95.2% loaded into DOR system by end of February

- DOR will hold individual income tax refunds until March 1 if payer supplied Forms W-2 and 1099 are not in system

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Information Returns

- Penalties
 - DOR is assessing penalties for:
 - Failure to file Forms W-2 or 1099 indicated on Form WT-7
 - Paper filing more than 50 paper Forms W-2 or 1099 without waiver (more than 10 for 2017 forms submitted in 2018)
 - Penalty is \$10 per information return

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Information Returns

- Intuit (QuickBooks)
 - Desktop product
 - Print 1099s will include Wisconsin Taxpayer ID
 - E-file 1099s using partner product Tax1099 will include Wisconsin Taxpayer ID
 - Online product
 - No changes
 - Intuit says 160 QuickBooks online customers submitted more than 10 paper 1099s last year
 - Intuit will reimburse for DOR imposed penalty upon request

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Information Returns

- Intuit (QuickBooks)
 - Comprehensive state support is priority for Intuit
 - Will keep DOR informed of progress with Wisconsin requirements

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Filing Tips - Withholding

- Do not enter all zeros on Form WT-7 unless requesting refund of withholding previously paid **and** no Forms W-2 or 1099
- Only report Forms 1099 with withholding on Form WT-7 (must still submit to DOR)
- Form WT-7 filed using MTA or .XML transmission will reject if amount reported on line 8 (Total Withholding on Deposit Reports) is more than what DOR has posted as paid

157

Unclaimed Property

- **Holder Reports**
 - Make sure your business clients are reporting unclaimed property (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)
 - Interest is assessed on all late filed or late paid holder reports

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Unclaimed Property

- **Holder Reports**
 - Safe deposit box contents may now be sent at same time as holder report
 - See Publication 82, Holder Report Guide, for more information

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Fraud Prevention

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Fraud Prevention

- **ID Verification Reminders**
 - DOR safeguards taxpayer information to help prevent someone from using an identity to file false tax return and get tax refund
 - DOR uses various analytic tools that indicate possibility of identity fraud
 - You must have Letter ID from identity verification letter to take quiz or provide PIN

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Fraud Prevention

- **ID Verification Reminders**
 - If person is unable to take quiz, he or she should submit necessary documents to confirm identity
 - If person doesn't take quiz or provide ID verification documents, DOR will deny refund and send notice explaining how to appeal
 - If person didn't file return but received ID verification letter, contact DOR Customer Service staff immediately for assistance

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Fraud Prevention

- **PIN Program**

- Same PIN program implemented last year will be used again
- PIN is used one time through an online application on DOR's website, mobile app or by calling Customer Service

163

Fraud Prevention

- **New in 2018**

- Pilot with Green Dot to share information on suspected refund fraud through Green Dot cards
- Refunds will not be issued before March 1 unless DOR can verify wages and withholding reported by employer and employee

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Fraud Prevention

- **New in 2018**

- Expect more ID verification actions due to Equifax and other breaches
- DOR will be doing more automated matching of pass-through withholding reported by member/partner and pass-through entity
- Using ID verification for unclaimed property claims because of increased fraud

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Fraud Prevention

- **Return Processing**

- Although identification has been verified, return filed may still be delayed for further review
- If taxpayer failed to respond to ID verification and did not timely appeal denial of refund, taxpayer may request refund by letter with ID verification documents; refunds of credits, except withholding, are closed under statute of limitations

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Fraud Prevention

FY17 ID Verification Results			
Returns Evaluated	3,058,791	ID Docs Required	8,251
Quizzes Required	8,674	ID Docs Reviewed	8,983
Quizzes Passed	6,093	ID Docs Not Valid	282
Both Quizzes Failed	4,620	Total ID Verification Actions Required	64,378
PINs Required	47,453	% of Returns Evaluated Requiring ID Verification	2.10%
PINs Passed	32,631	Refunds Denied for Failure to Verify ID	20,298
PINs Expired	14,560	Refunds Reinstated on Appeal	2,754

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Fraud Prevention

	FY17	FY16	FY15
Returns Evaluated	3,058,791	3,061,766	2,902,976
Quizzes Required	8,674	31,259	209,171
Quizzes Passed	6,093	23,197	168,012
Both Quizzes Failed	4,620	17,128	19,486
PINs Required	47,453	12,055	
PINs Passed	32,631	9,940	
PINs Expired	14,560	1,803	
ID Docs Required	8,251	14,566	14,120
ID Docs Reviewed	8,983	20,967	15,608
ID Docs Not Valid	282	1	0
Total ID Verification Actions Required	64,378	57,880	223,291
% of Returns Evaluated Requiring ID Verification	2.10%	1.89%	7.69%
Refunds Denied for Failure to Verify ID	20,298	21,698	14,878
Refunds Reinstated on Appeal	2,754	8,112	306

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Fraud Prevention

• **Bad Refunds Stopped - FY17**

Fraud Detection With Analytics	\$9,300,745
Processing Fraud - Office of Criminal Investigations	\$6,059,255
Processing Fraud - Tax Operations	\$8,044,070
Earned Income Credit	\$20,115,157
Homestead Credit	\$16,046,799
Total	\$59,566,026

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Fraud Prevention

• **Bad Refunds Stopped - Historical**

Bad Refunds Adjusted/ Stopped	Fraud Detection With Analytics	Processing Fraud - OCI	Processing Fraud - Tax Ops	Earned Income Credit	Homestead Credit	Total for Specific Initiatives
FY17	\$9,300,745	\$6,059,255	\$8,044,070	\$20,115,157	\$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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DOR INITIATIVES

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Statewide Debt Collection

- DOR collects any debt owed to state or local government agency where
 - Debt has been reduced to judgment, and
 - Debtor has been notified in writing that debt will be referred to DOR for collection
- Minimum debt is \$50

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Statewide Debt Collection

- 607 participating agencies (municipal utilities, courts, technical colleges, UW campuses, housing authorities, etc.)
- 15% collection fee on unpaid balance or \$35, whichever is greater
- New January 2017 – five UW campuses submitting federal student loan debt

173

Statewide Debt Collection

- 2017-19 WI Act 59 authorized seven agents and supervisor for this initiative
- Collection actions include:
 - Voluntary payment
 - Tax refund offset
 - Wage attachment
 - Levy of assets

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Statewide Debt Collection

- \$136.7 current debt roll

SDC Collections (in millions)	
FY15	\$15.0
FY16	\$20.6
FY17	\$28

175

View / Print Letters

- Online application allows taxpayers and their representatives to view or print copies of individual income tax letters previously mailed
- Upon calling DOR and discovering DOR mailed letter he or she didn't receive or lost, we will give (with proper authorization) letter ID for that letter
- Go to our website at revenue.wi.gov and click "View/Print Letter" under Online Services section of Individuals tab

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View / Print Letters

- Application requires:
 - Entry of letter recipient's first and last name
 - ID type and number (generally social security number), and
 - Letter ID
- Some letters are blocked from this application

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Collection Cases in MTA

- On March 3, 2017, DOR expanded use of MTA to individuals who owe back taxes or other debts collected by DOR
- To register for MTA, need information from Notice of Amount Due, Notice of Overdue Tax, Notice of Referred Debt, or Statement of Account
- Even though user has "business" MTA profile, DOR recommends creating separate logon profile for personal debt

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Collection Cases in MTA

- Individuals can:
 - View balances, make payments, identify past due returns, read and print statements, view payment application details, and request payoff
 - Elect to receive most notices electronically and receive an email alert when letter is delivered electronically

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Collection Cases in MTA

- Third parties have limited access to electronic mail
- Notice has been through letter and flyers included with Statements of Accounts
- Look for Personal Users Help on MTA Registered Users tab

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MTA Upgrade

- Implemented on September 11, 2017
- Login process is same
- Layout and larger font make screens easier to read
- Navigating is easier - you can see your navigation path, or use new drop down menu

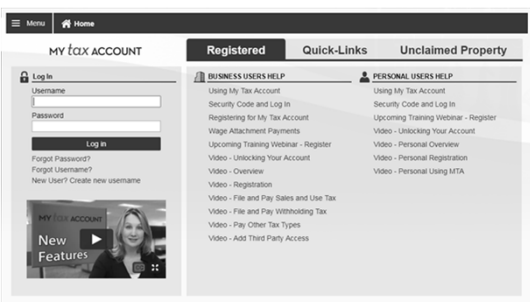
181

MTA Upgrade

- See your emails and notes in one location in new "Mail" tab
- An "Alerts" section notifies you of items requiring attention
- Search and filter your accounts by name, account type, and address
- Reactivate business accounts online

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New Login and Online Service Page



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MTA Home Page

The screenshot shows the MTA Home Page interface. At the top, there is a navigation bar with 'Menu', 'Home', and 'Log Off' options. Below this, a user profile section displays the name 'vanteding', email 'vman@gmail.com', and phone number '+1 (555) 555-5555'. To the right, an 'Alerts' section shows 7 unread messages and 9 unread letters, with links to 'Manage Payments and Returns', 'Play Utility Fees', and 'Pay Real Estate Transfer Fees'. The main content area is titled 'Entities' and contains a grid of account information. Each row includes a checkbox, an account ID, a name, and a balance of \$0.00. Some rows have a 'Needs attention' warning icon.

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MTA Home Page

This screenshot shows the 'Accounts' section of the MTA Home Page. It features a table with columns for 'Account Type', 'Account Id', 'Name', 'Frequency', and 'Balance'. The table lists various accounts for 'TEST COMPANY', 'ABC TEST COMPANY', and 'XYZ TESTING'. Account types include 'BTR', 'Sales & Use', and 'Withholding'. All balances are listed as \$0.00. A 'Filter' button is visible above the table, and a '9 Rows' indicator is at the bottom.

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MTA Home Page

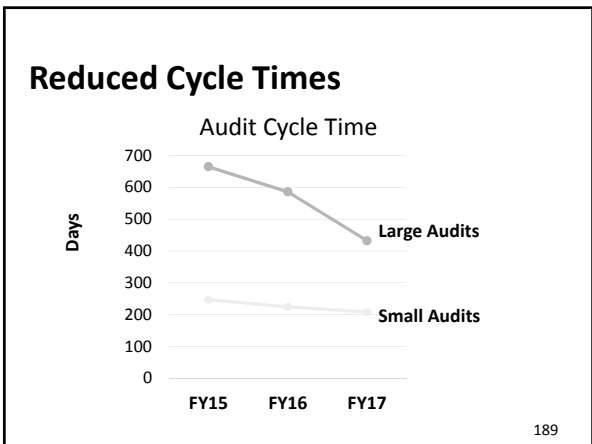
This screenshot is similar to the previous one, showing the 'Accounts' table. A vertical black arrow points to the 'Name' column of the first row, indicating a redaction. The table structure and data are consistent with the previous screenshot.



Audit Update

187

- ## Reduced Cycle Times
- Continued improvement since FY15
 - Large audits (size 3-5) take 35% fewer days
 - Small audits (size 1-2) take 16% fewer days
- 188



Reduced Cycle Times

- Factors
 - Auditor performance measures for keeping audits in progress moving
 - Case management dashboard
 - Increased use of electronic records and sampling

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Sampling

- Most sales/use tax audits use sampling – non-statistical or statistical
 - DOR Publication 515: *Non-Statistical Sampling*
 - DOR Publication 516: *Statistical Sampling*
- Type of sample depends on many factors

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Sampling

- Administrative rule will codify current practice of considering *statistical* sampling and communicating that option to taxpayer
- 34% more statistical samples completed in FY17 than two years ago

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Efficiency and Customer Service

FY17 Post- Field Audit Survey Results

Auditor was professional	95.0%
Auditor was knowledgeable	91.3%
Auditor communicated & explained well	90.9%
I understood the notices I received	94.4%
The audit took reasonable amount of time	85.3%

Response rate = 16%

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Efficiency and Customer Service

- Emphasis on helping taxpayer understand audit process up front
 - Updated Publication 501: *Field Audit of Wisconsin Tax Returns*
- Emphasis on supervisor's role to coach auditor to make good decisions on materiality and reasonableness

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Performance Metrics

Total Customer Call Center Contacts	
Customer Service	410,715
Compliance	215,357
Tax Operations	30,329
Audit	33,647
Total	690,048

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Performance Metrics

Average Hold Time (mm:ss.s)	Audit	Compl	Cust Svc	Tax Ops
Goal	01:30.0	01:30.0	01:30.0	01:30.0
Fiscal Year 2016	00:13.2	00:17.0	00:55.0	00:16.2
Average Answer Rate				
Goal	97.80%	97.80%	97.80%	97.80%
Fiscal Year 2016	98.02%	98.70%	99.13%	92.54%

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Performance Metrics

FY16 Customer Survey Results (Taxpayers, Tax Practitioners)				
	Audit	Compl	Cust Svc	Tax Ops
Goal	95.0%	95.0%	95.0%	95.0%
Professional	91.6%	98.9%	98.6%	96.7%
Knowledgeable	90.8%	98.2%	98.5%	95.1%

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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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Speaker Contact Information

Nate Weber

Director, Office of Technical Services
Wisconsin Department of Revenue
Division of Income, Sales & Excise
Email: nathaniel.weber@wisconsin.gov
Phone: 608-266-8025

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