Caution:

Election to Pay Tax at Entity Level

On Friday, December 14, Governor Scott Walker signed <u>2017 Wisconsin Act 368</u>. The law allows tax-option (S) corporations to elect to be taxed at the entity level for taxable years beginning on or after January 1, 2018, and partnerships to elect to be taxed at the entity level for taxable years beginning on or after January 1, 2019.

As a result of the new law, the following applies to the 2018 tax-option (S) corporation Wisconsin tax returns:

- A checkbox was added to 2018 Form 5S, Part A, #7 to make the election to be taxed at the entity level.
- A checkbox was added to 2018 Schedule 5K-1, Part B, #3 to designate that the entity made the election to be taxed at the entity level.
- The entity level tax will be reported on Form 5S, Page 1, Line 7, and the tax will be computed on a new schedule Schedule 5S-ET.
- Schedule 5S-ET is under development. Tax-option (S) corporations making the election will
 not be able to file 2018 Form 5S until after Schedule 5S-ET is finalized and programmed (estimated to be July 19, 2019). In general, shareholders will need to wait to file their individual
 income tax returns until they receive notification from the corporation as to whether the election has been made (e.g., Schedule 5K-1).
- Notice will be given through our Tax Professional and e-File Developer email subscriber lists
 when the draft Schedule 5S-ET is posted on our website and when the department will begin
 accepting returns that report the election.
- Underpayment interest will not apply to the additional tax due as a result of making the election for tax year 2018, however tax-option (S) corporations that make the election must pay the tax due by the unextended due of the return in order to avoid regular interest charges.

Tax-option (S) corporations that do not make this new election may file their 2018 Form 5S as soon as the department begins processing tax returns in January.

More information concerning this election will be available in the January 2019 Wisconsin Tax Bulletin.

Schedule

Tax-Option (S) Corporation Shareholder's Share of Income, Deductions, Credits, etc.

Wisconsin Department of Revenue

2018

Part I: Information About the Corpora	tion				
· · · · · · · · · · · · · · · · · · ·				orporation's FEIN	
Corporation's Address	on's Address Corporation's City		State Corporation's Zip Code		
Part II: Information About the Shareho	older	·			
Business Name			FEIN		
Individual's Last Name	First Name	M.I.	Individu	al's SSN	
Shareholder's Address	Shareholder's City		State Sh	areholder's Zip Code	
If the shareholder is a disregarded entity, estat	te, or trust, enter the name and identifying numb	ber of the taxpayer t	FEIN	is income will be reported	
Trust Name					
Last Name	First Name	M.I.	SSN		
_	AR) rel pursuant to s. 71.365(4m)(a), Wis. Stats.				
Shareholder's percentage of stock ownership for taxable year					
<u>D</u> Shareholder's state of residence (if a full-y	/ear Wisconsin resident, items E, F, and G do n	not apply)	D _		
E Check if shareholder's Wisconsin am	ount is determined by apportionment. Apportion	nment percentage.	E _		
F Check if shareholder's Wisconsin an	nount is determined by separate accounting.				
G Check if the shareholder is a nonres continuous PW-2 exemption.	ident and received an approved Form PW-2 to	opt out of pass-thro	ough entity	withholding, or received	



	(a)	(b)	(c)		(d)	(e)
	Pro rata share items	Federal amount	Adjustment		Amount under <u>Wis. law</u>	Wis. source amount (see instructions)
<u>1</u>	Ordinary business income (loss)	1		1		
<u>2</u>	Net rental real estate income (loss)	_				
<u>3</u>	Other net rental income (loss)					
<u>4</u>	Interest Income					
<u>5</u>	Ordinary dividends					
<u>6</u>	Royalties					
<u>7</u>	Net short-term capital gain (loss)					
8	Net long-term capital gain (loss)					
<u>9a</u>	Net section 1231 gain (loss)					
<u>9b</u>						
10	Other income (loss) (list)					
<u>a</u>	1	0a		10a _		
<u>b</u>	1	0b		10b _		
<u>c</u>	Total (add lines 10a and 10b) 1	0c		10c _		
<u>11</u>	Section 179 deduction 1	1		11		
12	Other deductions:					
<u>a</u>	Contributions	2a		12a _		
<u>b</u>	Investment interest expense 1			12b		
<u>c</u>	Section 59(e)(2) expenditures 1	2c				
<u>d</u>	Other deductions (attach schedule)	2d		12d _		
13 <u>a</u>	Schedule			13a _		
<u>b</u>	Schedule			13b _		
<u>c</u>	Schedule			13c		
<u>d</u>	Schedule			13d		
<u>e</u>	Schedule			13e _		
<u>f</u>	Schedule			13f _		
<u>g</u>	Schedule			13g _	_	
<u>h</u>	Schedule			13h _		
į	Tax paid to other states (enter postal abbreviation) 1	3i-1		13i-1 _		
	1	3i-2		13i-2 _		
	1	3i-3		13i-3 _		
j	Wisconsin tax withheld			13j _		



201	8 Schedule 5K-1 Shareholde	r's Name			ID Number		Page 3 of 4
	(a)		(b)	(c)		(d) Amount under	(e)
	Pro rata share items	<u>F</u>	ederal amount	Adjustment		Wis. law	Wis. source amount (see instructions)
14	Foreign transactions (list):						
а		14a			_ 14a _		
b		14b			_ 14b _		
15	Alternative minimum tax (AMT) items (list):)					
а		15a			15a		
b		15b			15b		
16 <u>a</u>	Tax-exempt interest income .	16a			16a		
<u>b</u>	Other tax-exempt income	16b			16b		
<u>c</u>	Nondeductible expenses	16c			16c		
<u>d</u>	Property distributions	16d			16d		
<u>e</u>	Repayment of loans from shareholders	16e			16e		
17 <u>a</u>	Investment income	17a			_ 17a _		
<u>b</u>	Investment expenses	17b			_ 17b _		
<u>c</u>	Dividend distributions paid from accumulated earnings and profits	17c			_ 17c _		
<u>d</u>	Other items and amounts (list	t):					
	1	17d-1			_ 17d-1 _		
	<u>2</u>	17d-2			17d-2		
	3 Total (add lines 17d-1 and 17d-2)	17d-3			_ 17d-3 _		
18 <u>a</u>	Related entity expense addback	k					



Related entity expense allowable 18b
Income (loss) reconciliation 19

expenses) from all activities 20

<u>19</u> <u>20</u>

Gross income (before deducting

Studies development credits computed: a	Fai	TIV Schedule SK-1 - Shareholder S Share of Additions and	Subtractions	NO COMMAS, NO CENTS
Related entity expenses 2 3 3 3 3 3 3 3 3 3	Add	itions:		
Related entity expenses 2 3 3 3 3 3 3 3 3 3	1	State taxes accrued or paid		1
Expenses related to nontaxable income. 3	_	·		
Basis, section 179, depreciation, amortization difference (attach schedule) . 4 5 Amount by which the Idedrari basis of assets disposed of exceeds the Wisconsin basis (attach schedule) . 5 6 Total additions for certain credits computed:	_		•	
5 Amount by which the federal basis of assets disposed of exceeds the Wisconsin basis (attach schedule). 5 Total additions for certain credits computed: a Business development credit. 6 Bo Commity Prabibilitation program credit. 6 Bo Commity Prabibilitation technology manufacturing zone credit. 6 Commits development tax credits. 6 Commits development tax credit. 7 Commits development tax credit. 7 Commits development tax credit. 8 Commits development tax credit. 8 Commits development tax credit. 9 Com		·		
Statistics Sta	_		-	
a Business development credit	×		5	
□ Community rehabilitation program credit 6b □ Development zones credits 6c □ Economic development tax credit 6d □ Electronics and information technology manufacturing zone credit 6e □ Employee college savings account contribution credit 6f □ Employee college savings account contribution credit 6g □ Agental program of the	6	Total additions for certain credits computed:		
g Development zones credits 6c d Economic development tax credit 6d g Electronics and information technology manufacturing zone credit 6e f Employee college savings account contribution credit 6f g Enterprise zone jobs credit 6g h Jobs tax credit 6h i Manufacturing and agriculture credit (computed in 2017) 6i i Manufacturing investment credit 6i k Research credits 6k l Technology zone credit 6l m Total credits (add lines 6a through 6l) 6m f RResearch credits 8 d Adjustment for built-in gains tax 8 g Additions for federal capital gains and excess net passive income taxes 9 g 10 0ther additions: a 10a 10a b 10b 10a c 10c 10a d 10tal other additions (add lines 10a through 10c) 10a 11 <td></td> <td><u>a</u> Business development credit</td> <td>6a</td> <td></td>		<u>a</u> Business development credit	6a	
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Electronics and information technology manufacturing zone credit 6 € f Employee college savings account contribution credit 6 f g Enterprise zone jobs credit 6 g h Jobs tax credit 6 h I Manufacturing and agriculture credit (computed in 2017) 6 i j Manufacturing investment credit 6 h j Manufacturing investment credit 6 j k Research credits 6 k j Technology zone credit 6 i m Total credits (add lines 6a through 6i) 6 m JRC Provisions not adopted for Wisconsin purposes 7 Adjustment for built-in gains tax 8 a Adjustment for built-in gains tax 9 a Adjustment for built-in gains tax 9 a Total credits (add lines 10 a through 10c) 10c a 10c b 10b c 10c d Total other additions (add lines 10a through 10c) 10c d Total additions (add lines 11 through 5, 6m through 9, and 10d) 11 Subtractions: 12 Related entity expenses eligible for subtraction 12 Income from related entities whose expenses were disallowed (obtain Schedule RT-1 from related entity and submit with your return) 13 Ha Basis, section 179, depreciation/amortization of assets (attach schedule) 14 B Amount by which the Wisconsin basis of assets disposed of exceeds the federal basis (attach schedule) 15 IRC provisions not adopted for Wisconsin purposes 16 IRC provisions not adopted for Wisconsin purposes 19 Other subtractions: 19 Bederal research credit expenses 19 Other subtractions (add lines 20a through 20c) 20c d Total other subtractions (add lines 20a through 20c) 20d d Total other subtractions (add lines 20a through 20c) 20d		<u>c</u> Development zones credits	6c	
Employee college savings account contribution credit. 6f g Enterprise zone jobs credit 6g h Jobs tax credit 6h Manufacturing and agriculture credit (computed in 2017) 6i Manufacturing investment credit 6j Manufacturing investment credit 6j Research credits 6k Technology zone credit 6i Total credits (add lines 6a through 6i) 6m Total credits (add lines 6a through 6i) 6m Additions for federal capital gains and excess net passive income taxes 9 Additions for federal capital gains and excess net passive income taxes 9 Other additions: a		₫ Economic development tax credit	6d	
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	21	Total subtractions (add lines 12 through 19 and 20d)		21

