

# ***Caution:***

## **Election to Pay Tax at Entity Level**

On Friday, December 14, Governor Scott Walker signed [2017 Wisconsin Act 368](#). 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.

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

For 2018 or taxable year beginning MMDDYY and ending MMDDYY

Part I: Information About the Corporation

Form with fields: Corporation's Name, Corporation's FEIN, Corporation's Address, Corporation's City, State, Corporation's Zip Code

Part II: Information About the Shareholder

Form with fields: Business Name, FEIN, Individual's Last Name, First Name, M.I., Individual's SSN, Shareholder's Address, Shareholder's City, State, Shareholder's Zip Code

If the shareholder is a disregarded entity, estate, or trust, enter the name and identifying number of the taxpayer to whom this income will be reported:

Form with fields: Trust Name, FEIN, Last Name, First Name, M.I., SSN

A Type of shareholder:

- 1 Individual
2 Estate
3 Trust
4 Exempt organization
5 Other

B Check if applicable:

- 1 Final 5K-1
2 Amended 5K-1 (Include Schedule AR)
3 Election to pay tax at the entity level pursuant to s. 71.365(4m)(a), Wis. Stats.

C Shareholder's percentage of stock ownership for taxable year C . %

D Shareholder's state of residence (if a full-year Wisconsin resident, items E, F, and G do not apply) D

E Check if shareholder's Wisconsin amount is determined by apportionment. Apportionment percentage. E . %

F Check if shareholder's Wisconsin amount is determined by separate accounting.

G Check if the shareholder is a nonresident and received an approved Form PW-2 to opt out of pass-through entity withholding, or received a continuous PW-2 exemption.



Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items NO COMMAS; NO CENTS

Table with 5 columns: (a) Pro rata share items, (b) Federal amount, (c) Adjustment, (d) Amount under Wis. law, (e) Wis. source amount. Rows include items like Ordinary business income, Net rental real estate income, Interest Income, etc.



	(a)	(b)	(c)	(d)	(e)
	Pro rata share items	Federal amount	Adjustment	Amount under Wis. law	Wis. source amount (see instructions)
<b>14</b>	Foreign transactions (list):				
<b>a</b>	_____ <b>14a</b>	_____	_____	_____	_____
<b>b</b>	_____ <b>14b</b>	_____	_____	_____	_____
<b>15</b>	Alternative minimum tax (AMT) items (list):				
<b>a</b>	_____ <b>15a</b>	_____	_____	_____	_____
<b>b</b>	_____ <b>15b</b>	_____	_____	_____	_____
<b>16a</b>	Tax-exempt interest income . . . <b>16a</b>	_____	_____	_____	_____
<b>b</b>	Other tax-exempt income . . . <b>16b</b>	_____	_____	_____	_____
<b>c</b>	Nondeductible expenses . . . . <b>16c</b>	_____	_____	_____	_____
<b>d</b>	Property distributions . . . . . <b>16d</b>	_____	_____	_____	_____
<b>e</b>	Repayment of loans from shareholders . . . . . <b>16e</b>	_____	_____	_____	_____
<b>17a</b>	Investment income . . . . . <b>17a</b>	_____	_____	_____	_____
<b>b</b>	Investment expenses . . . . . <b>17b</b>	_____	_____	_____	_____
<b>c</b>	Dividend distributions paid from accumulated earnings and profits . . . . . <b>17c</b>	_____	_____	_____	_____
<b>d</b>	Other items and amounts (list):				
<b>1</b>	_____ <b>17d-1</b>	_____	_____	_____	_____
<b>2</b>	_____ <b>17d-2</b>	_____	_____	_____	_____
<b>3</b>	Total (add lines 17d-1 and 17d-2) . . . . . <b>17d-3</b>	_____	_____	_____	_____
<b>18a</b>	Related entity expense addback . . . . . <b>18a</b>	_____	_____	_____	_____
<b>b</b>	Related entity expense allowable . . . . . <b>18b</b>	_____	_____	_____	_____
<b>19</b>	Income (loss) reconciliation . . . . . <b>19</b>	_____	_____	_____	_____
<b>20</b>	Gross income (before deducting expenses) from all activities . . . . . <b>20</b>	_____	_____	_____	_____



Part IV Schedule 5K-1 - Shareholder's Share of Additions and Subtractions

NO COMMAS; NO CENTS

Additions:

Table with 3 columns: Line number, Description, and Total. Includes lines 1 through 11 for additions such as state taxes, related entity expenses, and various credits.

Subtractions:

Table with 3 columns: Line number, Description, and Total. Includes lines 12 through 22 for subtractions such as related entity expenses eligible for subtraction, income from related entities, and federal wage credits.

