Instructions for 2018 Schedule MS

Purpose of Schedule MS

Use Schedule MS to determine the amount of manufacturer's sales tax credit carryforward that you may claim on your 2018 Wisconsin return to offset your franchise or income tax liability. Although the manufacturer's sales tax credit may not be computed for taxable years beginning on or after January 1, 2006, you may be eligible to claim your unused manufacturer's sales tax credit carryforward on your 2018 Wisconsin franchise or income tax return.

Who Must Complete Schedule MS

All taxpayers who are eligible to claim a manufacturer's sales tax credit and who wish to claim the credit must file Schedule MS.

Only taxpayers who had $25,000 or less of total unused manufacturer's sales tax credit carryforward as of the beginning of their 2006 taxable year are eligible to claim the credit.

> **CAUTION:** You may not claim a manufacturer's sales tax credit if your unused manufacturer's sales tax credit carryforward as of the beginning of your 2006 taxable year was more than $25,000.

Partnerships and limited liability companies (LLCs) treated as partnerships may not file Schedule MS. Instead, their partners or members file Schedule MS based on amounts passed through from the partnership or LLC when the credits were first computed.

Carryover of Unused Credits

The manufacturer's sales tax credit is nonrefundable. For corporations, any unused credit for taxable years beginning on or after January 1, 1988 may be carried forward for 20 years. For taxpayers other than corporations, any unused credit for taxable years beginning on or after January 1, 1998 may be carried forward for 20 years, and any unused credits for taxable years beginning before January 1, 1998 may be carried forward for 15 years. Unused tax credits for taxable years beginning before January 1, 1998 are now expired and may not be claimed.

If there is a reorganization of a corporation claiming a manufacturer's sales tax credit, the limitations provided by section 383 of the Internal Revenue Code may apply to the carryover of any unused credit.

Note: The manufacturer's sales tax credit available to offset income for taxable years beginning in 2006 and 2007 was limited to 50% of the total carryforward amount. This limitation does not apply to taxable years beginning in or after 2008.

Specific Instructions

Part I: Unused Manufacturer's Sales Tax Credits from Pass-Through Entities and Sole Proprietorships

In the columns provided, fill in the name and federal employer identification number of each pass-through entity from which you have unused manufacturer's sales tax credits. If you have unused manufacturer's sales tax credits from one or more sole proprietorships, fill in the name of each sole proprietorship from which you have unused manufacturer's sales tax credits.

For corporations, do not enter any amounts in Part I which are attributable to the corporation's own operations rather than from its ownership in a pass-through entity. Use line 2a to report credits attributable to the corporation's own operations.

For each pass-through entity or sole proprietorship you entered in Part I, fill in the amount of unused manufacturer's sales tax credit attributable to that business as of the beginning of your 2018 taxable year.

Part II: Manufacturer's Sales Tax Credit Carryforward Available for 2018

You may offset unused manufacturer's sales tax credits from pass-through entities and sole proprietorships only against tax on the income from the business operations in which the fuel and electricity were consumed. If you have unused credits from more than one business, you must compute the allowable credit from each business separately. You may not offset credits from a business that incurred a loss against the tax owed on income from another business that operated at a profit.

Column b. Fill in your share of each business's net income or loss reported on your 2018 franchise or income tax return. Enter the amounts in column b in the same order as you listed the names of the businesses in Part I. If column b shows a loss from a particular business, enter zero (0) in column e for that business. For shareholders of tax-option (S) corporations, the following items are not considered income from the business operations:

- Salary for services performed.
- Interest on loans made to the corporation.
- Taxable dividends paid by the corporation.
- Rents and royalties from assets leased to the corporation.

Column c. Enter your tax. Your tax is one of the following:

- *Corporations:* Form 4, line 18; Form 4T, line 11; Form 5S, line 4; or Form 6, Part III, line 9.

- *Individuals:* Form 1, line 28 minus married couple credit from line 29 or Form 1NPR, line 53 minus married couple credit from line 54.

- *Estates and Trusts***:** Form 2, line 10 or Form 4T, line 19.

If the result is zero or less, enter zero (0) in column e for that business.

Column d. Corporations should skip column d and fill in column e. Individuals, estates, and trusts should fill in the amount of their Wisconsin tax liability computed without including any amounts of income, deduction, or expense from the business operations in which the fuel and electricity were consumed. You must make a separate computation for each pass-through entity or sole proprietorship from which you have unused manufacturer's sales tax credits.

If you are an individual or fiduciary, you may determine your recomputed tax liability by completing a second Wisconsin return which does not include these income, expense, or deduction items. The amount to enter in column d is the recomputed amount from the following lines:

- *Individuals:* Form 1, line 28 minus married couple credit from line 29 or Form 1NPR, line 53 minus married couple credit from line 54.

- *Estates and Trusts:* Form 2, line 10 or Form 4T, line 19.

Column e. Corporations enter the portion of the gross franchise or income tax that is attributable to the amount in column b. This is the lesser of (1) the net income reported in column b multiplied by 7.9% (.079), or (2) the corporation's gross tax in column c. Individuals, estates, and trusts subtract the amount in column d from the amount in column c for each pass-through entity or sole proprietorship.

Column f. Enter the amount of unused credit for each business from Part I.

Column g. For each pass-through entity or sole proprietorship, enter the smaller of the amount in column e or column f.

Line 2. If you have more than 9 businesses from which you have unused manufacturer's sales tax credits, file with your Schedule MS a schedule showing these same columns for each additional business. Add the amounts from column g on this schedule and enter the total on line 2.

Line 2a. Corporations fill in this line to report unused manufacturer's sales tax credit carryforward attributable to their own operations. Do not include any unused credit on line 2a that is attributable to a corporation's interest in a pass-through entity.

Line 3. Add the amounts in column g and enter the total on line 3. This is the amount of manufacturer's sales tax credit you may claim on your return. Report this amount as follows:

- All taxpayers except tax-option (S) corporations and combined group members, enter the credit on the appropriate line of Schedule CR.
- Tax-option (S) corporations report this amount on Form 5S, line 5.
- If you are a combined group member, do not report the manufacturer's sales tax credit on Schedule CR. The combined group member separately computes its Schedule MS credit and reports the credit amount on Form 6, Part V, line 1.

Required Attachments to Return

File your completed Schedule MS with your Wisconsin income or franchise tax return.

Additional Information

For more information, you may:

- E-mail your question to: DORFranchise@wisconsin.gov

- Call (608) 266-2772
  (Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)

- Send a FAX to (608) 267-0834