

# Instructions for 2018 Wisconsin Schedule U

## Purpose of Schedule U

Use Schedule U to see if you owe interest for underpaying your estimated tax and, if you do, to figure the amount of interest you owe. It may be used by individuals, estates, and trusts (except trusts subject to the Wisconsin tax on unrelated business income must use Form U, *Underpayment of Estimated Tax by Corporations*).

**Note** Unless indicated otherwise, “tax” includes alternative minimum tax.

## Who Must Pay Underpayment Interest

If you did not pay enough estimated tax by any due date, or if you did not have enough Wisconsin income tax withheld, you may be charged interest on the underpayment. This is true even if you have a refund when you file your tax return. Underpayment interest is figured separately for each due date. Therefore, you may owe underpayment interest for an earlier payment due date, even if you pay enough tax later to make up the underpayment.

In general, you may owe underpayment interest for 2018 if you did not pay at least the smaller of

- 90% of your current year (2018) tax liability, or
- 100% of your prior year (2017) tax liability if you filed a 2017 return that covered a full 12 months.

**Note** The alternative to pay 100% of prior year tax liability does **not** apply to an estate or trust with taxable income of \$20,000 or more.

## Exception Codes

You will not owe underpayment interest if the total tax shown on your 2018 return minus the amount of tax you paid through withholding is less than \$500. To determine whether you qualify for this exception, complete lines 1 through 6.

If this exception does not apply to you, see below for other exceptions which may apply.

Following are the exception codes to enter on your income tax return if they apply. If more than one exception code applies to you, enter the lowest applicable code number in the space.

<b>Code 02</b> Prior full-year resident 12-month tax return was zero (page 1)	<b>Code 07</b> Active duty stationed outside U.S. (page 2)
<b>Code 03</b> Estate or grantor trust-within 2 years of date of death (page 1)	<b>Code 08</b> Tax not withheld evenly throughout the year (page 3)
<b>Code 04</b> Farming or fishing (page 1)	<b>Code 09</b> Net operating loss (page 4)
<b>Code 05</b> Casualty, disaster, or other unusual circumstance (page 2)	<b>Code 10</b> Federally-declared disaster or terroristic military action (page 1)
<b>Code 06</b> Retired or disabled (page 2)	

## Exceptions

You will not have to pay underpayment interest if any one of the following applies:

- (1) You were a Wisconsin resident for the **entire** 2017 year, your tax liability for 2017 was zero, and your 2017 tax return was (or would have been had you been required to file) for a full 12 months. If you (and your spouse if filing a joint return) qualify for this exception, enter exception code “02” in the space on the underpayment interest line of your return.
- (2) The taxpayer is an estate or grantor trust funded on account of a decedent’s death and the tax return is for a tax year that ends within two years after the date of death. Enter exception code “03” in the space on the underpayment interest line of Form 2.
- (3) Your gross income from farming or fishing during 2017 or 2018 is at least two-thirds of your total gross income and you file your 2018 Wisconsin return and pay the balance due on or before March 1, 2019. Enter exception code “04” in the space on the underpayment interest line of your return.

**Note** Total gross income is the joint total gross income of a married couple filing a joint return.

- (4) You qualify for an extension of time to file your 2018 federal return or make any of your federal estimated tax payments because of a federally-declared disaster or terroristic or military action. Enter exception code “10” in the space on the underpayment interest line of your return.

## Waiver of Underpayment Interest

If you have an underpayment on line 20 for any payment due date, you may apply for a partial or total waiver of the interest for that underpayment if:

- You underpaid because of a casualty, disaster, or other unusual circumstance and exception (4) on page 1 does not apply to you (use exception code "05").
- In 2017 or 2018 you retired after age 62 or became disabled and your underpayment was due to reasonable cause and not willful neglect (use exception code "06").
- You were on active duty with the United States armed forces and were stationed outside the continental United States (use exception code "07").

To apply for a partial or total waiver, enter the appropriate exception code in the space on the underpayment interest line of your return.

If applying for a **partial waiver**, also complete lines 1 through 8 and 16 through 29 of Schedule U. Enclose Schedule U and an explanation of how you qualify for the waiver and how much of the underpayment interest should be waived with your return.

If applying for a **total waiver**, do not complete Schedule U. Instead, enclose an explanation with your return titled "Application for Waiver of Interest on Underpayment of Estimated Tax."

## Part I – Required Annual Payment

Complete lines 1 through 8 to figure your required annual payment.

**Note** If you file an amended 2018 return, use the amounts shown on your amended return to figure your underpayment.

### Line 2

Fill in on line 2 the total of the refundable credits from your 2018 return (lines 42 through 47 of Form 1, lines 66 through 71 of Form 1NPR, or lines 18 and 19 of Form 2).

### Line 7

**Prior Year Tax** Figure your 2017 tax. Use the net tax from your 2017 return (line 33 of Form 1, line 59 of Form 1NPR, or line 14 of Form 2), less any refundable credits (from lines 42 through 47 of Form 1, lines 67 through 72 of Form 1NPR, or lines 18 and 19 of Form 2).

If your 2017 return was adjusted either by the department or by the filing of an amended return, use the adjusted amounts when determining your prior year tax.

**CAUTION** Do not complete line 7 if any one of the following applies. Instead, fill in the amount from line 4 on line 8.

- Your 2017 tax year was for less than 12 months, or
- The taxpayer is an estate or trust and has 2018 taxable income of \$20,000 or more.

**Filing Status Change** If you are filing a joint return for 2018, but you did not file a joint return for 2017, add the tax shown on your 2017 return to the tax shown on your spouse's 2017 return and fill in the total on line 7.

If you filed a joint return for 2017 but you are not filing a joint return for 2018, your 2017 tax is your share of the tax on the joint return. To figure your share, first figure the tax both you and your spouse would have paid had you filed separate returns for 2017. Then multiply your joint tax liability by the following fraction:

$$\frac{\text{Your separate tax liability}}{\text{Both spouses' separate tax liabilities}}$$

### Line 8

If the amount on line 5 is equal to or more than the amount on line 8, do not complete the rest of Schedule U. You do not owe underpayment interest.

## Part II – Short Method

You may use the short method if:

- You made no Wisconsin estimated tax payments (or your only payments were withheld Wisconsin income tax), or
- You made estimated tax payments in four equal amounts by the due dates.

**Note** If any payment was made early, using the short method may cause you to pay more interest than the regular method. If the payment was only a few days early, the difference will generally be small.

Do not use the short method if:

- You made any of your estimated tax payments late, or
- You want to use the annualized income installment method (see Part IV), or
- You treat withholding as paid when it was actually withheld, instead of in four equal amounts, or
- You claim a waiver for any period (see “Waiver of Underpayment Interest” on page 2).

If you can use the short method, complete lines 9 through 15 and do not complete the rest of Schedule U. Otherwise, go on to Part III.

### Part III – Regular Method

Complete lines 16 through 29 to compute underpayment interest using the regular method.

#### Line 16

**Required Installments** Divide the amount on line 8 by four (4) and fill in the result in each column.

#### Exceptions

- If you did not receive your income evenly throughout the year, you may be able to lower the amount of your required installment for the due dates by using the annualized income installment method. See Part IV for further information.
- If your gross income from farming or fishing for 2017 or 2018 is at least two-thirds of your total gross income, fill in the amount from line 8 in the last column of line 16. Fill in 0 (zero) in the first three columns. Also, enter exception code “04” in the space on the underpayment interest line of your return.

#### Line 17

**Estimated Tax Paid** Fill in the estimated tax that you (and your spouse if filing a joint return) paid for each installment period. Do not fill in on line 17 any payment made after January 15, 2019. Any payment made after January 15, 2019, and before April 15, 2019, should be entered on line 22 as a late payment.

**Exception** If you file your 2018 income tax return and pay the balance due by January 31, 2019, that payment will be accepted as your January 15 installment payment.

#### Line 18

**Tax Withheld** You are considered to have paid one-fourth of any withheld Wisconsin income tax on each payment due date unless you can show otherwise.

If your tax was not withheld evenly throughout the year, you may fill in the amounts actually withheld during each period. Also, enter exception code “08” in the space on the underpayment interest line of your return.

#### Line 20

**Underpayment** If line 20 is zero in all four columns, do not complete the rest of Schedule U. You do not have an underpayment. If there is any amount in any column of line 20, complete the rest of Part III.

#### Line 22

**Carryback of Overpayment or Late Payment** Complete line 22 only if there is an overpayment on line 21. The overpayment may be carried back to the prior installment period and offset against the underpayment of that period. Any remaining excess may then be carried back to the next prior period, etc. (**Exception** If you made an estimated tax payment after January 15, 2019, but before April 15, 2019, fill in the amount of that payment on line 22 in the January 15, 2019, column. However, do not fill in more than the amount on line 20. Any excess may be carried back to the next prior period, etc.)

**Example** The April 17 column on line 20 shows an underpayment of \$800. The June 15 column on line 21 shows an overpayment of \$300. The \$300 overpayment from the June 15 column would be filled in on line 22 in the April 17 column.

If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 22 each carryback used to offset the underpayment.

#### Line 23

**Carryforward of Overpayment** Any overpayment remaining after completing line 22 should be carried forward to the next period.

**Example** The April 17 column on line 20 shows an underpayment of \$600. The June 15 column on line 21 shows an overpayment of \$700. First, \$600 of the June 15 overpayment is carried back to the April 17 column on line 22. Since \$100 (\$700 – \$600) of the June 15 overpayment remains, that amount is carried forward to the September 17 column on line 23.

### Lines 25 through 29

Complete lines 25 through 29 to determine the amount of interest due on the underpayment. Only complete lines 25 and 27 when an overpayment or late payment is carried back on line 22. If you apply more than one payment to a given installment, enclose a statement showing a separate computation for each payment.

## Part IV – Annualized Income Installment Method Worksheet

If your income varied during the year, you may be able to lower or eliminate the underpayment interest for one or more installments by using the annualized income installment method.

Use the worksheet in Part IV to figure the amount to fill in on line 16 of Schedule U. Enter exception code “08” in the space on the underpayment interest line of your return.

**Exception** If you have a net operating loss (NOL) carryforward or carryback on line 33, do not enter exception code “08.” Instead, enter exception code “09.”

### Line 30

**Income** Nonresident and part-year resident individuals, fill in the larger of Wisconsin or federal income for each period. **Note:** For any period Wisconsin income is zero or less, fill in 0 (zero).

### Line 33

**Standard Deduction** Use the amount on line 32 to determine your standard deduction from the Standard Deduction Table in the 2018 Form 1 instructions. Nonresidents and part-year residents must use their annualized federal income to determine the standard deduction from the table in the 2018 Form 1NPR instructions. Estates and trusts, fill in 0 (zero) on this line.

**Net Operating Loss** If you have an NOL carryforward or carryback, determine the amount allowable for each period. Enter exception code “09” in the space on the underpayment interest line of your return.

Fill in on line 33 the total standard deduction and NOL carryforward or carryback for each period.

### Line 35

**Deduction for Exemptions** Fill in the deduction for exemptions from line 17c of your 2018 Form 1 or line 37c of your 2018 Form 1NPR. Estates and trusts, fill in 0 (zero) on this line.

### Line 37

**Tax** Use the tax table in the instructions for your 2018 Wisconsin tax form to compute the amount of tax to fill in on line 37.

### Line 38

**Credits** Fill in the total credits from line 25 of your 2018 Form 1 or line 42 of your 2018 Form 1NPR in all four columns.

Estates and trusts should fill in the total credits from line 7 of the 2018 Form 2 in all four columns.

### Line 39

**Proration** Nonresident and part-year resident individuals, prorate the amounts to be filled in by the ratio of your annualized Wisconsin income to your annualized federal adjusted gross income.

### Line 40

**Alternative Minimum Tax** Figure the alternative minimum tax on Schedule MT. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings of the worksheet. Multiply your Wisconsin alternative minimum taxable income by the annualization amounts on line 31 before subtracting the alternative minimum tax exemption amounts.

### Line 44

**Other Credits** Fill in the total of the credits from lines 42 through 47 of your 2018 Form 1, lines 66 through 71 of your 2018 Form 1NPR, or lines 18 and 19 of the 2018 Form 2, in all four columns.