

Caution:

The revised version of the 2019 Schedule I instructions was placed on the internet on January 22, 2020. The instructions have been revised to include changes to federal law that were made by the following Public Laws:

Public Law	Title	Date Enacted
116-91	FUTURE Act	December 19, 2019
116-92	National Defense Authorization Act for Fiscal Year 2020	December 20, 2019
116-94	Further Consolidated Appropriations Act, 2020	December 20, 2019
116-98	Virginia Beach Strong Act	December 20, 2019

2019 Wisconsin Schedule I Instructions

General Instructions

Introduction – Generally, the Wisconsin Statutes require that the computation of taxable income on the 2019 Wisconsin income tax return is to be based on the Internal Revenue Code (IRC) enacted as of December 31, 2017. Changes made to the IRC enacted after December 31, 2017, do not apply for Wisconsin income tax purposes unless adopted by Wisconsin law.

Wisconsin law also provides that certain provisions of federal law do not apply for Wisconsin purposes even though the provisions were enacted into federal law prior to December 31, 2017. Some of those provisions are:

- Exclusion for small business stock
- Special depreciation allowance

As a result, certain income and deduction items may be different for Wisconsin and federal purposes. Any difference must be adjusted on this schedule. A description of certain items requiring adjustment can be found in Part IA on page 6 under **IRC Differences Between Federal and Wisconsin Law**.

Who Must File – If the computation of your federal adjusted gross income or itemized deductions reflects any of the differences in Wisconsin and federal law for 2019, you must complete this schedule and attach it to your Wisconsin income tax return, Form 1 or Form 1NPR.

To the extent Schedule I adjustments in a prior year affect income or expense items in 2019 (for example, the depreciation difference related to bonus depreciation did not apply for 2014-2018), you must also make adjustments on Schedule I for 2019.

It also may be necessary to prepare a 2019 Schedule I to adjust the amount of gain or loss reportable from sales of certain assets during 2019 (for example, gain from the sale of certain small business stock is taxable for Wisconsin but not for federal tax purposes). See the line instructions for information on provisions of federal law that do not apply for Wisconsin.

Using a Different Federal Election for Wisconsin – Various elections are available under the federal IRC. When an election is available under the IRC adopted for Wisconsin, a taxpayer may choose one election for federal tax purposes and a different election for Wisconsin. For example, a taxpayer may elect to claim different amounts of IRC sec. 179 expense for federal and Wisconsin tax purposes.

Either of the following two methods may be used to claim a different election for Wisconsin and federal tax purposes.

- Prepare a pro forma federal return based on the election chosen for Wisconsin. This pro forma return is to be attached to the Wisconsin Form 1 or Form 1NPR instead of the actual return filed for federal tax purposes.
- Make the election using Wisconsin Schedule I, *Adjustments to Convert 2019 Federal Adjusted Gross Income and Itemized Deductions to the Amounts Allowable for Wisconsin*.

Example: For federal tax purposes you claim the credit under sec. 45E of the IRC for 50 percent of the startup costs of a small employer pension plan. When claiming the credit, you must reduce your deduction for that portion of the startup costs equal to the credit. However, sec. 45E(e)(3) of the IRC, provides an election to not claim the credit. Because an election is available, you may elect to not claim the credit on your federal return and instead claim the deduction for the startup costs. Use either of the two methods listed above to make a different election for Wisconsin purposes.

Be sure to also adjust any other items on your federal return that are affected by the election. For example, if you claim a different election for sec. 179 expense, this would also affect the amount of depreciation allowed and your depreciation deduction should also be adjusted.

Partners, Beneficiaries of Estates and Trusts, and Shareholders of Tax-Option (S) Corporations – The income and deduction items computed on the Wisconsin returns of partnerships, estates and trusts, and tax-option (S) corporations may also be affected by the differences between Wisconsin and federal law for 2019. As a result, the distributive shares of these items which are reportable on the individual Wisconsin income tax returns of the

respective partners, beneficiaries, and shareholders may differ for Wisconsin and federal income tax purposes. Such partners, beneficiaries, and shareholders should receive notification from the partnership, estate or trust, or tax-option (S) corporation of the amounts reportable for Wisconsin purposes. By comparing the amounts reportable for Wisconsin and federal purposes, the partner, beneficiary, or shareholder should determine the items which differ and make the appropriate adjustments.

New **Caution:** If the partnership or tax-option (S) corporation made an election to be taxed at the entity level, adjustments must still be made on Schedule I to report differences between Wisconsin and federal law. To remove items of income, gain, loss, or deduction reported on Schedule 3K-1 or 5K-1, report these items as an addition or subtraction modification on Form 1, line 4 or 11, with a code of 57 or 58. If filing Form 1NPR, do not include these amounts in column B (Wisconsin column).

Note: When adjusting income or expenses of an entity, additional items may also require adjustment. For example, adjusting depreciation allowed to a partnership would change the amount of income or loss from the entity. If the entity is subject to the passive activity limitations, federal Form 8582, *Passive Activity Loss Limitations*, would need to be recomputed for Wisconsin to substitute the Wisconsin partnership information for the amount determined on the federal Form 8582. Any difference in the amount of passive activity loss allowed for federal tax purposes and the amount allowed from the recomputed Form 8582 would also be a Schedule I adjustment. Any other federal schedules or forms affected by the Schedule I adjustment should also be recomputed (for example, Schedule E) and attached to the Wisconsin return. Mark these recomputed forms or schedules "Revised for Wisconsin."

Specific Instructions

Note When an adjustment is made on the lines below, this may affect other amounts which must then also be adjusted. For example, the amount of social security includable in federal adjusted gross income may be affected when an adjustment is made to an income item. The adjustment to social security includable in federal adjusted gross income should be reported on one of the "other" lines, as appropriate.

Part I - Line Instructions

Line 1

Fill in your 2019 federal adjusted gross income (FAGI) from line 8b of your federal Form 1040 or 1040-SR. If your FAGI is a loss, place a minus sign (-) in front of the number.

Line 2

Enter any additions to income due to the difference between federal and Wisconsin law on the corresponding line for the adjustments below.

Line 2a - Deduction for Tuition and Fees

Enter the amount of the deduction for tuition and fees from line 21 of federal Schedule 1 (Form 1040 or 1040-SR).

- (a) Federal – The deduction for up to \$4,000 of qualified tuition and fees paid during the taxable year in connection with enrollment at an institute of higher education is extended through December 31, 2020. (Public Law 116-94).
- (b) Wisconsin – The federal deduction for up to \$4,000 of qualified tuition and fees does not apply for Wisconsin. **Note:** Although the federal deduction for tuition and fees cannot be claimed for Wisconsin, you may qualify for a tuition deduction provided by Wisconsin law. If you claim the federal tuition and fees deduction, you must complete Schedule I to remove the federal deduction. See page 20 of the Form 1 instructions or page 6 of the Schedule M instructions for more information on the Wisconsin deduction for tuition paid.

Line 2b - Discharges of Indebtedness on Principle Residence

- (a) Federal – Gross income does not include any amount which would be includable in gross income by reason of discharge of indebtedness if the indebtedness discharged is qualified principal residence indebtedness which is discharged before January 1, 2021. (Public Law 116-94).
- (b) Wisconsin – The exclusion from gross income for income from discharge of indebtedness on a qualified principal residence does not apply for Wisconsin.

Lines 2c and 4b - Depreciation

Complete these lines only if there is a difference in the amount of depreciation allowed for federal income tax purposes and for Wisconsin tax purposes based on the Wisconsin definition of the IRC. For example, you would have a difference in depreciation if you claimed the federal special 100 percent additional depreciation for assets placed in service in 2019. In addition, if you had a depreciation difference on Schedule I for property placed in service on or after January 1, 2014, or the first day of your taxable year beginning in 2014, you will continue to have a difference in depreciation to report on Schedule I each year until the property is fully depreciated or until you sell or otherwise dispose of the property.

To adjust for any difference, you must first add back your federal depreciation by entering the federal amount on line 2c of Schedule I. You may then subtract the revised depreciation allowed for Wisconsin on line 4b.

Complete a revised federal Form 4562 and any accompanying forms and schedules. Mark these revised forms and schedules "Revised for Wisconsin."

Certain differences in the Wisconsin and federal definition of the IRC that apply for 2019 related to depreciation can be found in Part IA on page 6 under **IRC Differences Between Federal and Wisconsin Law**.

Lines 2d, 2f, 4c and 4e - Capital Gains and Losses from Line 6 of Federal Form 1040 or 1040-SR

Complete these lines only if there is a difference in the amount of capital gains or losses allowed for federal and Wisconsin income tax purposes based on the Wisconsin definition of the IRC.

Note On January 1, 2014, or the first day of your taxable year beginning in 2014, the Wisconsin basis of all depreciable or amortizable assets placed in service before January 1, 2014, is the same as the federal basis. If you reported a federal gain or loss on the sale or disposition of an asset that was placed in service prior to that date, no adjustment is to be made on Schedule I to account for differences in the amount of depreciation or amortization claimed on Schedule I in prior years.

The gain or loss reportable from a sale may differ for Wisconsin and federal purposes due to Schedule I adjustments made in the current year or a prior year.

To properly report such gain or loss on your Wisconsin return, you must first remove all gain or loss included on line 6 of your federal Form 1040 or 1040-SR. This is done by filling in line 2d or 4e. If the amount on line 6 of federal Form 1040 or 1040-SR is a gain, fill in that amount on line 4e of Schedule I. If the amount on line 6 of federal Form 1040 or 1040-SR is a loss, fill in that amount as a positive number on line 2d of Schedule I.

Next, complete a revised federal Schedule D, Form 8949, and any accompanying forms and schedules. Mark these revised forms and schedules "Revised for Wisconsin."

If the revised forms show a capital gain on line 6 of federal Form 1040 or 1040-SR, fill in the revised gain on line 2f of Schedule I. If the revised forms show a capital loss on line 6 of federal Form 1040 or 1040-SR, fill in the revised loss on line 4c of Schedule I as a positive number.

Enclose the revised federal Schedule D, Form 8949, and any accompanying forms and schedules with Form 1 or Form 1NPR.

CAUTION The amount on line 2f must also be included on Wisconsin Schedule WD, line 29a. The amount on line 4c must also be included on Wisconsin Schedule WD, line 29e.

Certain differences in the Wisconsin and federal definition of the IRC that apply for 2019 related to capital gains and losses can be found in Part IA on page 6 under **IRC Differences Between Federal and Wisconsin Law**.

Lines 2e, 2g, 4d, and 4f - Ordinary Gains and Losses from Line 4 of Federal Schedule 1 (Form 1040 or 1040-SR)

Complete these lines only if there is a difference in the amount of ordinary gain or loss allowed for federal and Wisconsin income tax purposes based on the Wisconsin definition of the IRC.

To properly report such gain or loss on your Wisconsin return, you must first remove all ordinary gain or loss reported on line 4 of your federal Schedule 1 (Form 1040 or 1040-SR). This is done by filling in line 2e or 4f. If the amount on line 4 of federal Schedule 1 (Form 1040 or 1040-SR) is a gain, fill in that amount on line 4f of Schedule I. If the amount on line 4 of federal Schedule 1 (Form 1040 or 1040-SR) is a loss, fill in that amount as a positive number on line 2e of Schedule I.

Next, complete a revised federal Form 4797, Form 4684, and any accompanying forms and schedules. Mark these revised forms and schedules "Revised for Wisconsin."

If the revised forms show an ordinary gain for Wisconsin on line 4 of federal Schedule 1 (Form 1040 or 1040-SR), fill in the revised gain on line 2g. If the revised forms show an ordinary loss for Wisconsin, fill in the revised loss on line 4d as a positive number.

Enclose the revised federal Form 4797, Form 4684, and any accompanying forms and schedules with Form 1 or Form 1NPR.

Lines 2h, i, and j and 4g, h, and i - Other

These lines are used to report any other differences between the amounts allowed for federal and Wisconsin income tax purposes based on the Wisconsin definition of the IRC. They are also used to report other items that need to be adjusted because of other IRC adjustments. For example, passive activity losses may have to be adjusted because of a depreciation adjustment. Enter a description of the item being adjusted on the lines provided.

If the difference between the federal amount and the Wisconsin amount results in an increase in income, the amount of the adjustment is an addition to Wisconsin income and is reported on lines 2h, i, or j. If the difference between the federal amount and the Wisconsin amount results in a decrease in Wisconsin income, the amount of the adjustment is a subtraction from income and is reported on lines 4g, h, or i as a positive number.

Note: When determining the difference between the federal amount and the Wisconsin amount and you are adjusting an income amount, treat the amounts as positive numbers. If you are adjusting an expense item, for example, amounts claimed as Adjustments to Income on lines 10 through 22 of federal Schedule 1 (Form 1040 or 1040-SR), treat the amounts as negative numbers.

Lines 2h, i, and j

- If the federal amount and the Wisconsin amount are positive numbers (or one number is a positive number and the other number is zero) and the Wisconsin amount is larger than the federal amount, subtract the federal amount from the Wisconsin amount. Fill in the difference as an addition on lines 2h, i, or j.
- If the federal amount and the Wisconsin amount are negative numbers (or one number is a negative number and the other number is zero) and the federal amount is larger than the Wisconsin amount, subtract the Wisconsin amount from the federal amount. Fill in the difference as an addition on lines 2h, i, or j. Treat both amounts as if they were positive numbers when figuring which amount is larger and when subtracting the federal and Wisconsin amounts.
- If the federal amount is negative and the Wisconsin amount is positive, add the federal amount and Wisconsin amount together, treating both numbers as positive numbers. Fill in the result as an addition on lines 2h, i, or j.

Lines 4g, h, and i

- If the federal amount and the Wisconsin amount are positive numbers (or one number is a positive number and the other number is zero) and the federal amount is larger than the Wisconsin amount, subtract the Wisconsin amount from the federal amount. Fill in the difference as a subtraction on lines 4g, h, or i as a positive number.
- If the federal amount and the Wisconsin amount are negative numbers (or one number is a negative number and the other number is zero) and the Wisconsin amount is larger than the federal amount, subtract the federal amount from the Wisconsin amount. Fill in the difference as a subtraction on lines 4g, h, or i as a positive number. Treat both amounts as if they were positive numbers when figuring which amount is larger and when subtracting the federal and Wisconsin amounts.
- If the Wisconsin amount is negative and the federal amount is positive, add the Wisconsin and federal amount together, treating both numbers as positive numbers. Fill in the result as a subtraction on lines 4g, h, or i as a positive number.

Certain differences in the Wisconsin and federal definition of the IRC that apply for 2019 can be found in Part IA on page 6 under **IRC Differences Between Federal and Wisconsin Law**.

Line 2k

Add the amounts on lines 2a through 2j. Fill in the total on line 2k.

Line 3

If the amount on line 1 is a positive amount, add the amounts on line 1 and line 2k. Fill in the total as a positive number on line 3.

CAUTION If the amount on line 1 is a negative amount, treat the amount as a positive amount and figure the amount for line 3 as follows:

- If the amount on line 1 is greater than the amount on line 2k, subtract line 2k from line 1 and fill in the result as a negative number on line 3.
- If the amount on line 1 is less than the amount on line 2k, subtract line 1 from line 2k and fill in the result as a positive number on line 3.

Line 4

Enter, as a positive amount, any subtraction from income due to the difference between federal and Wisconsin law on the corresponding line for the adjustments listed below.

Line 4a - Health Savings Accounts Adjustment

- (a) Federal – Certain individuals may establish health savings accounts. A deduction is allowed for contributions to the account. Amounts contributed by an employer to an employee’s account are excluded from the employee’s gross income. (Public Laws 108-173 and 109-432).
- (b) Wisconsin – The federal provisions relating to health savings accounts (HSAs) apply for Wisconsin for 2019. However, an adjustment may be required if you had an HSA prior to 2011 and you were not allowed a deduction for Wisconsin for contributions to that account and you reported the earnings on the account as income. If this is the case, complete the worksheet below.

2019 HSA Worksheet	
1. Balance of HSA as of December 31, 2010, less amount distributed in 2011-2018. (This is the amount from line 3 of the worksheet in the 2018 Schedule I instructions.)	1. _____
2. 2019 distributions from the HSA. Do not fill in more than the amount on line 1	2. _____
3. Subtract line 2 from line 1	3. _____
4. Portion of the distribution on line 2 that was used for medical expenses. This amount can be used as an itemized deduction for medical expenses. See “Medical Expense Deduction” in Part II	4. _____
5. Portion of the distribution on line 2 that was <u>not</u> used for medical expenses and is included in federal income. This amount would be taxable for federal purposes but not for Wisconsin. Include on line 4a of Schedule I*	5. _____
* This amount may also be subject to a federal penalty, but would not be subject to a Wisconsin penalty.	
Note: An adjustment will be required each year until the amount shown on line 3 is zero. Distributions from HSAs are to be allocated first to the pre-2011 balance.	

Line 4b - Wisconsin Depreciation

See the instructions for lines 2c and 4b on page 3.

Line 4c - Wisconsin Capital Losses

See the instructions for lines 2d, 2f, 4c, and 4e on page 3.

Line 4d - Wisconsin Ordinary Losses

See the instructions for lines 2e, 2g, 4d, and 4f on page 3.

Line 4e - Federal Capital Gains

See instructions for lines 2d, 2f, 4c, and 4e on page 3.

Line 4f - Federal Ordinary Gains

See the instructions for lines 2e, 2g, 4d, and 4f on page 3.

Line 4g, h, and i

See the instructions for lines 2h, i, and j and lines 4g, h, and i on page 4.

Line 4j

Add lines 4a through 4i. Fill in the total on line 4j.

Line 5

If the amount on line 3 is a negative amount, add the amount on line 4j to the amount on line 3. Fill in the total as a negative number on line 5. If the amount on line 3 is a positive amount, complete line 5 as follows:

- If line 3 is greater than line 4j, subtract line 4j from line 3 and fill in the result as a positive number on line 5.
- If line 4j is greater than line 3, subtract line 3 from line 4j and fill in the result as a negative number on line 5.

Part IA - IRC Differences Between Federal and Wisconsin Law

Following are brief explanations of certain differences between federal and Wisconsin law.

The “Federal” explanation indicates how an item is to be treated for federal income tax purposes as of December 31, 2019. The “Wisconsin” explanation indicates how the item is to be treated for Wisconsin.

If you need additional information regarding these items, contact any Wisconsin Department of Revenue office.

1. Health Savings Accounts Adjustment

- (a) Federal – Certain individuals may establish health savings accounts. A deduction is allowed for contributions to the account. Amounts contributed by an employer to an employee’s account are excluded from the employee’s gross income. (Public Laws 108-173 and 109-432).
- (b) Wisconsin – The federal provisions relating to health savings accounts (HSAs) apply for Wisconsin for 2019. However, an adjustment may be required if you had an HSA prior to 2011, you were not allowed a deduction for Wisconsin for contributions to that account, and you reported the earnings on the account as income. If this is the case, complete the worksheet on page 5.

2. Federal Farm Loss Limitations

- (a) Federal – The amount of farm losses that may be used to reduce other non-farming business income is limited to the greater of \$300,000 or the net farm income for the previous five years if the taxpayer receives any direct or counter-cyclical payments under Title I of the Food, Conservation, and Energy Act of 2008 or Commodity Credit Corporation loans. Any disallowed loss is treated as a deduction of the taxpayer attributable to farming business in the next taxable year. (Public Law 110-246).
- (b) Wisconsin – This farm loss limitation does not apply for Wisconsin.

3. Nonqualified Deferred Compensation from Certain Tax Indifferent Parties

- (a) Federal – Nonqualified deferred compensation plans maintained by foreign corporations will generally become taxable, unless the compensation is deferred 12 months or less after the end of the year that the compensation vests. The tax can also apply to partnerships with foreign partners. Deferred compensation will be taxable when the amount is determinable. (Public Law 110-343).
- (b) Wisconsin – This provision does not apply for Wisconsin. The treatment of nonqualified deferred compensation is determined under the provisions of the IRC in effect on December 31, 2007.

4. Income Sourcing of Guarantees

- (a) Federal – Amounts received for guarantees of indebtedness is U.S. source income if paid by a U.S. person or by a foreign person and the amount is connected with income which is effectively connected to the conduct of a trade or business in the U.S. (Public Law 111-240).

- (b) Wisconsin – This provision does not apply for Wisconsin. The treatment of guarantees of indebtedness is determined under the provisions of the IRC in effect on December 31, 2009.

5. District of Columbia Investments

- (a) Federal – Gross income does not include qualified capital gain from the sale or exchange of any DC Zone asset acquired after January 1, 1998, and before January 1, 2012, and held for more than five years. (Public Law 111-312).
- (b) Wisconsin – Capital gain from the sale or exchange of DC Zone assets is included in Wisconsin income.

6. Depreciation of Race Horses (over 2 years old)

Note: For depreciation of race horses placed in service before January 1, 2021, see page 11.

- (a) Federal – A race horse placed in service after December 31, 2016, and which is more than 2 years old at the time placed in service by the purchaser, is treated as 3-year property. (Public Law 114-113).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

7. Small Business Stock

- (a) Federal – An exclusion is allowed for 50% (75% for stock acquired after February 17, 2009, and on or before September 27, 2010, and 100% for stock acquired after September 27, 2010) of the gain from the sale or exchange of qualified small business stock acquired after August 10, 1993, and held for more than five years. (Public Law 114-113).
- (b) Wisconsin – Gain from the sale or exchange of qualified small business stock acquired **before** December 31, 2013, is included in gross income. Wisconsin adopted the federal exclusion for gain from small business stock as provided in the IRC as amended to December 31, 2012. The Wisconsin adoption of the federal exclusion applies for stock acquired after December 31, 2013, and held for more than 5 years.

8. Tax-Favored Withdrawal from Retirement Plans for Hurricane Harvey, Irma, and Maria Relief

- (a) Federal – For distributions on or after August 23, 2017, for Hurricane Harvey, September 4, 2017, for Hurricane Irma, and September 16, 2017, for Hurricane Maria, and before January 1, 2019, hurricane victims may withdraw up to \$100,000 from a qualified retirement plan without penalty. Taxpayers who are able to repay the distributions have three years to repay the funds to qualify for rollover treatment. Otherwise, they will be taxed on their distribution over three years. (Public Law 115-63).
- (b) Wisconsin – This provision applies for Wisconsin purposes for taxable years beginning after December 31, 2018. However, for withdrawals occurring before this date, an adjustment may need to be made for distributions which are taxed over the three year period for federal purposes.

9. Tax-Favored Withdrawal from Retirement Plans for 2016 Disaster Areas

- (a) Federal – For 2016 qualified disaster distributions, victims may withdraw up to \$100,000 from a qualified retirement plan without penalty. Taxpayers who are able to repay the distributions have three years to repay the funds to qualify for rollover treatment. Otherwise, they will be taxed on their distribution over three years. (Public Law 115-97).
- (b) Wisconsin – This provision applies for Wisconsin purposes for taxable years beginning after December 31, 2018. However, for withdrawals occurring before this date, an adjustment may need to be made for distributions which are taxed over the three year period for federal purposes.

10. Expensing Costs for Certain Business Assets

- (a) Federal – For property placed in service after September 27, 2017, 100% expensing is allowed for qualified property, qualified property with longer production periods, and plants bearing fruit and nuts. This percentage is phased down for property placed in service after December 31, 2022, and for property acquired before September 27, 2017. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

11. Excess Business Loss

- (a) Federal – Excess business losses of a taxpayer are not allowed. The disallowed loss is treated as a net operating loss carryover. (Public Law 115-97).
- (b) Wisconsin – The disallowance of excess business losses does not apply for Wisconsin.

12. Film and Television Production and Live Theatrical Production

- (a) Federal – The definition of qualified property for purposes of the special depreciation allowance includes film or television production and live theatrical production. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

13. Accrual Method Income Recognition

- (a) Federal – Accrual method taxpayers must recognize income no later than the tax year in which the item is recognized as revenue on an applicable financial statement. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

14. Net Interest Expense Deduction

- (a) Federal – The net interest expense deduction is limited to the sum of business interest income, 30% of adjusted taxable income, and floor plan financing income. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

15. Entertainment, Amusement, and Recreation Expenses

- (a) Federal – No deduction is allowed for entertainment, amusement, or recreation expenses. (Public Law 115-97).
- (b) Wisconsin – A deduction is allowed for entertainment, amusement, and recreation expenses.

16. Certain Meals Provided by an Employer

- (a) Federal – The 50% limitation on the deduction for food and beverage expenses applies to certain meals provided by an employer, including eating facilities located on or near the business premises of the employer and meals furnished on the business premises of the employer for the convenience of the employer. (Public Law 115-97).
- (b) Wisconsin – The deduction for food and beverage expenses for certain meals provided by an employer is allowed at 100%.

17. Federal Deposit Insurance Corporation Premiums Limitation

- (a) Federal – A limitation applies to the deduction for premiums paid as the result of an assessment by the Federal Deposit Insurance Corporation. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

18. Deduction Limitation for Commissions and Performance-Based Compensation

- (a) Federal – A “covered employee” includes the principal executive officer, principal financial officer, and the three other highest paid employees for purposes of the \$1 million deduction limitation exception for commissions and performance-based compensation. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

19. Global Intangible Low-Taxed Income Inclusion

- (a) Federal – A United States shareholder of a controlled foreign corporation must include in income its “global intangible low-taxed income” in a manner similar to subpart F income. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

20. Definition of United States Shareholder

- (a) Federal – The definition of a United States shareholder includes a United States person who owns at least 10% of the value of the shares of the foreign corporation. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

21. Related Party Transactions

- (a) Federal – The deduction for any disqualified related-party amount paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity is disallowed. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

22. Unused Overall Domestic Loss

- (a) Federal – A taxpayer may elect to recapture a pre-2018 unused overall domestic loss for any applicable tax year by substituting a percentage greater than 50%. (Public Law 115-97).
- (b) Wisconsin – This provision does not apply for Wisconsin.

23. Tax-Favored Withdrawal from Retirement Plans for California Wildfire Relief

- (a) Federal – For distributions on or after October 8, 2017, and before January 1, 2019, California wildfire victims may withdraw up to \$100,000 from a qualified retirement plan without penalty. Taxpayers who are able to repay the distributions have three years to repay the funds to qualify for rollover treatment. Otherwise, they will be taxed on their distribution over three years. (Public Law 115-123).
- (b) Wisconsin – Early distributions from a qualified retirement plan are included in Wisconsin gross income and are subject to a penalty.

24. Recontributions of Withdrawal for Home Purchase for California Wildfire Relief

- (a) Federal – Taxpayers who withdrew funds from a qualified retirement plan after March 31, 2017, and before January 15, 2018, for a first-time home purchase, but who could not complete that purchase because of California wildfires, may put the funds back in their qualified retirement plan without penalty. (Public Law 115-123).
- (b) Wisconsin – The treatment of distributions from a qualified retirement plan is determined under the provisions of the IRC as amended to December 31, 2017.

25. Loans from Qualified Plans for California Wildfire Relief

- (a) Federal – For loans made after February 9, 2018, and before December 31, 2018, California wildfire victims can borrow up to \$100,000 from a qualified employer plan. Any required payment due date for outstanding loans on or after October 8, 2017, may be delayed for one year. (Public Law 115-123).
- (b) Wisconsin – The maximum amount that may be borrowed from a qualified employer plan is \$50,000. The treatment of loans is determined under the provisions of the IRC as amended to December 31, 2017.

26. Qualified Disaster Zone for Hurricanes Harvey and Irma

- (a) Federal – The definition of a qualified disaster zone for hurricanes Harvey and Irma has been modified to include an area with respect to which a major disaster has been declared by the President before October 17, 2017. (Public Law 115-123).
- (b) Wisconsin – The definition of a qualified disaster zone for hurricanes Harvey and Irma is an area with respect to which a major disaster has been declared by the President before September 21, 2017.

27. Deduction for Attorney Fees and Court Costs

- (a) Federal – A qualifying deduction for attorney fees and court costs paid by, or on behalf of, a taxpayer in connection with a reward, is expanded to include rewards under section 21F of the Securities Exchange Act of 1934, a state false claims act, and section 23 of the Commodity Exchange Act. (Public Law 115-123).
- (b) Wisconsin – This provision does not apply for Wisconsin.

28. Qualified Opportunity Zone

- (a) Federal – Low-income communities in Puerto Rico are deemed to be certified and designated as a qualified opportunity zone. (Public Law 115-123).
- (b) Wisconsin – This provision does not apply for Wisconsin.

29. Tax Home in Foreign Country

- (a) Federal – A taxpayer is not treated as having a tax home in a foreign country for any period for which his home is within the United States. (Public Law 115-123).
- (b) Wisconsin – This provision does not apply for Wisconsin.

30. Domestic Production Activities Deduction

- (a) Federal – The repeal of the domestic production activities deduction does not apply to a qualified payment received by a patron from a specified agricultural or horticultural cooperative. (Public Law 115-123).
- (b) Wisconsin – This provision does not apply for Wisconsin.

31. Real Estate Investment Trusts (REIT) Income Tests

- (a) Federal – Treats gain from the sale or disposition of ancillary personal property as gain from the sale or disposition of a real estate asset, and treats gain from the sale or disposition of certain obligations secured by mortgages on both real property and personal property as gain from the sale or disposition of real property for purposes of the REIT income tests. (Public Law 115-141).
- (b) Wisconsin – This provision does not apply for Wisconsin.

32. ABLE Account Distributions

- (a) Federal – Treats any distribution from an ABLE account as coming only from that account, even if the individual making the distribution operates more than one account. (Public Law 115-141).
- (b) Wisconsin – All distributions during a taxable year shall be treated as one distribution.

33. Inconsistent Estate Basis Penalty Related to Post-Acquisition Events

- (a) Federal – The penalty does not apply when an heir claims a basis higher than the final estate tax value by reason of making basis adjustments relating to post-acquisition events. (Public Law 115-141).
- (b) Wisconsin – This provision does not apply for Wisconsin.

34. Rural Electric Cooperatives Income Tax Exemption

- (a) Federal – An income tax exemption is allowed for rural electric cooperatives if at least 85 percent of the cooperative's income consists of amounts collected from members for the sole purpose of meeting losses and expenses of providing service to its members. Utilities in Alaska and Hawaii are treated the same as those in Texas for purposes of the exclusion from the 85-percent test. (Public Law 115-141).
- (b) Wisconsin – The provision relating to utilities in Alaska and Hawaii does not apply for Wisconsin.

35. Qualifying Small Power Production Facility

- (a) Federal – A 5-year recovery period applies for qualifying small power production facilities. (Public Law 115-141).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

36. Unlawful Discrimination Suits and Attorney Fees

- (a) Federal – A deduction from gross income is allowed for attorney fees and court costs paid by, or on behalf of, the taxpayer in connection with any action involving a claim of unlawful discrimination. The definition of unlawful discrimination is expanded to include an act that is unlawful under section 207 of the Congressional Accountability Act of 1995, relating to rights and protections relating to criminal history inquiries. (Public Law 116-92).

- (b) Wisconsin – Wisconsin allows the deduction from gross income for attorney fees and court costs paid by, or on behalf of, the taxpayer in connection with any action involving a claim of unlawful discrimination. However, the definition of unlawful discrimination does not include an act that is unlawful under section 207 of the Congressional Accountability Act of 1995, relating to rights and protections relating to criminal history inquiries.

37. Qualified Tuition Program

- (a) Federal – A qualified higher education expense for a qualified tuition program includes costs associated with registered apprenticeship programs and up to \$10,000 of qualified student loan repayments of the designated beneficiary, including those for siblings of the designated beneficiary. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin.

38. Student Loan Interest Deduction

- (a) Federal – The student loan interest deduction is limited so as not to include any distributions treated as a qualified higher education expense with respect to student loans. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin.

39. Discharges of Indebtedness on Principal Residence

- (a) Federal – Gross income does not include any amount which would be includable in gross income by reason of discharge of indebtedness if the indebtedness discharged is qualified principal residence indebtedness which is discharged before January 1, 2021. (Public Law 116-94).
- (b) Wisconsin – The exclusion from gross income for income from discharge of indebtedness on a qualified principal residence does not apply for Wisconsin.

40. Deduction for Tuition and Fees

- (a) Federal – The deduction for up to \$4,000 of qualified tuition and fees paid during the taxable year in connection with enrollment at an institute of higher education is extended through December 31, 2020. (Public Law 116-94).
- (b) Wisconsin – The federal deduction for up to \$4,000 of qualified tuition and fees does not apply for Wisconsin. **Note:** Although the federal deduction for tuition and fees cannot be claimed for Wisconsin, you may qualify for a tuition deduction provided by Wisconsin law. If you claim the federal tuition and fees deduction, you must complete Schedule I to remove the federal deduction. See page 20 of the Form 1 instructions or page 6 of the Schedule M instructions for more information on the Wisconsin deduction for tuition paid.

41. Depreciation of Race Horses

Note: For depreciation of race horses over 2 years old and placed in service after December 31, 2016, see page 7.

- (a) Federal – Race horses placed in service before January 1, 2021, are treated as three-year property. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

42. Motorsports Racing Track Facility

- (a) Federal – The seven-year cost recovery period for motorsports entertainment complexes is extended through December 31, 2020. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

43. Accelerated Depreciation for Indian Reservation Property

- (a) Federal – The provision allowing accelerated depreciation for business property on Indian reservations is extended through December 31, 2020. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

44. Film and Television Productions

- (a) Federal – For productions commencing before January 1, 2021, a taxpayer may elect to treat the cost of any qualified film or television production as an expense which is not chargeable to a capital account. (Public Law 116-94).
- (b) Wisconsin – The federal expensing of a film or television production does not apply for Wisconsin.

45. Empowerment Zone Tax Incentives

- (a) Federal – The empowerment zone tax incentives are extended through December 31, 2020. This includes a wage credit, increased section 179 expensing, expanded tax-exempt financing, elective rollover of capital gain from the sale or exchange of any qualified empowerment zone asset, and partial exclusion of capital gains on certain small business stock. (Public Law 116-94).
- (b) Wisconsin – With the exception of increased section 179 expensing, the extension for empowerment zone tax incentives does not apply for Wisconsin.

46. Depreciation of Second Generation Biofuel Plant Property

- (a) Federal – The provision allowing a 50% depreciation allowance on second generation biofuel plant property is extended through December 31, 2020. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

47. Dispositions of Transmission Property to Implement Federal Regulatory Commission or State Electric Restructuring

- (a) Federal – For sales and dispositions before January 1, 2021, taxpayers may elect to recognize gain from qualifying electric transmission transactions ratably over an eight-year period if the amount realized is used to purchase exempt utility property. (Public Law 116-94).
- (b) Wisconsin – Gain is recognized to the extent the sales price (and any other consideration received) exceeds the seller's basis in the property, unless the gain is deferred or not recognized under another tax provision.

48. Tax-Favored Withdrawal from Retirement Plans for Qualified Disaster Areas

- (a) Federal – For distributions on or after the first day of the incident period of a qualified disaster and before the date which is 180 days after December 20, 2019, qualified disaster victims may withdraw up to \$100,000 from a qualified retirement plan without penalty. Taxpayers who are able to repay the distributions have three years to repay the funds to qualify for rollover treatment. Otherwise, they will be taxed on their distribution over three years. (Public Law 116-94).
- (b) Wisconsin – Early distributions from a qualified retirement plan are included in Wisconsin gross income and are subject to a penalty.

49. Recontributions of Withdrawal for Home Purchase for Qualified Disaster Areas

- (a) Federal – Taxpayers who withdrew funds from a qualified retirement plan after the date which is 180 days before the first day of the incident period of such qualified disaster and ending on the date which is 30 days after the last day of such incident period, for a first-time home purchase, but who could not complete that purchase because of a qualified disaster, may put the funds back in their qualified retirement plan without penalty. (Public Law 116-94).
- (b) Wisconsin – The treatment of distributions from a qualified retirement plan is determined under the provisions of the IRC as amended to December 31, 2017.

50. Loans from Qualified Plans for Qualified Disaster Areas

- (a) Federal – For loans made during the 180-day period beginning on December 20, 2019, qualified disaster area victims can borrow up to \$100,000 from a qualified employer plan. Any required payment due date for outstanding loans may be delayed for one year. (Public Law 116-94).

- (b) Wisconsin – The maximum amount that may be borrowed from a qualified employer plan is \$50,000. The treatment of loans is determined under the provisions of the IRC as amended to December 31, 2017.

51. Earned Income for Qualified Disaster Areas

- (a) Federal – For purposes of computing the earned income credit, an individual may elect to use earned income from the preceding tax year. This applies to victims whose principal place of abode was in a qualified disaster zone or area for any taxable year which includes any portion of the incident period of the qualified disaster for a qualified disaster zone or any taxable year which includes any portion of the period the individual is located in a qualified disaster area. (Public Law 116-94).
- (b) Wisconsin – This provision does not apply for Wisconsin.

Part II Instructions

Whenever federal adjusted gross income has been increased or decreased in Part I of Schedule I, itemized deductions which are computed using federal adjusted gross income (for example, medical expenses and charitable contributions) may require adjustment. The deductible amounts of any such items used to compute the Wisconsin itemized deduction credit must be determined by using the federal adjusted gross income computed on line 5 of Part I.

See the following list for certain itemized deductions that require adjustment. Enter the amount per federal law in Column I and the amount per Wisconsin law in Column II for the corresponding description related to the adjustment. For example, if the adjustment relates to a difference in gifts to charity allowed for federal and Wisconsin purposes, enter the amounts in Col. 1 and Col. 2 on line 1c. If the adjustment is not listed on lines 1a through 1c, enter the adjustment(s) on lines 1d and 1e and a brief description on the line. The amounts in Column II should be used to compute your itemized deduction credit on Schedule 1 of Form 1 or Form 1NPR.

1. Medical Expense Deduction

- (a) Federal – Any payment or distribution out of a health savings account (HSA) for qualified medical expenses shall not be treated as an expense paid for medical care for purposes of claiming an itemized deduction for medical and dental expenses. (Public Law 108-173).
- (b) Wisconsin – Wisconsin follows the federal treatment of distributions from an HSA. However, if a portion of your distribution was allocated to the balance in your HSA as of December 31, 2010, you may be able to treat all or part of the distribution as a medical expense. See the Worksheet for line 4a on page 5.

2. Charitable Deduction for Relief Efforts for California Wildfire Relief

- (a) Federal – Qualified charitable contributions are allowed to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer's contribution base over the amount of all other charitable contributions. These contributions are not subject to the limitation as provided in section 68 of the IRC. The contributions must be made beginning on October 8, 2017, and ending on December 31, 2018, for relief efforts in the California wildfire disaster area. (Public Law 115-123).
- (b) Wisconsin – Charitable contributions for relief efforts are determined under the provisions of the IRC as amended to December 31, 2017.

3. Personal Casualty Loss for California Wildfire Relief

- (a) Federal – The amount of the personal casualty loss due to California wildfires is increased. The standard deduction is increased by the amount of the net disaster loss. For purposes of alternative minimum tax, the standard deduction provision does not include the increase due to the net disaster loss. (Public Law 115-123).
- (b) Wisconsin – Casualty losses are allowed to the extent related to a presidentially declared disaster under 26 USC 7508A. The Wisconsin standard deduction is not increased by a casualty loss.

4. Mortgage Insurance Premiums

- (a) Federal – Mortgage insurance premiums paid in connection with acquisition indebtedness for a qualified residence is treated as interest. This does not apply to mortgage insurance contracts issued before January 1, 2007, or to amounts paid or accrued after December 31, 2020. (Public Law 116-94).

- (b) Wisconsin – Mortgage insurance premiums cannot be treated as interest and cannot be used in the computation of the Wisconsin itemized deduction credit.

5. Medical Expense Itemized Deduction Floor

- (a) Federal – The medical expense deduction floor is 7.5% of adjusted gross income. This provision expires January 1, 2021. (Public Law 116-94).
- (b) Wisconsin – The medical expense deduction floor is 10% of adjusted gross income.

6. Charitable Deduction for Relief Efforts for Qualified Disaster Areas

- (a) Federal – Qualified charitable contributions are allowed to the extent that the aggregate of such contributions does not exceed the excess of the taxpayer's contribution base over the amount of all other charitable contributions. These contributions are not subject to the limitation as provided in section 68 of the IRC. The contributions must be made beginning on January 1, 2018, and ending on the date which is 60 days after December 20, 2019, for relief efforts in one or more qualified disaster areas. (Public Law 116-94).
- (b) Wisconsin – Charitable contributions for relief efforts are determined under the provisions of the IRC as amended to December 31, 2017.

7. Personal Casualty Loss for Qualified Disaster Areas

- (a) Federal – The amount of the personal casualty loss due to qualified disasters is increased. The standard deduction is increased by the amount of the net disaster loss. For purposes of alternative minimum tax, the standard deduction provision does not include the increase due to the net disaster loss. (Public Law 116-94).
- (b) Wisconsin – Casualty losses are allowed to the extent related to a presidentially declared disaster under 26 USC 7508A. The Wisconsin standard deduction is not increased by a casualty loss.

8. Charitable Deduction for Relief Efforts for Virginia Beach, VA Mass Shooting

- (a) Federal – Cash contributions made for the relief of the families of the dead or wounded victims of the mass shooting in Virginia Beach, VA are treated as charitable contributions even if the contribution is for the exclusive benefit of the families. (Public Law 116-98).
- (b) Wisconsin – Charitable contributions for relief efforts are determined under the provisions of the IRC as amended to December 31, 2017.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of January 22, 2020:

26 USC 62, 26 USC 108, 26 USC 151, 26 USC 153, 26 USC 162, 26 USC 163, 26 USC 168, 26 USC 181, 26 USC 199A, 26 USC 213, 26 USC 221, 26 USC 222, 26 USC 223, 26 USC 267A, 26 USC 274, 26 USC 451, 26 USC 457A, 26 USC 460, 26 USC 461, 26 USC 501, 26 USC 529, 26 USC 529A, 26 USC 824, 26 USC 856, 26 USC 861, 26 USC 904, 26 USC 911, 26 USC 951, 26 USC 951A, 26 USC 1202, 26 USC 1361, 26 USC 1391, 26 USC 1400, 26 USC 1400Z-1, 26 USC 6662, and ch. 71, Wis. Stats.