Schedule M Instructions
Additions to and Subtractions from Income

Purpose of Schedule M

Schedule M is used to report differences between federal and Wisconsin income. These differences are called modifications and may affect the amount you report on lines 15 and 29 of Form 1NPR.

New Additions to Wisconsin income from Part I are reported on line 15, column B, of Form 1NPR, and subtractions from Wisconsin income from Part II are reported on line 29, column B, of Form 1NPR.

Who Must File Schedule M

Your federal income may include items that aren't taxable or deductible for Wisconsin, or it may not include items that are taxable or deductible for Wisconsin. You may have to add or subtract these items from your federal income to arrive at the correct Wisconsin income. Schedule M must be filed by persons for whom the addition and subtraction modifications described below apply.

Line Instructions

Part I – Additions to Income

Line 1 – Other Income

Nonresidents – Fill in any other income from line 8 of federal Schedule 1 (Form 1040 or 1040-SR) that you received from Wisconsin sources.

Part-year and full-year residents – Figure the amount of any other income from line 8 of federal Schedule 1 (Form 1040 or 1040-SR) you received while a Wisconsin resident. Add to that figure any other income you received from Wisconsin sources while a nonresident.

Note: If this amount is a negative number, use a negative sign. For example, enter -2000, not (2000).

Line 2 – Farmland Preservation Credit

Enter the amount of farmland preservation credit received in 2019 that isn't already included as income on lines 1 through 14 of Form 1NPR, column B.

Lines 3 through 14 – Addition for Computed Credits

If you claimed any of the credits listed in (a) through (L), you must include the amount of your credit computed for 2019 in Wisconsin income. The amount of your credit must be added to your income, even if you cannot take the full credit this year and must carry part of it forward or if the credit is refundable. **Note:** Credits that you receive from a partnership or tax-option (S) corporation will be accounted for when you make the modifications described on pages 22 and 23 of the Form 1NPR instructions for partnerships and tax-option (S) corporations.

Include the following credits computed for 2019:

(a) Enterprise zone jobs credit
(b) Development zones credit
(c) Capital investment credit
(d) Manufacturing investment credit
(e) Economic development tax credit
(f) Jobs tax credit
(g) Community rehabilitation program credit
(h) Research credit
(i) Manufacturing and agriculture credit (see Exception below)
(j) Business development credit
(k) Electronics and information technology manufacturing zone credit
(L) Employee college savings account contribution credit

Exception: The amount of manufacturing and agriculture credit computed for 2018 must be added to income on your 2019 Wisconsin income tax return. This is the amount from line 16 of your 2018 Schedule MA-A or MA-M.

Line 15 – Federal Net Operating Loss Deduction

Fill in the amount of the federal net operating loss deduction from line 8 of federal Schedule 1 (Form 1040 or 1040-SR). Only fill in the amount included on line 1 above. **Note:** See the instructions for line 26 for information about the Wisconsin net operating loss deduction.

Line 16 – Passive Foreign Investment Company

Fill in the amount of excess distribution from a passive foreign investment company which is allocable to Wisconsin and which has not been included in Wisconsin income in column B of Form 1NPR (see federal Form 8621 or 8621-A).

Line 17 – Addition for Certain Expenses Paid to Related Entities

Fill in the amount deducted or excluded from your Wisconsin income for interest, rental expenses, intangible expenses, and management fees paid, accrued, or incurred to a related entity (person or business entity). You must make this addition even though you may be eligible for a deduction for these expenses. If you are eligible for a deduction, you may then make a subtraction for the amount that qualifies on line 40. See the instructions for line 40.

Line 18 – Distributions from Edvest and Tomorrow's Scholar Accounts

If, while a Wisconsin resident, you received a distribution from an Edvest or Tomorrow's Scholar college savings account and the entire distribution was not used for qualified higher educational expenses, you may have to include all or a portion of the distribution in income. If you rolled over an amount from an Edvest or Tomorrow's Scholar college savings plan into another state's plan, you may also have to include all or a portion of the amount rolled over in Wisconsin income.

Amounts rolled over from a qualified tuition program to an ABLE account of the designated beneficiary, or a member of the family of the designated beneficiary, is not required to be included in Wisconsin income. The amount rolled over cannot exceed $15,000 for 2019. Any amount which exceeds $15,000 may have to be included in Wisconsin income.

If you received a distribution within 365 days of contributing an amount to an account, the amount previously subtracted may have to be included in income.

Complete Schedule CS to determine the amount you must include in income. Enclose Schedule CS with Form 1NPR.

Line 19 – Addition for Difference in Federal and Wisconsin Basis of Assets

If you determined for 2014 that the combined federal adjusted basis of all depreciated and amortized assets was greater than the combined Wisconsin adjusted basis of the assets, you were required to add 20 percent of the difference to 2014, 2015, 2016, 2017, and 2018 Wisconsin income. If you filed a Wisconsin return for a short taxable year in any of these years, you may claim the remaining unamortized balance of the modification on your 2019 return.

As a result of this addition, your Wisconsin adjusted basis of all depreciated or amortized assets on the first day of your taxable year beginning in 2014 (January 1, 2014, for calendar-year filers) is the same as the federal adjusted basis.

Line 20 – Distributions from ABLE Accounts

The owner (beneficiary) of a qualified ABLE account must include in income any amount withdrawn from a qualified ABLE account for any reason other than the payment of qualified disability expenses for the account beneficiary. Also, upon termination of an account, an addition to income is provided for any amount in the account that is returned to an account owner's estate.

Line 21 – Business Moving Expenses

Fill in the amount of moving expenses deducted from your federal income to move a Wisconsin business operation to a location outside Wisconsin or the United States. Moving expenses means all of the following:

- Vehicle rentals
- Storage rentals
- Moving company expenses for packing, unpacking and transportation
- Consulting fees and surveys
- Lease cancellation fees
- Utility fees
- Architecture, design, and remodeling expenses
- Brokerage commissions or fees
- Expenses paid or incurred to sell property in Wisconsin
- Loss on the sale of property in Wisconsin
- Reimbursement of an employee's expenses
- Employee wages
- Mileage deductions for vehicle use
- Moving company expenses for packing, unpacking, and transportation
- Expenses paid or incurred for professional services, including legal services
- The cost of meals, lodging, and fuel

Part II – Subtractions from Income

Line 23 – Other Adjustments

Fill in the total of the other adjustments that are included in the total on line 22 of federal Schedule 1 (Form 1040 or 1040-SR).

Exception: For any period in which you were not a resident of Wisconsin, do not include:

- Reforestation expenses related to property located outside Wisconsin.
- Attorney fees and court costs involving an unlawful discrimination claim if the judgment or settlement resulting from the claim is not taxable by Wisconsin.
- Contributions to sections 403(b) and 501(c)(18)(D) plans unless you had wages or trade or business income taxable by Wisconsin.
- Expenses from the rental of personal property if the property is located outside Wisconsin.

Note: If you had wages or trade or business income taxable by Wisconsin, your contributions to sections 403(b) and 501(c)(18)(D) must be prorated on the basis of your wages and net earnings from a trade or business taxable by Wisconsin to total wages and net earnings from a trade or business.

Line 24 – Farm Loss Carryover

If you were not actively engaged in farming and were subject to farm loss limitations on your 2002-2013 Wisconsin income tax returns, you may be able to claim a subtraction for all or a portion of the farm loss disallowed in those years. Farm losses disallowed as a deduction may be carried forward for 15 years to the extent that the farm losses are not offset against farm income of any year between the loss year and the year for which the carryover is claimed. The amount of carryover that can be subtracted is the lesser of (1) the farm loss carryover or (2) the net profits or net gains from the sale or exchange of capital or business assets in the current taxable year from the same farming business or portion of that business to which the limits on deductible farm losses applied in the loss year.

Line 25 – Recoveries of Federal Itemized Deductions

Enter the amount included in lines 1 through 14 of Form 1NPR, column B, which is a recovery of a federal itemized deduction from a prior year for which you didn't receive a Wisconsin tax benefit.

Example You deducted a casualty loss of $2,000 as an itemized deduction on your 2018 federal income tax return. You couldn't claim the casualty loss for the itemized deduction credit on your 2018 Wisconsin return. In 2019, you received a $1,000 reimbursement from your insurance company for part of the casualty loss. You reported the $1,000 on your 2019 federal income tax return as a recovery of an amount previously claimed. Wisconsin won't tax the $1,000 because you didn't claim the casualty loss for the itemized deduction credit on your Wisconsin return.

Line 26 – Wisconsin Net Operating Loss Deduction

Enter the amount of your allowable Wisconsin net operating loss deduction. Enclose Schedules NOL1, NOL2, and/or NOL3, as applicable. See the instructions for these schedules and Publication 120, *Net Operating Losses for Individuals, Estates, and Trusts,* for details on computing the net operating loss and the allowable deduction. See page 11 of the Form 1NPR instructions for information on how to get Publication 120.

Note: A net operating loss carryforward may not be used unless the incurred loss was computed on a return that was filed within 4 years of the unextended due date for that return.

Line 27 – Medical Care Insurance

Note: If you are self-employed, see the Form 1NPR instructions for line 23. Do not complete the worksheet on the next page.

You may be able to subtract all or a portion of the cost of your medical care insurance. "Medical care insurance" means a medical care insurance policy that covers you, your spouse, and dependents and provides surgical, medical, hospital, major medical, or other health service coverage (including dental insurance). If you are receiving social security benefits, the amount paid for medical care insurance includes the amount deducted from your monthly benefit for Medicare (for example, Parts B and D). It does not include premiums you pay for:

- Long-term care insurance

- Life insurance policies
- Policies providing payment for loss of earnings
- Policies that pay you a guaranteed amount each week for a stated number of weeks if you are hospitalized for sickness or injury
- The part of your car insurance premiums that provides medical insurance coverage for all persons injured in or by your car
- Medical care insurance if you elected to pay these premiums with tax-free distributions from a retirement plan made directly to the insurance provider and these distributions would otherwise have been included in income

CAUTION

- Do not include insurance premiums paid by an employer including amounts paid by you through payroll deductions, unless the premiums are included as wages in Box 1 of your Form W-2. Premiums that are deducted pre-tax are not included in Box 1 of your Form W-2.
- The amount of employer-provided medical care insurance that is identified on your Form W-2 in Box 12 with Code DD cannot be included in the subtraction for medical care insurance.
- If you participate in your employer's fringe benefit cafeteria plan and agree to a voluntary salary reduction in return for a medical care insurance benefit, you may not consider the amount of your salary reduction an amount you paid for medical care insurance. Because you are an employee whose insurance premiums are paid with money that is not included in your gross income (premiums are deducted pre-tax), you cannot subtract the premiums paid with that money. Such programs may be known as, for example, flexible spending accounts, employee reimbursement accounts, etc. Some employers may identify these amounts on your pay stubs as Internal Revenue Code sec. 125 or as a pre-tax deduction.

Complete the worksheet below to figure your subtraction. Complete the worksheet if you were (1) an employee or (2) a person who had no employer and were not self-employed.

When completing line 1 of the worksheet, if you purchased the insurance through an Exchange Marketplace, the amount you paid is the amount paid after your premium was reduced for any advance payment of the premium assistance credit.

Medical Care Insurance – Others		
1. Amount you paid for medical care insurance in 2019	1.	________
2. Amount of premium tax credit from line 9 of your federal Schedule 3 (Form 1040 or 1040-SR), or line 65 of Form 1040NR	2.	________
3. Subtract line 2 from line 1	3.	________
4. Amount of advance premium tax credit you were required to repay (line 2 of federal Schedule 2 (Form 1040 or 1040-SR), or line 44 of Form 1040NR)	4.	________
5. Add lines 3 and 4	5.	________
6. Fill in the amount that will be on Form 1NPR, line 16, column B, less the amount that will be on Form 1NPR, line 30, column B, without considering the subtraction for medical care insurance. If zero or less, fill in 0 (zero)	6.	________
7. Fill in the amount that will be on Form 1NPR, line 16, column A, less the amount that will be on Form 1NPR, line 30, column A. If zero or less, fill in 0 (zero)	7.	________
8. Divide line 6 by line 7. Fill in decimal amount, but not more than 1.00.	8.	________
9. Multiply line 5 by line 8	9.	________
10. Fill in the smaller of line 6 or 9 here and on line 27. This is your subtraction for medical care insurance	10.	________

Line 28 – Long-Term Care Insurance

If you paid long-term care insurance costs during 2019, you may be able to subtract all or a portion of the cost of a long-term care insurance policy which covers you or your spouse.

"Long-term care insurance policy" means a disability insurance policy or certificate advertised, marketed, offered, or designed primarily to provide coverage for care that is provided in your home or in an institutional or community-based setting. The care must be convalescent or custodial care or care for a chronic condition or terminal illness.

"Long-term care insurance policy" does not include a Medicare supplement policy or Medicare replacement policy or a continuing care contract. "Continuing care contract" means a contract which provides nursing services, medical services, or personal care services, in addition to food, shelter, and laundry services, for the duration of a person's life or for a term in excess of one year, conditioned upon any of the following payments:

- An entrance fee in excess of $10,000
- Providing for the transfer of at least $10,000 (if the amount is expressed in dollars) or 50% of the person's estate (if the amount is expressed as a percentage of the person's estate) to the service provider upon the person's death

Do not include premiums for long-term care insurance if you elected to pay those premiums with tax-free distributions from a retirement plan made directly to the insurance provider and these distributions would otherwise have been included in income. If you paid long-term care insurance costs during 2019 for a policy which covers you or your spouse, complete the following three steps to determine the amount of your subtraction.

Step 1 Complete the following worksheet.

Worksheet – Long-Term Care Insurance		
1. Amount paid for long-term care insurance in 2019	1.	
2. Portion of long-term care insurance cost included as a self-employed health insurance deduction on line 16 of federal Schedule 1 (Form 1040 or 1040-SR)	2.	
3. Portion of long-term care insurance cost deducted on federal Schedule C or F for your employee spouse	3.	
4. Add lines 2 and 3	4.	
5. Subtract line 4 from line 1	5.	

Step 2 Use the following formula to prorate the long-term care insurance.

$$\text{Amount from line 5 of worksheet} \times \frac{\text{Wages, unearned income, and net earnings from a trade or business* taxable by Wisconsin}}{\text{Total wages, unearned income, and net earnings from a trade or business**}} = \text{Tentative subtraction}$$

* Use the amount that will be on Form 1NPR, line 16, column B, less the amount that will be on Form 1NPR, line 30, column B, without considering the subtraction for long-term care insurance

** Use the amount that will be on Form 1NPR, line 16, column A, less the amount that will be on Form 1NPR, line 30, column A.

Step 3 Your subtraction for long-term care insurance is the smaller of the tentative subtraction computed in Step 2 or the amount of wages, unearned income, and net earnings from a trade or business taxable by Wisconsin. Enter this amount on line 28.

Line 29 – Retirement Income Exclusion

Subtract up to $5,000 of certain retirement income if:

- You (or your spouse if married filing a joint return) were 65 years of age or older on December 31, 2019, and
- Your federal adjusted gross income (line 8b of Form 1040 or 1040-SR) is less than $15,000 ($30,000 if married filing a joint return). If married filing a separate return, the sum of both spouses' federal adjusted gross income must be less than $30,000.

If you meet these qualifications, complete the Retirement Income Exclusion Worksheet on the next page to determine the amount of your subtraction. Your subtraction is the amount from line 4 of the worksheet. If married filing a joint return, your subtraction is the total of the amounts in Col. (A) and Col. (B) of line 4 of the worksheet. Enter this amount on line 29.

Retirement Income Exclusion Worksheet		
(Keep for your records)		
If married filing a joint return, fill in each spouse's information separately.	(A) Yourself	(B) Your Spouse
1. Taxable IRA distributions from line 9, column B, of Form 1NPR . . . . 1.		
2. Taxable pension and annuity income from qualified plans included in line 10, column B, of Form 1NPR without considering this exclusion . . . . 2.		
3. Add lines 1 and 2 . . . . 3.		
4. Complete line 4 as follows. This is your subtraction for retirement income. • If you were 65 years of age or older on December 31, 2019, fill in on line 4, Col. (A), the smaller of line 3, Col. (A), or $5,000. Fill in 0 (zero) if you were not age 65 or older. • If married filing a joint return and your spouse was 65 years of age or older on December 31, 2019, fill in on line 4, Col. (B), the smaller of line 3, Col. (B), or $5,000. Fill in 0 (zero) if your spouse was not age 65 or older . . . . . 4.		

Line 30 – Amounts Not Taxable by Wisconsin

Fill in on line 30 amounts not taxable by Wisconsin less related expenses, except expenses used to figure the Wisconsin itemized deduction credit. Fill in the type of income and amount on the description line for line 30. If additional space is needed, attach a schedule listing the types and amounts of income reported on line 30.

Example Wisconsin doesn't tax certain relocation assistance payments received by persons displaced by condemnation, subject to the conditions set forth in sec. 32.19, Wis. Stats.

Line 31 – Adoption Expenses

If you were a full-year resident of Wisconsin for 2019 and you adopted a child for whom a final order of adoption was entered by a court of any state, or upon registration of a foreign adoption, during 2019, you may subtract up to $5,000 of the amount you paid for adoption fees, court costs, and legal fees relating to the adoption. You may include amounts paid during 2017, 2018, and 2019. Don't count amounts reimbursed under any adoption assistance program. If you adopt more than one child during the year, you may deduct up to $5,000 of adoption expenses for each child.

Line 32 – Tuition and Fee Expenses

You may be able to claim a subtraction for up to $6,974 per student of the amount you paid during 2019 for tuition and mandatory student fees for you, your spouse (if married filing a joint return), and your children whom you claim as dependents on your federal income tax return.

The tuition and mandatory student fees must have been paid during 2019 to attend any of the following:

– Classes **in Wisconsin** at a school which qualifies as a university, college, or technical college. A "university, college, or technical college" is any school which has a curriculum leading to a diploma, degree, or occupational or vocational objective.

– Classes in Wisconsin at other post-secondary (post-high school) schools that have been approved through the Educational Approval Program.

– Classes in Minnesota at a public vocational school or public institution of higher education in Minnesota **under the Minnesota–Wisconsin tuition reciprocity agreement.**

– Classes outside Wisconsin provided the tuition is paid to a university, college, or technical college located in Wisconsin.

The subtraction applies to:

- Tuition and mandatory student fees paid to a school that fits into one of the four categories listed above regardless of the type of course taken. **Example:** Tuition paid for craft or recreational courses at a technical college qualifies for the subtraction.
- Tuition and mandatory student fees paid for correspondence courses or courses received via the internet or other electronic transmission as long as the courses are taken in Wisconsin, and are presented by a school (located in or outside Wisconsin) which qualifies as a university, college, or technical college, or a school approved through the Educational Approval Program.
- Tuition and mandatory student fees paid from loans, gifts, inheritances, and personal savings.

The subtraction does **not** apply to:

- Tuition or fees paid to pre-schools, elementary, or secondary schools, such as grade schools and high schools.
- Tuition and fees paid to a school which does not fit into any of the four categories listed on page 6. **Example:** The subtraction does not apply to a fee paid to a retail craft store to attend a session on flower arranging.
- Amounts paid as separate charges for other items such as room and board, athletic tickets, or other costs which are not tuition and mandatory student fees.
- Tuition and fees paid with certain tax-free funds. **Example:** You cannot claim a subtraction for tuition paid with tax-free scholarships or Pell grants or for amounts paid or reimbursed to you by your employer.
- Tuition and fees if the source of the payments is an amount withdrawn from a Wisconsin state-sponsored college savings program or college tuition and expenses program (Edvest or Tomorrow's Scholar). This limitation applies only if the owner of the account or other person who contributed to the account (for example, grandparent, aunt, uncle, or other person) previously claimed a subtraction for contributions to the Edvest or Tomorrow's Scholar program.

The subtraction is limited if your federal adjusted gross income exceeds certain amounts. Your federal adjusted gross income is the amount from one of the following:

- Line 8b of Form 1040 or 1040-SR
- Line 35 of Form 1040NR
- Line 10 of Form 1040NR-EZ

These amounts should be adjusted for any Schedule I differences.

If your filing status is:

Single or Head of Household

- If your federal adjusted gross income is $55,650 or less, complete Steps 2 and 3 to figure the amount of your subtraction for tuition and mandatory student fees. Do not complete the worksheet in Step 1.
- If your federal adjusted gross income is more than $55,650 but less than $66,780, complete Steps 1-3 to figure the amount of your subtraction.
- If your federal adjusted gross income is $66,780 or more, you may not subtract any amount for tuition and fee expenses.

Married Filing Joint Return

- If your federal adjusted gross income is $89,040 or less, complete Steps 2 and 3 to figure the amount of your subtraction for tuition and mandatory student fees. Do not complete the worksheet in Step 1.
- If your federal adjusted gross income is more than $89,040 but less than $111,300, complete Steps 1-3 to figure the amount of your subtraction.
- If your federal adjusted gross income is $111,300 or more, you may not subtract any amount for tuition and fee expenses.

Married Filing Separate Return

- If your federal adjusted gross income is $44,520 or less, complete Steps 2 and 3 to figure the amount of your subtraction for tuition and mandatory student fees. Do not complete the worksheet in Step 1.
- If your federal adjusted gross income is more than $44,520 but less than $55,650, complete Steps 1-3 to figure the amount of your subtraction.
- If your federal adjusted gross income is $55,650 or more, you may not subtract any amount for tuition and fee expenses.

Step 1 Complete the worksheet on the next page as required for your filing status.

Tuition Expense Worksheet		
Caution Only certain taxpayers are required to complete this worksheet. See the instructions on page 7 for your filing status.		
1. Amount paid for tuition and mandatory student fees in 2019. Do not fill in more than $6,974 per student	1.	
2. Fill in your federal adjusted gross income	2.	
3. Fill in $55,650 ($89,040 if married filing joint return or $44,520 if married filing separate return)	3.	
4. Subtract line 3 from line 2	4.	
5. Divide the amount on line 4 by 11,130 (22,260 if married filing joint return). Fill in decimal amount	5.	
6. Multiply line 1 by the decimal amount on line 5	6.	
7. Subtract line 6 from line 1. This is the amount of tuition and fee expense to use in the formula in Step 2	7.	

Step 2 Use the following formula to prorate the tuition expense.

$$\text{Tuition and fee expense}^{*} \times \frac{\text{Wages, salaries, tips, unearned income, and net earnings from a trade or business}^{**}\text{ taxable by Wisconsin}}{\text{Total wages, salaries, tips, unearned income, and net earnings from a trade or business}^{***}} = \text{Tentative subtraction}$$

* This is the amount from line 7 of the Tuition Expense Worksheet in Step 1. If you were not required to use the worksheet, use the amount paid for tuition and mandatory student fees in 2019, but not more than $6,974 per student.

** Use the amount that will be on Form 1NPR, line 16, column B, less the amount that will be on Form 1NPR, line 30, column B, without considering the subtraction for tuition expense

*** Use the amount that will be on Form 1NPR, line 16, column A, less the amount that will be on Form 1NPR, line 30, column A.

Step 3 Your subtraction for tuition and fee expense is the smaller of the tentative subtraction computed in Step 2 or the amount of wages, salaries, tips, unearned income, and net earnings from a trade or business taxable by Wisconsin.

Line 33 – Contributions to a Wisconsin State-Sponsored College Savings Program

You may be able to subtract the amount you contributed to a Wisconsin state-sponsored college savings account (Edvest or Tomorrow's Scholar) if you are the owner of the account or were authorized by the owner of the account to make contributions to the account.

You may also claim a subtraction if you rolled over an amount from another state's qualified plan into a Wisconsin account.

Complete Schedule CS, *College Savings Accounts,* to determine the amount of your subtraction. Enclose Schedule CS with your Form 1NPR.

Line 34 – Child and Dependent Care Expenses

Do you qualify for the federal credit for child and dependent care expenses for 2019? If yes, you may qualify to claim the Wisconsin subtraction for child and dependent care expenses. If married, you must file a joint return unless (1) you lived apart from your spouse during the last six months of 2019, (2) the qualifying person lived in your home more than half of 2019, and (3) you provided over half the cost of keeping up your home.

Complete the worksheet below.

Child and Dependent Care Expenses		
1. Fill in the amount from line 6 of federal Form 2441, but not more than $3,000 ($6,000 if more than one qualifying person)	1.	
2. Fill in your wages, unearned income and net earnings from a trade or business taxable to Wisconsin*	2.	
3. Fill in total wages, unearned income and net earnings from a trade or business*	3.	
4. Divide line 2 by line 3. Fill in decimal amount. If line 2 is more than line 3, fill in 1.00	4.	
5. Multiply line 1 by the decimal amount on line 4. This is your subtraction for child and dependent care expenses	5.	
* Use the amount that will be on Form 1NPR, line 16, column B, less the amount that will be on Form 1NPR, line 30, column B, without considering the subtraction for child and dependent care expenses		
** Use the amount that will be on Form 1NPR, line 16, column A, less the amount that will be on Form 1NPR, line 30, column A		

Line 35 – Sale of Business Assets or Assets Used in Farming to a Related Person

You may subtract the taxable portion of gain you realize from the sale or disposition to a related person of business assets or assets used in farming if the following conditions apply:

- The related person is your child, grandchild, great-grandchild, parent, brother or sister, nephew or niece, grandparent, great-grandparent, aunt, or uncle. The person may be related to you by blood, marriage, or adoption.
- The asset was held by you for more than 12 months.
- The gain is treated as capital gain for federal tax purposes. Amounts treated as ordinary income do not qualify.

Gain on the sale or disposition of shares in a corporation or trust qualifies only if:

- The number of shareholders or beneficiaries does not exceed 15. Lineal ancestors and descendants and aunts, uncles, and 1st cousins thereof count collectively as one shareholder or beneficiary. This collective authorization may not be used for more than one family in a single corporation or trust.
- The corporation does not have more than two classes of shares.
- All shareholders or beneficiaries, other than any estate, are natural persons.

"Farming" means the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity including the raising, shearing, feeding, caring for, training, and management of animals. Trees (other than trees bearing fruit or nuts) are not treated as an agricultural or horticultural commodity. **Note:** Trees may qualify as a business asset, see below.

"Business assets" are assets used in an activity carried on for a livelihood or in good faith to make a profit. The facts and circumstances of each case determine whether or not an activity is a business. Regularity of activities and transactions and the production of income are important elements. You do not need to actually make a profit to be in a business as long as you have a profit motive. You do need, however, to make ongoing efforts to further the interests of your business.

Business assets include assets used in the performance of services by an individual as an employee and assets used in the conduct of a trade or business by an individual who is self-employed.

Business assets do not include investment and rental property (for example, stocks, bonds, and residential rental property) unless you are subject to federal self-employment tax on the earnings from the activity. **Note:** Rental property which is a farm or farm equipment may qualify as an asset "used in farming."

Computing the subtraction You must first complete Wisconsin Schedule WD. The amount of gain that may be subtracted is determined after netting all capital gains and losses on Schedule WD.

- If amounts reported in Parts I and II of Schedule WD consist only of capital gains, your subtraction is equal to 70% of the long-term gain on the sale of a business asset to the related person, 40% of the long-term gain on the sale of a farm asset, or 70% of the long-term gain on the sale of qualified shares in a corporation.*
- If the amount on line 17 or 18 of Schedule WD is a net loss, you may not subtract any amount as gain on the sale of the asset to the related person.
- If the amount on line 18 of Schedule WD is a net gain and (1) the only gain reported on Schedule WD is from the sale of the asset to the related person and (2) a loss is included on line 17 of Schedule WD and/or on line 8 of Schedule WD, your subtraction is equal to the amount on line 27 of Schedule WD.
- If the amount on line 18 of Schedule WD is a net gain and (1) the only long-term gain reported on Schedule WD is from the sale of the asset to the related person, (2) a loss is included on line 17 of Schedule WD, and (3) you show a gain on line 8 of Schedule WD, your subtraction is equal to the amount on line 27 of Schedule WD less the amount on line 8 of Schedule WD.
- If the amount on line 18 of Schedule WD is a net gain and (1) that net gain includes more than one long-term capital gain and (2) a loss is included on line 17 of Schedule WD and/or on line 8 of Schedule WD, complete the worksheet on the next page to compute your subtraction.
- If the amount on line 18 of Schedule WD is a net gain and (1) that net gain includes more than one long-term capital gain, (2) a loss is included on line 17 of Schedule WD, and (3) you show a gain on line 8 of Schedule WD, complete the worksheet on the next page to compute your subtraction.

Worksheet for Gain on Sale of Assets to Related Person

1. Amount from line 19 of Schedule WD	1.	
2. Long-term capital gain on the sale of assets to a related person	2.	
3. Total long-term capital gain included on line 17 of Schedule WD	3.	
4. Divide line 2 by line 3. Carry decimal to four places	4.	.
5. Multiply line 1 by line 4	5.	
6. If the amount on line 2 is gain from the sale of an asset used in farming, multiply line 5 by .40 (40%) and fill in result.* If the amount of line 2 is gain from the sale of a business asset or gain from the sale of qualified shares in a corporation, multiply line 5 by .70 (70%) and fill in result. This is your subtraction for gain on the sale of assets to a related person	6.	

*A sale to a relative of qualified shares in a corporation that is engaged in farming does not qualify for the additional 30% exclusion for the sale of assets used in farming on Wisconsin Schedule WD. Thus the amount that may be subtracted as gain on the sale of qualifying shares of stock in a corporation is 70% of the gain.

Line 36 – Repayment of Income Previously Taxed

If you had to repay, during 2019, an amount that you included in your Wisconsin income in an earlier year, you may be able to subtract the amount repaid. A subtraction may be claimed only for repayments that are allowed as a miscellaneous itemized deduction on your federal Schedule A.

If you did not itemize deductions for federal tax purposes, use the amounts that would be deductible if you had itemized deductions. To determine the amounts to use, complete a federal Schedule A. Write “Wisconsin” at the top of this Schedule A and enclose it with your Form 1NPR.

Miscellaneous itemized deductions subject to the 2% of adjusted gross income limit are no longer allowed as itemized deductions on federal Schedule A pursuant to Public Law 115-97. These amounts are also no longer allowable as a deduction on federal Schedule A for Wisconsin purposes.

Caution Only amounts previously included in Wisconsin income may be claimed as a subtraction.

If the amount repaid was over $3,000, you may be able to subtract the repayment as described above or take a tax credit. See the instructions for Form 1NPR, line 63.

Line 37 – Human Organ Donation

If you were a full-year resident of Wisconsin for 2019 and you, your spouse, or a person who is claimed as a dependent on your federal income tax return donated one or more of their human organs to another person for human organ transplantation, you may subtract certain unreimbursed expenses related to the organ donation. “Human organ” means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. The subtraction may be claimed only in the taxable year in which the transplantation occurs. The subtraction may be claimed only once. The subtraction is equal to the amount of your unreimbursed expenses for travel, lodging, and lost wages, but not more than $10,000.

Line 38 – ABLE Accounts

A subtraction may be claimed for the amount contributed to a qualified ABLE (Achieving a Better Life Experience) account during the year. The owner (beneficiary) of an ABLE account must be a disabled person. Distributions from the account must be used to pay the qualified disability expenses of the disabled person. The total maximum subtraction that may be claimed by all contributors to the account for 2019 is $15,000. Any amount which exceeds $15,000 may have to be included in Wisconsin income.

An additional amount of contributions is allowed as a subtraction by a designated beneficiary equal to the lesser of:

1. The designated beneficiary’s compensation (included in gross income for the taxable year), or
2. The federal poverty line for a one-person household.

This increase is only allowed if the designated beneficiary is an employee and no contributions have been made to a defined contribution plan, annuity contract, or deferred compensation plan. Use the worksheet on the next page to figure your total subtraction.

Worksheet for Contributions to an ABLE Account				
1. Total contributions made to the ABLE account			1.	.00
2. If line 1 is less than $15,000, do not complete the rest of this worksheet. Enter the amount from line 1 on line 38 of Schedule M. Otherwise, continue to step 3			2.	15,000.00
3. Subtract line 2 from line 1	3.	.00		
4. The designated beneficiary's compensation	4.	.00		
5. 2019 federal poverty line for a one person household	5.	12,490.00		
6. Enter the smaller of line 3, 4, or 5			6.	.00
7. Add line 2 and line 6. This is your subtraction for contributions to an ABLE account			7.	.00

Note: The subtraction does not apply to rollovers or transfers from another account.

Line 39 – U.S. Olympic Subtraction

Persons who win medals at the Olympic and Paralympic Games generally exclude the value of such medals and the amount of prize money received from the U.S. Olympic Committee from federal income. Because the starting point for computing Wisconsin taxable income is federal adjusted gross income (FAGI), the amount that is excluded from federal income is automatically excluded from Wisconsin income and no additional subtraction is allowed for Wisconsin.

There are two situations where a Wisconsin subtraction may be claimed for the value of medals and any prize money. In these situations, the value of medals and any prize money would have been included in FAGI and a Wisconsin subtraction is allowed.

- Persons with FAGI over $1,000,000 ($500,000 if married filing a separate return) must include the value of medals and any prize money in federal income. Such persons may claim the Wisconsin subtraction of the value of medals and any prize money from the U.S. Olympic Committee.
- Persons who participate in the Special Olympics may claim a subtraction for the value of medals and any prize money received from the Special Olympics Board of Directors.

Line 40 – Subtraction for Certain Expenses Paid to Related Entities

If you were required to make an addition modification for interest, rental expenses, intangible expenses, and management fees paid to a related entity (see line 17), see Schedule RT to find out if you qualify for a subtraction. Although you must meet one of the conditions in Schedule RT, Part II, to qualify for a subtraction, you do not need to enclose Schedule RT with your return unless your total expenses paid, accrued, or incurred to related entities are $100,000 or more. If enclosing Schedule RT, also fill in "16" in the Special Conditions box on page 1 of Form 1NPR.

Line 41 – Interest, Rental Payments, Intangible Expenses, and Management Fees Reported as Income by a Related Entity

Did you report to Wisconsin income from interest, rental payments, intangible expenses, and management fees made by a related entity that was not able to claim a deduction for such payments? If yes, you may claim a subtraction for the amount that the related entity was not able to deduct.

Line 42 – Sales of Certain Insurance Policies

To the extent included in federal adjusted gross income, the original policy holder or original certificate holder who has a catastrophic or life-threatening illness or condition may subtract the amount of income received from the sale of a life insurance policy or certificate, or the sale of the death benefit under a life insurance policy or certificate, under a life settlement contract. "Catastrophic or life-threatening illness or condition" includes AIDS and HIV infection.

Line 43– Combat Zone Related Death

If you are filing a return for an individual who was on active duty in the U.S. armed forces and who died in 2019 while on active duty and the death occurred while he or she was serving in a combat zone or as a result of wounds, disease, or injury incurred while serving in the combat zone, you may subtract all income received by the individual during the year of death. Attach the certification made by the Department of Defense, DD Form 1300, Report of Casualty, to the return.

Note: For persons who died in 2019 as a result of service in a combat zone, the income subtraction also applies for 2018 if the service member did not previously file a 2018 income tax return.

Caution: "Combat zone" does not include the Sinai Peninsula of Egypt.

Line 44 – Private School Tuition

A subtraction may be claimed for tuition paid in the taxable year to send your dependent child to a private school. The maximum subtraction is $4,000 for an elementary pupil and $10,000 for a secondary pupil. See Schedule PS for further information. A copy of Schedule PS must be included with your Wisconsin income tax return.

Do not take a subtraction for amounts paid for private school tuition which were withdrawn from an Edvest or Tomorrow's Scholar college savings account.

Line 45 – Physician or Psychiatrist Grant

To the extent included as income in the Wisconsin column (column B) of Form 1NPR, any amount received by a physician or psychiatrist from the primary care and psychiatry shortage grant program under sec. 39.385, Wis. Stats., may be subtracted.

Line 46 – Distributions from Wisconsin State-Sponsored College Tuition Programs

If you included earnings from a qualified college tuition program in your federal adjusted gross income, you may subtract that amount if the earnings were from a Wisconsin Edvest tuition unit account and you received a refund because the beneficiary completed the program in which he or she was enrolled and had not used all of the tuition units purchased, or the beneficiary was awarded a scholarship, tuition waiver, or similar subsidy that could not be converted to cash.

Line 47 – Subtraction for Difference in Federal and Wisconsin Basis of Assets

If you determined for 2014 that the combined Wisconsin adjusted basis of all depreciated and amortized assets was greater than the combined federal adjusted basis of the assets, you could subtract 20 percent of the difference from your 2014, 2015, 2016, 2017, and 2018 Wisconsin income. If you filed a Wisconsin return for a short taxable year in any of these years, you may claim the remaining unamortized balance of the modification on your 2019 return.

As a result of this subtraction, your Wisconsin adjusted basis of all depreciated or amortized assets on the first day of your taxable year beginning in 2014 (January 1, 2014, for calendar-year filers) is the same as the federal adjusted basis.

Additional Information

For more information, you may:

Call: (608) 266-2486

Email: DORIncome@wisconsin.gov

Write: Mail Stop 5-77
Wisconsin Department of Revenue
PO Box 8949
Madison WI 53708-8949

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 26, 2019: 26 USC 1291, 26 USC 162, 26 USC 21, 26 USC 67, 26 USC 74, and ch. 71, Wis. Stats.