

Instructions for 2020 Form PW-U: Underpayment of Estimated Withholding Tax by Pass-Through Entities

Purpose of Form PW-U

Pass-through entities use Form PW-U to determine if they are subject to interest for underpayment of estimated withholding tax and, if so, the amount of interest. A pass-through entity must have made estimated withholding tax payments if the total of its withholding tax for its taxable year beginning in 2020 is \$500 or more. Form PW-U is also used to compute both extension and delinquent interest whenever the withholding tax due is paid after the end of the unextended due date of the PW-1.

Part I: Computation of Underpayment and Interest Due on Underpayment

Compute any underpayment of required installments and the amount of interest due in Part I.

Required installments are based on the smaller of (1) 90% of 2020 Wisconsin net tax, (2) 100% of 2019 Wisconsin net tax, provided the 2019 return covered an entire 12-month period, or (3) 90% of the 2020 Wisconsin net tax figured by annualizing income.

Line 1a: Enter the amount from Form PW-1, line 1.

Line 1b: Enter the amounts from Form PW-1, lines 3 and 4.

Line 1c: No underpayment interest is required if the pass-through entity meets any of two certain thresholds:

- » If line 1c. is less than \$500, enter zero and go to Part II, if applicable
- » If line 1c. is less than \$5,000, the pass-through entity had no withholding tax liability for the preceding taxable year, and the preceding taxable year covered 12 months, enter zero and go to Part II, if applicable.

Note: You have a “withholding tax liability” if the amount reported or required to be reported on line 1 of Form PW-1 is greater than zero.

Line 3: If the pass-through entity had a withholding tax liability in 2019, enter the amount from 2019 PW-1 (line 1 minus the total of lines 3 and 4).

Line 5: The installment due dates are the 15th day of the 3rd, 6th, 9th, and 12th months of your taxable year. Enter the appropriate due dates in columns (a), (b), (c), and (d). If a due date falls on a weekend or holiday, the due date becomes the business day immediately following the weekend or holiday.

Note: Any due date that is on or after April 1, 2020, and before July 15, 2020, is extended to July 15, 2020.

Example: For a pass-through entity that files a 2020 calendar-year Form PW-1 return, the installment due dates are:

- Column (a) – March 16, 2020
- Column (b) – July 15, 2020
- Column (c) – September 15, 2020
- Column (d) – December 15, 2020

Lines 10 and 11: Complete lines 10 and 11 only if you have an overpayment on line 9 for one or more installment periods. Overpayments should be carried back and/or carried forward in the following order:

1. Any overpayment on line 9, column (a), should be carried forward to the next installment period with an underpayment and entered on line 11. Any remaining excess should be carried forward to the next installment period with an underpayment and entered on line 11, etc.
2. Any overpayment on line 9, column (b), should be carried back to an underpayment in column (a) and entered on line 10. Any remaining excess should be carried forward to the next installment period with an

underpayment and entered on line 11, etc.

3. Any overpayment on line 9, column (c), should be carried back to underpayment(s) in column (b) then column (a) and entered on line 10. Any remaining excess should be carried forward to an underpayment in column (d) and entered on line 11.
4. Any overpayment on line 9, column (d), should be carried back to underpayment(s) in column (c), then column (b), then column (a) and entered on line 10.

Note: If you carry back more than one overpayment to a prior installment period, fill in separately on line 10 each carryback used.

Caution: If you have an overpayment in more than one column see “Example of Carryforward and Carryback” for clarification of how to apply the overpayments to any underpayments.

Example of Carryforward:

Column (a), line 9, has an overpayment of \$10,000. Columns (b), (c), and (d), line 8, each have underpayments of \$4,000. First, carryforward \$4,000 of the overpayment from column (a) to column (b) by entering \$4,000 on line 11. Second, carryforward \$4,000 of the overpayment from column (a) to column (c) by entering \$4,000 on line 11. Lastly, carryforward the remaining overpayment of \$2,000 from column (a) to column (d) by entering \$2,000 on line 11.

Form PW-1	Column (a)	Column (b)	Column (c)	Column (d)
Line 8 (underpayment)		\$4,000	\$4,000	\$4,000
Line 9 (overpayment)	\$10,000			
Line 10 (carryback)				
Line 11 (carryforward)		\$4,000	\$4,000	\$2,000

Example of Carryback:

Columns (a), (b), and (c), line 8, each have underpayments of \$50,000. Column (d), line 9, has an overpayment of \$125,000. First, carryback \$50,000 from column (d) to column (c) by entering \$50,000 on line 10. Second, carryback \$50,000 from column (d) to column (b) by entering \$50,000 on line 10. Lastly, carryback the remaining overpayment of \$25,000 from column (d) to column (a) by entering \$25,000 on line 10.

Form PW-1	Column (a)	Column (b)	Column (c)	Column (d)
Line 8 (underpayment)	\$50,000	\$50,000	\$50,000	
Line 9 (overpayment)				\$125,000
Line 10 (carryback)	\$25,000	\$50,000	\$50,000	
Line 11 (carryforward)				

Example of Carryforward and Carryback:

Both columns (a) and (c), line 9, have an overpayment of \$500. Both columns (b) and (d), line 8, have an underpayment of \$600. First, carryforward the overpayment of \$500 from column (a) to column (b) by entering \$500 on line 11. Second, carryback \$100 from column (c) to column (b) by entering \$100 on line 10. Lastly, carryforward the remaining overpayment of \$400 from column (c) to column (d) by entering \$400 on line 11.

Form PW-1	Column (a)	Column (b)	Column (c)	Column (d)
Line 8 (underpayment)		\$600		\$600
Line 9 (overpayment)	\$500		\$500	
Line 10 (carryback)		\$100		
Line 11 (carryforward)		\$500		\$400

Lines 13 through 17: Complete these lines to determine the amount of interest due on the underpayment. Complete lines 13 and 15 only when an overpayment or late payment is carried back on line 10. If you apply more than one payment to a given installment, attach a statement showing a separate computation for each payment.

If you do not have a balance due by the unextended due date of Form PW-1 (2 1/2 months after the close of a tax-option (S) corporation's or a partnership's taxable year or 3 1/2 months after the close of a trust's or estate's taxable year), enter the amount from line 17 on Form PW-1. Otherwise, enter the amount from line 17 on Part II, line 22, and complete the rest of Part II.

Part II: Computation of Other Interest and Penalty Due

Complete Part II only if your return is not filed by the unextended due date and shows a balance due.

Line 20: Enter estimated withholding tax payments made and withholding tax withheld from lower-tier entities.

Line 24: The 12% interest applies to the tax on line 23, column (b), only for the extension periods. The 18% interest applies to the sum on line 23, column (a), from the unextended due date to the date the return is filed. The 18% interest also applies to the tax on line 23, column (b), from the extended due date to the date the return is filed. Enter total interest from columns (a) and (b) on column (c).

Line 25a: The "net tax due" is the total tax and economic development surcharge less any allowable credits, withholding, and estimated payments made by the due date, including extensions, of the return.

Part III: Annualized Income Installment Method Worksheet

If you compute one or more installments under the annualized income installment method, complete Part III and enter the amounts from line 45 on Part I, line 6. See section Tax 2.89, Wisconsin Administrative Code, if the taxable year covers less than 12 months.

Lines 27 and 30: Do not include on line 27 items which remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting. Instead, enter these items on line 30, columns (a) through (d), in total.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 6, 2020: Sections 71.775 and 990.001(4), Wis. Stats., and sec. Tax 2.89, Wis. Adm. Code.