

Beneficiary's Instructions for Reporting Wisconsin Income, Deductions, etc., from 2023 Schedule 2K-1

Purpose of Schedule 2K-1

Similar to federal Schedule K-1, an estate or trust uses Schedule 2K-1 to report to you your share of the estate's or trust's income, deductions, etc. Lines 1 through 12 coincide with federal Schedule K-1. Please keep it for your records.

Although an estate or trust is subject to income tax, you are liable for tax on your share of its income. There is no double tax. If an estate or trust must distribute all of its income, you must report your share of the income distributed whether or not you have actually received it. If the fiduciary has the choice to distribute all or a part of the current income, you must report all income that is required to be distributed to you, whether or not it is actually distributed, plus all other amounts actually paid or credited to you, to the extent of your share of distributable net income.

Note: In addition to items reported to you on Schedule 2K-1, you must report any personal representative or trustee fees paid to you from the estate or trust.

General Information

Inconsistent Treatment of Items – Generally, you must report items shown on your Schedule 2K-1 (and any schedules) consistently with the way the estate or trust treated the items on its return. If your treatment is (or may be) inconsistent with the estate or trust, include a statement with your return explaining the inconsistency and your reason for such inconsistency.

Errors – If you believe the estate or trust has made an error on your Schedule 2K-1, notify the estate or trust and ask for a corrected copy. Do not alter your copy. Be sure the estate or trust sends the corrected Schedule 2K-1 to the department.

Specific Instructions

Name, Address, and Identifying Number – Check that your name, address, and identifying number as well as the estate's or trust's name, address, and identifying number are filled in.

Lower-Tier Entity-Level Tax Election – If box D under Part II of Schedule 2K-1 is checked, the estate or trust issuing the Schedule 2K-1 is a member of a multi-tier pass-through entity structure and at least one of the lower-tiered entities made an election to pay tax at the entity level. A lower-tier entity is a pass-through entity (e.g., partnership or tax-option (S) corporation) that is directly or indirectly owned by the estate or trust. The estate or trust must provide each beneficiary a supplemental statement with the Schedule 2K-1 detailing the amount of the beneficiary's items of income, gain, loss, and deduction that have been taxed by the lower-tier entity. See Schedule 3K-1 and/or 5K-1 instructions for more information on reporting the items already taxed by a lower-tier entity.

Lines 1 through 9 – The entries on these lines show the federal amount, adjustment, and Wisconsin amount of any distributive share items. Generally, you should have reported the federal amount on your federal income tax return. However, if the federal amount was computed using a provision of federal law that Wisconsin doesn't follow, the federal amount shown in column (b) will be the amount computed under federal law that applies for Wisconsin. The estate or trust will identify these amounts on line 13 as "Schedule I adjustments" or "Schedule B adjustments." If you have a Schedule I (or Schedule B) adjustment, complete Wisconsin Schedule I (or Schedule B) before filling in your Wisconsin return.

If the Wisconsin amount of any share item on lines 1 through 9 differs from the federal amount, you must account for this difference on your individual, estate, or trust income tax return. How you account for the difference depends on the share item and whether you are filing a Form 1 (Wisconsin residents), Form 1NPR (Wisconsin part-year residents or nonresidents), or Form 2 (estate or trust).

- If you are filing Form 1 or Form 2 as a resident individual, estate, or trust, account for any difference between the Wisconsin and federal amount of a share item on lines 1, 2, and 5 through 9 that is allowable in computing Wisconsin adjusted gross income by filling in the amount from Schedule 2K-1, column (c) on Schedule AD and/or SB as appropriate, or Form 2, Schedule A.
- If you are filing Form 1NPR or Form 2 as a part-year or nonresident individual, estate, or trust, include in column B on the appropriate line of Form 1NPR or Schedule NR, along with any other Wisconsin income or loss, the Wisconsin amount (column (e)) of any share item on lines 1, 2, and 5 through 9 that must be included in Wisconsin income.

Fill in the amount from line 3, column (e), on line 5 of Schedule WD or Schedule 2WD. Fill in the amount from line 4a, column (e), on line 13 of Schedule WD or Schedule 2WD.

- If you are filing Form 1 or Form 1NPR, fill in the amount from line 4b on line 21 of Schedule WD. If you are filing Form 2, fill in only the nondistributable portion of the amount on line 4b on line 21 of Schedule 2WD.

Line 10. Estate Tax Deduction – If you are filing Form 1 or Form 1NPR, there is no itemized deduction credit for the estate tax deduction.

Line 11. Final Year Deductions – Fill in any short-term capital loss carryover on line 5 of Schedule WD or Schedule 2WD. Fill in any long-term capital loss carryover on line 13 of Schedule WD or Schedule 2WD.

If you are filing Form 1 or 1NPR, any excess deductions reported on line 11, characterized as itemized deductions, are not allowed to be claimed in computing the Wisconsin itemized deduction credit.

Note: Wisconsin follows the final treasury regulations from the IRS under TD 9918, as they relate to secs. 67(e) and 642(h), IRC, for determining the character, amount, and allocation of deductions in excess of gross income succeeded to by a beneficiary on the termination of an estate or non-grantor trust for taxable years beginning after December 31, 2017.

If you are filing Form 2 as a resident estate or trust, include any amount reported in column (c) as an addition or subtraction modification on Schedule A. Part-year and nonresident estates and trusts must include the nondistributable portion of any amount reported in column (c) that applies to Wisconsin in the computation of Wisconsin taxable income in Part I of Schedule NR. Any distributable portion is reported on Schedule 2K-1.

Line 12. Alternative Minimum Tax Item – Wisconsin does not have an alternative minimum tax for taxable years beginning on or after January 1, 2019

Line 13. Other Information – If you are filing Form 1, include any tax-exempt interest shown as a subtraction in column (c) on line 1 of Schedule AD as a positive number. This is the amount of state and municipal interest that is exempt from federal tax and taxable to Wisconsin. If you are filing Form 1NPR, only tax-exempt interest from column (c) received while you were a Wisconsin resident should be included on line 2, column B as a positive number.

If you are filing Form 2 as a resident estate or trust, include any tax-exempt interest shown as a subtraction in column (c) on line 2 of Schedule A as a positive number. Part-year and nonresident estates and trusts must include the nondistributable portion of tax-exempt interest from column (c) that applies to Wisconsin on line 1, column (b) of Part I of Schedule NR as a positive number. Any distributable portion is reported on Schedule 2K-1.

Lines 14a and 14b. Related Entity Expense – If the estate or trust paid, accrued, or incurred management fees or interest, rental or intangible expenses to a related person or entity, the estate or trust completes lines 14a and 14b, as appropriate, to separately disclose the modifications it made to those items under the Wisconsin law requiring “addback” of related entity expenses. The amounts on lines 14a and 14b should already be included in column (c) corresponding to one or more other lines of Schedule 2K-1.

- If you are filing Form 1, include any amount reported on line 14a on line 8 of Schedule AD and any amount reported on line 14b on line 32 of Schedule SB.
- If you are filing Form 1NPR, the amounts on line 14a and 14b should be included in column (e) of Schedule 2K-1 and reported on the appropriate lines in Column B of Form 1NPR.
- If you are filing Form 2 as a resident estate or trust, include any amount reported on line 14a on line 5 of Schedule A and any amount from line 14b on line 11 of Schedule A. Part-year and nonresident estates and trusts must include the nondistributable portion of any amounts from lines 14a and 14b that apply to Wisconsin in the computation of Wisconsin taxable income in Part I of Schedule NR. Any distributable portion is reported on Schedule 2K-1.

Lines 15a through 15i. Wisconsin Credits – Enter any credits from these lines on Schedules:

- DC Wisconsin development zones credits
- VC Wisconsin venture capital credits (Code VCA and VCE)
- CR Other Credits
- EC Enterprise zone jobs credit
- ED Wisconsin economic development tax credit
- JT Wisconsin jobs tax credit
- CM Community rehabilitation program credit
- MA-A Wisconsin agriculture credit
- MA-M Wisconsin manufacturing credit
- R Wisconsin research credits
- HR Wisconsin historic rehabilitation credits

- BD Business development credit
- EIT Electronics and information technology manufacturing zone credit
- ES Employee college savings account contribution credit
- LI Low-income housing credit

Note: An estate or trust may **not** pass through to the beneficiaries a credit for net tax paid to another state.

Note: Do not include any credits related to the tax-option (S) corporation portion of an electing small business trust (ESBT). See the Form 2 “Tax Computation” instructions for lines 7 and 15, or the Schedule ESBT instructions for reporting requirements of ESBT credits.

Line 15j. Wisconsin Tax Withheld – Enter Wisconsin tax withheld from line 15j on the appropriate line of your Wisconsin tax return.

CAUTION: Beneficiaries do not enter their share of pass-through entity withholding as an estimated tax payment on the beneficiary’s Wisconsin return.

CAUTION: Estates and trusts may not include withholding on line 15j already claimed on line 12, page 2 of Form 2.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of November 14, 2023: ch. 71, Wis. Stats., and chs. Tax 1, 2, and 3, Wis. Adm. Code.