

2023 Wisconsin Schedule 2WD Instructions

General Instructions

Purpose of Schedule 2WD

Schedule 2WD is used to determine the amount of capital gain or loss which you must include in Wisconsin income. Generally, all amounts reported on your federal Schedule D must be reported on Schedule 2WD. However, for Wisconsin tax purposes, you may exclude a portion of the net capital gain from assets held more than one year or acquired from a decedent.

The amount of net capital loss that can be applied against other income after offsetting capital gains is limited to \$3,000.

Unused capital losses are carried over to later years until fully used.

Distributable or nondistributable capital gains: Capital losses are not distributable except on the final return. Capital gains are reportable by the estate or trust on Schedule 2WD and not distributable to the beneficiaries on Schedule 2K-1 unless either:

1. The will or trust instrument specifically requires that capital gains are distributed to the beneficiaries, or
2. It is the final return of the estate or trust.

Include Schedule 2WD with your Wisconsin Form 2.

Part I and Part II, Capital Gains and Losses

If you are not affected by any of the items listed below under "Items Which Require Adjustment," fill in the net short-term gain or (loss) from your federal Schedule D on line 8a of Schedule 2WD. Fill in the net long-term gain or (loss) from your federal Schedule D on line 17a of Schedule 2WD. Complete lines 8b, 8c, 17b, and 17c.

If you are affected by any of the items listed below under "Items Which Require Adjustment," fill in each separate amount from your federal Schedule D on the appropriate lines on Schedule 2WD. However, for those items which require adjustment, fill in the amount indicated in these instructions instead of the amount reported on your federal Schedule D.

Items Which Require Adjustment

The following items require adjustments to the amounts reported on your federal Schedule D or as to whether an amount is reported as a short-term or long-term capital gain or loss:

Distributable portion of capital gains: Reduce the amount reported on line 8c for any deductions allocated to the distributable portion of net short-term capital gains. Reduce the amount reported on line 17c for any deductions allocated to the distributable portion of net long-term capital gains.

Capital loss carryovers: Fill in your capital loss carryover from assets held one year or less from line 34 of your 2022 Schedule 2WD on line 7 of Schedule 2WD. Fill in your capital loss carryover from assets held more than one year from line 39 of your 2022 Schedule 2WD on line 16 of Schedule 2WD.

You may have to reduce your capital loss carryover to 2023 if you excluded income from discharge of indebtedness from your 2023 taxable income. See Publication 103, *Reporting Capital Gain and Losses for Wisconsin by Individuals, Estates, and Trusts*, for additional information.

Part-year and nonresident estates and trusts: Nonresident estates and trusts should include only gain or loss from Wisconsin sources on Schedule 2WD. Part-year resident trusts should include the amount of gain or loss from all sources while resident and the amount of gain or loss from Wisconsin sources while nonresident.

Gain or loss from Wisconsin sources includes gain or loss from the sale of land, buildings, and machinery located in Wisconsin, and your share of gain or loss from a trust, partnership, limited liability company, or tax-option (S) corporation which has been reported to you on Schedule 2K-1, 3K-1, or 5K-1. It doesn't include losses from nonbusiness bad debts and worthless securities, and gains or losses from sales of stocks.

Gain from installment sales:

- Taxable gain from installment sales reported on federal Schedule D must be reported on lines 4 and 12 of Schedule 2WD, as appropriate. Gain from an installment sale is reported on line 4 of Schedule 2WD if at the time of sale or other disposition you held the property for one year or less, unless the property was acquired from a decedent. If at the time of sale or other disposition you held the property for more than one year or acquired the property from a decedent, the gain is reported on line 12 of Schedule 2WD.
- Taxable gain from installment sales which is from Part I of Form 4797 and included on federal Schedule D is included on line 12 of Schedule 2WD. For property not acquired from a decedent and held one year or less, report the installment sale gain on line 4 of Schedule 2WD. The remaining portion of the amount on federal Schedule D should be reported on line 12 of Schedule 2WD.
- If you have a federal gain on an installment sale of property located outside Wisconsin and the sale occurred while you were a nonresident of Wisconsin, do not include this installment gain on Schedule 2WD. For Wisconsin purposes, it is assumed that a nonresident person who sells property located outside Wisconsin elects to report the entire gain in the year of sale, when none of the gain would have been taxable by Wisconsin. Subsequently, any portion of such installment gain which is taxable for federal purposes is not taxable for Wisconsin.

Note Payments from an installment sale made prior to death that are received after death are “income in respect of a decedent” and the profit is reported in the estate’s income just as it was reported prior to death. If the debt is transferred to the buyer or cancelled, the total unreported gain is taxable to the estate.

Gain or loss from partnerships, tax-option (S) corporations, and other estates or trusts: Fill in on line 5 or 13 the amount of capital gain or loss from partnerships, limited liability companies, tax-option (S) corporations, estates, and trusts.

- If the partnership, limited liability company, tax-option (S) corporation, estate, or trust has informed you of any adjustment to be made to the capital gain or loss for Wisconsin, be sure to use the gain or loss as adjusted.
- If an estate or trust is a shareholder in a federal S corporation that elects not to be treated as a Wisconsin tax-option (S) corporation, do not include on Schedule 2WD any capital gain or loss distributed by that federal S corporation. See “Additions to or Subtractions from Income” in the Form 2 instructions for additions and subtractions that must be made to adjust for tax-option (S) corporation income.
- If an estate or trust is a partner or shareholder in a partnership or tax-option (S) corporation that elects to be taxed at the entity level, only report the portion of the electing partnership’s or tax-option (S) corporation’s capital gains or losses distributable to the beneficiaries on Schedule 2WD, do not include the estate’s or trust’s nondistributable portion. The nondistributable amount will be adjusted in Part IV of Schedule 2WD as an addition or subtraction modification on line 4 or 9 of Schedule A, Form 2.

In addition, do not include any portion of the beneficiaries’, estate’s or trust’s capital gain or loss from an electing partnership or tax-option (S) corporation in the addition or subtraction modifications on line 5 or 11 of Schedule A, Form 2.

Adjustment for differences between Wisconsin and federal basis of assets: Gain or loss from the sale of assets may be different for Wisconsin and federal purposes because of a difference in federal and Wisconsin basis.

- If there is a difference between the Wisconsin and federal basis of property and that property is a capital asset (sale or other disposition is reported on federal Schedule D), fill in the federal gain or loss in Part I or Part II of Schedule 2WD, as appropriate. You must also complete Schedule C on page 4 of Form 2 to compute the amount to fill in on line 6 or 15 of Schedule 2WD.
- If there is a difference between the Wisconsin and federal basis of property acquired on or after the first day of your taxable year beginning in 2014 and the sale or other disposition of such property is reported on federal Form 4797, resident estates and trusts should see the instruction for Form 2 under “Additions to or Subtractions from Income” and part-year and nonresident estates and trusts should see the instructions for line 7, Part I of Schedule NR. If you entered a net long-term capital gain on your “Wisconsin” Form 4797, you must use the amount from the “Wisconsin” Form 4797 to complete line 12 of Schedule 2WD.

Part III, Summary of Parts I and II

Complete lines 18 through 28 to compute the amount of capital gain or loss that must be included in Wisconsin taxable income.

Note If capital gain income is used or set aside for charitable purposes, the amounts on lines 20 and 25 must be adjusted for the capital gain income included in the charitable deduction.

Example: An estate is required to set aside 25% of its income for a charity named in the decedent's will.

Net capital gain from sale of stock from line 19 of Schedule 2WD	\$ 10,000
30% of net capital gain	\$ 3,000
Less 25% included in charitable deduction	<u>(750)</u>
Adjusted amount to enter on line 20	\$ 2,250

In this example, if a portion of the long-term gain was from the sale of farm assets, line 25 must also be adjusted. Multiply the amount on line 24 of Schedule 2WD by 30%. Reduce the result by the charitable deduction (25% in this example). This reduced amount is entered on line 25.

When computing the Wisconsin capital loss limitation, "Wisconsin ordinary income" means income less deductions. Do not include capital gains or losses. This is the amount on line 5 of Form 2 without regard to capital gains and losses. If this amount is a loss, fill in zero (0) on line 28.

Part IV, Computation of Wisconsin Adjustment to Income

Resident estates and trusts complete Part IV to figure the amount to report as a capital gain/loss adjustment on Schedule A, Form 2. When completing Part IV, enter all amounts as positive numbers.

Compare the net gain or loss on Schedule 2WD (line 27 for a net gain or line 28 for a net loss) to the portion of capital gain or loss on federal Form 1041 allocable to the estate or trust.

- If the net gain or loss on Schedule 2WD (line 27 for a net gain or line 28 for a net loss) is the same as the portion of capital gain or loss on federal Form 1041 allocable to the estate or trust, do not complete Part IV. No adjustment to the capital gain or loss is necessary for Wisconsin purposes. Go on to Part V.
- If the estate or trust has a net gain for both federal and Wisconsin purposes, fill in lines 29a and 29b. Also, fill in either line 29c or 29d, whichever applies.
- If the estate or trust has a net loss for both federal and Wisconsin purposes, fill in lines 29e and 29f. Also fill in either line 29g or 29h, whichever applies.
- If the estate or trust has a net gain for federal purposes and a net loss for Wisconsin, fill in your federal gain on line 29a and your Wisconsin loss on line 29f. Fill in zero (0) on lines 29b and 29e. Also complete lines 29d and 29g. Add the amounts on lines 29d and 29g and fill in the result on line 9, Schedule A of Form 2.
- If the estate or trust has a net loss for federal purposes and a net gain for Wisconsin, fill in your federal loss on line 29e and your Wisconsin gain on line 29b. Fill in zero (0) on lines 29a and 29f. Also complete lines 29c and 29h. Add the amounts on lines 29c and 29h and fill in the result on line 4, Schedule A of Form 2.

Part V, Computation of Capital Loss Carryovers From 2023 to 2024

If the net loss on line 18 is more than the loss on line 28, complete Part V to compute the amount of your capital loss carryover. Complete lines 30 through 34 to figure the short-term capital loss carryover. Complete lines 35 through 39 to figure the long-term capital loss carryover.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of November 15, 2023: ch. 71, Wis. Stats.