

2025 Schedule SB Instructions

Subtractions from Income

Purpose of Schedule SB

Schedule SB is used to report differences between federal and Wisconsin income. These differences are called modifications and may affect the amount you report as a subtraction modification on line 6 of Form 1.

Who Must File Schedule SB

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

Other Schedules and Publications

These instructions will refer to other Wisconsin schedules that may be needed to compute and claim a subtraction, along with publications that may contain additional information. The schedules and any related instructions can be found on the department's website at revenue.wi.gov/Pages/Form/2025Individual.aspx. The Wisconsin publications referenced are located at revenue.wi.gov/Pages/HTML/taxpubs.aspx.

Line Instructions

Line 1 – Taxable Refund of State Income Tax

Refunds of state and local income taxes are not taxable for Wisconsin. Fill in the amount of taxable refunds, credits, or offsets of state and local income taxes from line 1 of federal Schedule 1 (Form 1040).

Line 2 – United States Government Interest

Fill in the amount of interest on U.S. bonds and interest and dividends of certain U.S. government corporations that is included on line 3 of Form 1. This income is not taxable.

A mutual fund may invest in U.S. government securities. If it does, a portion or all of its ordinary dividend may not be taxable by Wisconsin. If a mutual fund advised you that all or a portion of its ordinary dividend is from investments in U.S. government securities, include that portion on line 2.

Caution: Do not fill in on line 2, interest from Ginnie Mae (Government National Mortgage Association) securities and other similar securities which are "guaranteed" by the United States government. You must include interest from these securities in your Wisconsin taxable income.

Line 3 – Unemployment Compensation

You may have a different amount of unemployment compensation taxable for Wisconsin and federal purposes. Complete the following worksheet to see if you can subtract any portion of the unemployment compensation which you included as income on your federal tax return.

Unemployment Compensation Worksheet

Check only one box.

- ☐ A. Married filing a joint return – write \$18,000 on line 3 below.
- ☐ B. Married not filing a joint return and lived with your spouse at any time during the year – write -0- on line 3 below.
- ☐ C. Married not filing a joint return and DID NOT live with your spouse at any time during the year – write \$12,000 on line 3 below.
- ☐ D. Single (unmarried) – write \$12,000 on line 3 below.

Worksheet continued on next page

1. Fill in unemployment compensation from line 7 of federal Schedule 1 (Form 1040)	1.	_____
2. Fill in your federal adjusted gross income from line 3 of Form 1	2.	_____
3. Enter – • \$18,000 if you checked box A; or • -0- if you checked box B; or • \$12,000 if you checked box C or D	3.	_____
4. Fill in taxable social security benefits, if any, from line 6b of federal Form 1040 or 1040-SR	4.	_____
5. Fill in taxable refunds, credits, or offsets, if any, from line 1 of federal Schedule 1 (Form 1040)	5.	_____
6. Add lines 3, 4, and 5	6.	_____
7. Subtract line 6 from line 2. If zero or less, enter -0- here and on line 9 of this worksheet and do not complete line 8. Otherwise, go on to line 8.	7.	_____
8. Fill in one-half of the amount on line 7	8.	_____
9. Fill in the smaller amount of line 1 or line 8.	9.	_____
10. Subtract line 9 from line 1. Fill in this amount on line 3 of Schedule SB as your subtraction for unemployment compensation. If lines 1 and 9 are equal, fill in -0-	10.	_____

Line 4 – Social Security Adjustment

Social security benefits are not taxable for Wisconsin. You may subtract any social security benefits that were taxable on your federal Form 1040 or 1040-SR. Fill in on line 4 the amount from line 6b of federal Form 1040 or 1040-SR.

Line 5 – Capital Gain/Loss Subtraction

If your federal adjusted gross income includes capital gains and/or losses from line 7 of federal Form 1040 or 1040-SR, you must complete [Schedule WD, Capital Gains and Losses](#). You must also complete Schedule WD if your federal adjusted gross income does not include capital gains and/or losses, but you have a capital loss carryover for Wisconsin tax purposes.

Schedule WD determines whether any capital gain/loss subtraction must be reported on line 5. For example, after completing Schedule WD, you may be able to include an amount as a subtraction on line 5 because you qualify for the 30% long-term capital gain exclusion (60% in the case of farm assets).

Exception: If the only amount reported as a capital gain on line 7 of your federal Form 1040 or 1040-SR is a capital gain distribution from a mutual fund or real estate investment trust and you have no Wisconsin capital loss carryover, you may claim a long-term capital gain exclusion on line 5. Fill in 30% of the amount of the capital gain distribution on line 5. Do not complete Wisconsin Schedule WD.

Note

If you are a shareholder of a tax-option (S) corporation or partner of a partnership that elected to be taxed at the entity level, do not report the amount of capital gain or loss from Schedule 5K-1 or 3K-1 on Schedule WD. In addition, do not include the amount of capital gain or loss from the tax-option (S) corporation or partnership in the modification for line 46 or 48. These items have already been removed from Wisconsin income when you completed Schedule WD. See the Schedule WD instructions for more information.

Line 6 – Medical Care Insurance

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 and vision 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 insurance (for example, Parts B and D). It does not include premiums for:

- Long-term care insurance
- Life insurance policies
- Policies providing payment for loss of earnings
- Policies for loss of life, limb, sight, etc.
- 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 (in this case, the premiums would have been paid directly to the insurance provider by the retirement plan)

Note The following amounts may **not** be included in the subtraction for medical care insurance:

- Medical care 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
- Medical care insurance premiums paid with distributions from a health savings account if the distribution was not previously included in federal adjusted gross income. Distributions not previously included in federal adjusted gross income include pre-tax contributions to a health savings account.
- The amount of employer-provided medical care insurance that is identified on your Form W-2 in Box 12 with Code DD
- Medical care insurance premiums that are deducted pre-tax

Caution: 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. You cannot subtract premiums paid with money that has not been included in your gross income. These programs may be known as 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.

→ When completing line 1 of Worksheet 1 or 2, 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.

If you are self-employed, complete Worksheet 1 below. Note: If you are self-employed and deducted 100% of your medical care insurance cost on line 17 of your federal Schedule 1 (Form 1040) as a self-employed health insurance deduction, do not complete Worksheet 1 or 2. No additional deduction is allowed.

Medical Care Insurance – Worksheet 1 – Self-Employed Persons	
1. Amount you paid for medical care insurance in 2025 while you were self-employed	1. _____
2. Self-employed health insurance deduction from line 17 of federal Schedule 1 (Form 1040)*	2. _____
3. Amount of medical care insurance deducted on federal Schedule C or F for employee spouse	3. _____
4. Amount of premium tax credit allowed on your 2025 federal return from line 9 of federal Schedule 3 (Form 1040)	4. _____
5. Add lines 2, 3, and 4	5. _____
6. Subtract line 5 from line 1	6. _____
7. Amount of advance premium tax credit you were required to repay from line 1a of federal Schedule 2 (Form 1040)	7. _____
8. Add lines 6 and 7	8. _____
9. Fill in the amount from line 5 of Form 1 <u>less</u> the amount on line 50 of Schedule SB without considering the subtraction for medical care insurance. If zero or less, enter 0 (zero)	9. _____
10. Fill in the smaller of line 8 or 9 here and on line 6. This is your subtraction for medical care insurance	10. _____
* Do not include any amounts deducted for long-term care insurance.	

Complete Worksheet 2 if you are (1) an employee or (2) a person who had no employer and were not self-employed.

Medical Care Insurance – Worksheet 2 – Others	
1. Amount you paid in 2025 for medical care insurance	1. _____
2. Amount of premium tax credit allowed on your 2025 federal return from line 9 of federal Schedule 3 (Form 1040)	2. _____
3. Subtract line 2 from line 1	3. _____
4. Amount of advance premium tax credit you were required to repay from line 1a of federal Schedule 2 (Form 1040)	4. _____
5. Add lines 3 and 4	5. _____
6. Fill in the amount from line 5 of Form 1 <u>less</u> the amount on line 50 of Schedule SB without considering the subtraction for medical care insurance. If zero or less, enter 0 (zero)	6. _____
7. Fill in the smaller of line 5 or 6. This is your subtraction for medical care insurance	7. _____

Line 7 – Long-Term Care Insurance

If you paid long-term care insurance costs during 2025, 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, 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. In this case, the premiums would have been made directly to the insurance provider by the retirement plan.
- Do not include long-term care insurance premiums paid with distributions from a health savings account if the distribution was not previously included in federal adjusted gross income. Distributions not previously included in federal adjusted gross income include pre-tax contributions to a health savings account.

If you paid long-term care insurance costs during 2025 for a policy which covers you or your spouse, complete the worksheet below to determine your subtraction.

Worksheet – Long-Term Care Insurance	
1. Amount you paid for long-term care insurance in 2025	1. _____
2. Portion of long-term care insurance cost included as a self-employed health insurance deduction on line 17 of federal Schedule 1 (Form 1040)	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. _____
6. Fill in the amount from line 5 of Form 1 <u>less</u> the amount on line 50 of Schedule SB without considering the subtraction for long-term care insurance. If zero or less, enter 0 (zero)	6. _____
7. Fill in the smaller of line 5 or 6. This is your subtraction for long-term care insurance	7. _____

Line 8 – Tuition and Fee Expenses

You may be able to claim a subtraction for up to \$7,649 (per student) of the amount you paid during 2025 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 2025 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. See [wisconsinprivatecolleges.org/colleges](https://www.wisconsinprivatecolleges.org/colleges) for a list of Wisconsin private colleges or wtcsystem.edu/colleges for technical colleges.
- Classes in Wisconsin at other post-secondary (post-high school) schools that have been approved through the Educational Approval Program (for a list see dspseap.wi.gov/resources/schoolsprogram.asp).
- 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 cost of books required to be paid to the school in order to attend the class. In this case, the books are considered a mandatory student fee.

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 categories listed on the previous page. **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 on line 3 of Form 1.

Determine your tuition and mandatory student fees subtraction as follows:

Single or Head of Household

- If line 3 of Form 1 is \$69,480 or less, you may subtract the amount paid for tuition and mandatory student fees during 2025, but not more than \$7,649 per student (see note). Fill in the amount of your subtraction on line 8.
- If line 3 of Form 1 is more than \$69,480 but less than \$83,370, use the worksheet below to figure the amount of your subtraction.
- If line 3 of Form 1 is \$83,370 or more, you may not subtract any amount for tuition and fee expenses.

Married Filing Joint Return

- If line 3 of Form 1 is \$111,160 or less, you may subtract the amount paid for tuition and mandatory student fees during 2025, but not more than \$7,649 per student (see note). Fill in the amount of your subtraction on line 8.
- If line 3 of Form 1 is more than \$111,160 but less than \$138,960, use the worksheet below to figure the amount of your subtraction.
- If line 3 of Form 1 is \$138,960 or more, you may not subtract any amount for tuition and fee expenses.

Married Filing Separate Return

- If line 3 of Form 1 is \$55,580 or less, you may subtract the amount paid for tuition and mandatory student fees during 2025, but not more than \$7,649 per student (see note). Fill in the amount of your subtraction on line 8.
- If line 3 of Form 1 is more than \$55,580 but less than \$69,480, use the worksheet below to figure the amount of your subtraction.
- If line 3 of Form 1 is \$69,480 or more, you may not subtract any amount for tuition and fee expenses.

Note: Your subtraction cannot be more than the amount on line 5 of Form 1 less the amount on line 50 of Schedule SB without considering the subtraction for tuition expenses.

Tuition Expense Worksheet

CAUTION Only certain taxpayers are required to complete this worksheet. See the instructions for your filing status.

1. Amount paid for tuition and mandatory student fees in 2025. Do not enter more than \$7,649 per student 1. _____
2. Fill in the amount from line 3 of Form 1 2. _____
3. Enter \$69,480 (\$111,160 if married filing joint return or \$55,580 if married filing separate return) 3. _____
4. Subtract line 3 from line 2 4. _____
5. Divide the amount on line 4 by 13,890 (27,800 if married filing joint return or 13,900 if married filing separate 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 7. _____
8. Fill in the amount from line 5 of Form 1 less the amount on line 50 of Schedule SB without considering the subtraction for tuition and fee expenses. If zero or less, enter 0 (zero) 8. _____
9. Fill in the smaller of line 7 or 8. This is your subtraction for tuition and fee expense 9. _____

Line 9 – 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. [Schedule PS, Private School Tuition](#), 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 10 – Contributions to an Edvest or Tomorrow's Scholar College Savings Account

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.

For amounts rolled over in 2025, from another state's qualified sec. 529 plan to a Wisconsin college savings account, the subtraction applies to the amount of principal rolled over. It does not apply to any investment earnings in the account.

Complete [Schedule CS, College Savings Accounts](#), to determine the amount of your subtraction. Include Schedule CS with your Schedule SB.

Line 11 – Distributions of Certain Earnings 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 12 – Military and Uniformed Services Retirement Benefits

You may subtract retirement payments received from:

- (1) The U.S. military retirement system (including payments from the Retired Serviceman's Family Protection Plan or the Survivor Benefit Plan). These retirement benefits are paid from the Defense Finance and Accounting Service.
- (2) The U.S. government that relate to service with the Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the Public Health Service.

Your subtraction cannot be more than the amount of such retirement payments that you included in your federal income.

Line 13 – Local and State Retirement Benefits

You may subtract any payments received from the retirement systems listed below provided you meet one of the following requirements:

- (1) You were retired from the system before January 1, 1964
- (2) You were a member of the system as of December 31, 1963, retiring at a later date and payments you receive are from an account established before 1964
- (3) You are receiving payments from the system as the beneficiary of an individual who met either condition 1 or 2

Your subtraction cannot be more than the amount of such payments that you included in your federal income. The specific retirement systems are:

Milwaukee City Employees, Milwaukee City Police Officers, Milwaukee Fire Fighters, Milwaukee Public School Teachers, Milwaukee County Employees, Milwaukee Sheriff, and Wisconsin State Teachers retirement systems.

→ Do not subtract any of the following:

- Payments received as a result of voluntary tax-sheltered annuity deposits in any of the retirement systems listed above.
- Payments received from one of the retirement systems listed above if you first became a member after December 31, 1963. This applies even though pre-1964 military service may have been counted as creditable service in computing your retirement benefit.

Caution: Your retirement benefits may be subtracted only if they are based on qualified membership in one of the specified retirement systems. Qualified membership is membership that began before January 1, 1964, as explained on the previous page. Any portion of your retirement benefit that is based on membership in other retirement systems (or based on employment that began after December 31, 1963) is taxable and may not be subtracted.

Example 1: You were a member of the Wisconsin State Teachers Retirement System as of December 31, 1963. You left teaching after 1963 and withdrew the allowable amount from your retirement account which closed the account. You later returned to teaching, and a new retirement account was then established for you. Retirement benefits from this new account (established after 1963) do not qualify for the exemption.

Example 2: You were employed as a teacher from 1960-65. During that time you were a member of the Wisconsin State Teachers Retirement System. From 1966 until retirement, you were employed by a state agency (not as a teacher). You were then a member of the Wisconsin Retirement System. You receive an annuity from the Department of Employee Trust Funds, and the annuity is based on employment in both retirement systems. Only the portion of the annuity that is due to the Wisconsin State Teachers Retirement System may be subtracted. You may use the following formula to figure the exempt amount that may be subtracted:

$$\frac{\text{Years of creditable service in an exempt plan}}{\text{Total years of creditable service}} \times \text{Annuity included in federal income} = \text{Portion of annuity which may be subtracted}$$

→ You may have received separate Forms 1099-R for the taxable and exempt portions of your annuity. In this case, you may use the Form 1099-R information instead of the above formula.

Line 14 – Federal Retirement Benefits

You may subtract payments received from the U.S. Civil Service Retirement System provided you meet one of the following requirements:

- (1) You were retired from the system before January 1, 1964
- (2) You were a member of the system as of December 31, 1963, retiring at a later date and payments you receive are from an account established before 1964
- (3) You are receiving payments from the system as the beneficiary of an individual who met either condition 1 or 2

See the preceding section, “**Local and State Retirement Benefits**” for further information. The limitations and examples that apply to local and state retirement benefits also apply to federal retirement benefits.

These retirement benefits are paid from the U.S. Office of Personnel Management. Payments from the federal Thrift Savings Plan do not qualify for the subtraction.

Line 15 – Railroad Retirement Benefits, Railroad Unemployment Insurance, and Sickness Benefits

Wisconsin does not tax amounts received from the U.S. Railroad Retirement Board. You may subtract railroad retirement benefits included on line 5b of your federal Form 1040 or 1040-SR.

Line 16 – Retirement Income Subtraction (Credits Restricted)

If you (or your spouse if married and filing a joint return) were at least 67 years old as of December 31, 2025, you may subtract retirement income from a qualified retirement plan or individual retirement account (IRA) that is federally taxable and has not been removed from Wisconsin income on lines 12 through 15 of this schedule. Individuals may subtract up to \$24,000 of retirement income received. A married couple who file a joint return and are both at least 67 years old as of December 31, 2025, may subtract up to \$48,000 of retirement income, regardless of how much retirement income each spouse received.

Caution: if you claim this subtraction, you may not claim any tax credit on Schedule CR and on lines 13 through 20 and 30 through 35 of the Form 1. This means:

- Completely foregoing any credit that would be originally computed for 2025, including any amount of the credit that may have been carried forward to a future year, and
- Being unable to utilize any credit carried forward from a prior year to offset your 2025 tax.

Line 17 – \$5,000 Retirement Income Subtraction (Income Restricted)

You may 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, 2025, and
- Your federal adjusted gross income (line 3 of Form 1) 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 following Retirement Income Subtraction Worksheet to determine the amount of your subtraction. Fill in the amount from line 6 of the worksheet on line 17. If married filing a joint return, add the amounts in Col. (A) and Col. (B) and fill in the total on line 17.

Retirement Income Subtraction Worksheet			
If married filing a joint return, fill in each spouse's information separately	(Keep for your records)	(A) Yourself	(B) Your Spouse
1. Taxable IRA distributions from line 4b of your federal Form 1040 or 1040-SR	1.		
2. Taxable pension and annuity income from a qualified retirement plan included on line 5b of federal Form 1040 or 1040-SR	2.		
3. Add lines 1 and 2	3.		
4. Nontaxable retirement benefits (This is the total amount subtracted on lines 12, 13, 14, 15, and 16)	4.		
5. Subtract line 4 from line 3	5.		
6. Complete line 6 as follows. This is your subtraction for retirement income. • If you were 65 years of age or older on December 31, 2025, fill in on line 6, Col (A), the <u>smaller</u> of line 5, Col. (A), or \$5,000. Enter 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, 2025, fill in on line 6, Col. (B), the <u>smaller</u> of line 5, Col. (B), or \$5,000. Enter 0 (zero) if your spouse was not age 65 or older	6.		

Line 18 – U.S. Armed Forces Active Duty Pay

If you were a member of the U.S. Armed Forces on active duty, you may subtract the amount of basic, special, and incentive pay received from the federal government under 37 USC chapters 3 and 5 for active duty that was included in federal adjusted gross income. A member of the U.S. Armed Forces includes all regular and reserve components subject to the following jurisdictions, including the Coast Guard and commissioned officers and personnel below the grade of commissioned officers in these forces:

- Secretary of Defense
- Secretary of the Army
- Secretary of the Navy
- Secretary of the Air Force

Note: This includes any basic, special, and incentive pay received by Reserve or National Guard members called in to active federal service under 10 USC 12302(a), 10 USC 12304, or 10 USC 12304(b), or special state service under 32 USC 502(f).

Caution: Do not include the following amounts in your subtraction on line 18:

- Basic pay for inactive duty training.
- Basic housing allowance, or any other nontaxable income reported on your leave and earnings statements.

Note You are not required to send in a copy of your leave and earnings statements; however, including copies with your Wisconsin return, and a worksheet showing how you calculated the amount of your subtraction, may speed up the processing of your return.

For additional information, see [Publication 128](#), *Wisconsin Tax Information for Military Personnel and Veterans*.

Line 19 – Combat Zone Related Death

If you are filing a return for an individual who was on active duty in the U.S. Armed Forces, who died in 2025 while on active duty, and the death occurred while they were 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 2025 as a result of service in a combat zone, the income subtraction also applies for 2024 if the service member did not previously file a 2024 income tax return.

Note

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

Line 20 – Adoption Expenses

If you adopted a child for whom a final order of adoption was entered by a court in any state, or upon registration of a foreign adoption, during 2025, you may subtract up to \$15,000 of the amount you paid for adoption fees, court costs, and legal fees relating to the adoption. You may include amounts paid during 2023, 2024, and 2025. 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 \$15,000 of adoption expenses for each child.

Line 21 – Contributions to ABLE Accounts

A subtraction may be claimed for the amount you 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 maximum subtraction that may be claimed by all contributors to the account for 2025 is \$19,000.

Caution: An ABLE account must refund any contributions it receives after reaching the maximum contribution limits for the taxable year. Such refunds must be made by the due date (including extensions) for the federal income tax return of the designated beneficiary for the taxable year in which the excess contribution was made. Your subtraction is limited to the amount contributed during 2025 less any amounts later refunded to you, excluding any portion of the refund that is considered earnings.

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

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

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

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 following worksheet to figure your total subtraction.

Worksheet for Contributions by a Designated Beneficiary to an ABLE Account			
1. Amount you contributed to the ABLE account during 2025	1.		.00
2. If line 1 is less than \$19,000, do not complete the rest of this worksheet. Enter the amount on line 1 as your subtraction on line 21. Otherwise, continue to step 3	2.	19,000.00	
3. Subtract line 2 from line 1	3.	.00	
4. The designated beneficiary's compensation	4.	.00	
5. Applicable federal poverty line for a one person household	5.	15,060.00	
6. Enter the smallest amount 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	

Line 22 – Disability Income Exclusion

If you are retired on permanent and total disability and have included your disability income on line 3 of Form 1, you may be able to subtract up to \$5,200 of your disability income. You must meet ALL these tests:

- You did not reach mandatory retirement age before January 1, 2025
- You were under age 65 on December 31, 2025
- You were permanently and totally disabled on one of the following dates:
 - a. The date you retired
 - b. January 1, 1976, or January 1, 1977, if you retired before January 1, 1977, on disability or under circumstances which entitled you to retire on disability
- If you were married at the end of 2025, you must file a joint return
- You did not in any year prior to 1984 choose to treat your disability income as a pension instead of taking the exclusion
- Your federal adjusted gross income (for Wisconsin) is less than \$20,200 (\$25,400 if married and both spouses are eligible)

Compute your exclusion on Wisconsin [Schedule 2440W, Disability Income Exclusion](#). Include Schedule 2440W with your Schedule SB.

Line 23 – Wisconsin Net Operating Loss Deduction

If you had a net operating loss (NOL) in an earlier year to carry forward to 2025, include the allowable amount on line 23. Include Schedules NOL1, NOL2, and 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 NOL and the allowable subtraction.

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 24 – Farm Loss Carryover

If you were not actively engaged in farming and were subject to farm loss limitations on your 2007-2013 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 and net gains from the sale or exchange of capital or business assets in the current year from the same farming business or portion of that business to which the limits on deductible farm losses applied in the loss year.

Example: You had a farm loss carryover from 2013 of \$30,000. You claimed a subtraction for \$9,000 of the carryover on your 2014 through 2024 returns. For 2025 you report a net loss of \$2,000 on Schedule F and a net gain of \$6,000 from the sale of farm equipment on Form 4797. The gain and loss are from the same farming business to which the limitation applied in the loss year. You may subtract \$6,000 as a farm loss carryover on line 24.

Line 25 – Certain Income Received by Native Americans

Certain income received by a Native American who lives on their tribal reservation is not subject to Wisconsin income tax and may be subtracted. See [Publication 405](#), *Wisconsin Taxation Related to Native Americans*, for more information.

Line 26 – 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, or 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.
- The corporation or trust is engaged in farming.

Gain on the sale or disposition of an ownership interest in a partnership or limited liability company (LLC) treated as a partnership qualifies only if:

- The number of partners or members does not exceed 15.
- All partners or members are natural persons.
- The partnership or LLC is engaged in farming.

“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 (trees may qualify as a business asset).

“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.

Complete the following worksheet to figure the amount of your subtraction.

Worksheet for Gain on Sale of Assets to Related Person	
1. Amount from line 19 of Schedule WD. If 0 (zero), do not complete the rest of this worksheet. You do not qualify for the subtraction	1. _____
2. Long-term capital gain on the sale of assets to 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 on line 2 is gain from the sale of a business asset or gain from the sale of qualified shares or ownership interest, multiply line 5 by .70 (70%) and fill in the result. This is your subtraction for gain on the sale of assets to a related person. Enter this amount on line 26	

* A sale to a relative of qualified shares in a corporation or ownership interest in a partnership or LLC 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 or ownership interest is 70% of the gain.

Line 27 – Recoveries of Federal Itemized Deductions

Fill in any amount included as income on your federal tax return that is a recovery of a federal itemized deduction from a prior year for which you did not receive a Wisconsin tax benefit.

Example: You claimed an itemized deduction on your 2024 federal tax return for a casualty loss of \$2,000. You could not claim the casualty loss for the itemized deduction credit on your 2024 Wisconsin income tax return. During 2025 you received a reimbursement of \$1,000 from your insurance company for part of the casualty loss. The \$1,000 reimbursement is included on your 2025 federal tax return as a recovery of an amount previously claimed as an itemized deduction. Because you did not claim the casualty loss for the itemized deduction credit for Wisconsin for 2024, the \$1,000 is not taxable to Wisconsin for 2025. Fill in the \$1,000 recovery on line 27.

Line 28 – Repayment of Income Previously Taxed

If you had to repay during 2025, 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 (Form 1040).

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 (Form 1040). Write “Wisconsin” at the top of this Schedule A and include it with your Schedule SB.

Note

Miscellaneous itemized deductions subject to the 2% of adjusted gross income limit are no longer allowed as itemized deductions on federal Schedule A (Form 1040) according to Public Law 115-97 for taxable years 2018 through 2025. These amounts are also no longer allowable as a deduction on federal Schedule A (Form 1040) for Wisconsin purposes. Therefore, a subtraction may not be claimed on line 28 of your 2025 Schedule SB.

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 Form 1 instructions for line 32.

Line 31 – Human Organ Donation

If you, your spouse, or a person who is claimed as a dependent on your federal income tax return donates one or more of their human organs to another person for human organ transplantation, you may subtract up to \$10,000 of 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, and may be claimed only once. Up to \$10,000 of the following unreimbursed expenses may be claimed:

- Travel expenses
- Lodging expenses
- Lost wages

Line 32 – Expenses Paid to Related Entities

If you were required to make an addition modification on line 8 of Schedule AD for interest, rental expenses, intangible expenses, or management fees paid to a related entity, see [Schedule RT, Wisconsin Related Entity Expenses Disclosure Statement](#), 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 include Schedule RT with your return unless the total deduction for all of the expenses reduces Wisconsin taxable income by more than \$100,000. If enclosing Schedule RT, also enter “16” in the Special Conditions box on page 1 of Form 1.

If Schedule RT is required, you must file it with your Wisconsin income tax return no later than the extended due date of the return. If you file your return before the extended due date and forget to include the Schedule RT, you may file an amended return until the extended due date to include the Schedule RT. For pass-through entities, such as tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts, the pass-through entity is responsible for filing Schedule RT where required. The shareholder, partner, member, or beneficiary doesn’t have to file Schedule RT for expenses that are passed through.

See sec. Tax [3.01\(4\)\(a\)](#), Wis. Adm. Code, for rules relating to this subtraction.

Line 33 – Income from a Related Entity

If you reported income from a related entity that was not able to claim a deduction for the related expenses, you may claim a subtraction for the amount of income reported on your return. In order to claim this subtraction, [Schedule RT-1, Statement of Disallowed Related Entity Expenses](#), must be completed and included with your Wisconsin income tax return. Both the payer and payee must complete the appropriate section of the same Schedule RT-1.

See sec. Tax [3.01\(4\)\(a\)](#), Wis. Adm. Code, for rules relating to this subtraction.

Line 34 – Legislator’s Per Diem

If you were a Wisconsin legislator, you may subtract the amount of per diem reimbursement that is included as wages on your federal Form 1040 or 1040-SR. This generally applies to a legislator with a residence 50 miles or less from the state capitol.

Line 35 – 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 fill in 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 36 – Physician or Psychiatrist Grant

To the extent included in federal adjusted gross income, 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 37 – Olympic, Paralympic, and Special Olympic Medals and United States Olympic Committee and Special Olympic Board of Directors Prize Money

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 for 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 38 – AmeriCorps Education Awards

If you received an AmeriCorps education award in 2025 to pay for your qualified student loans or educational expenses or to participate in approved school-to-work programs, you may subtract the amount received on line 38 which was included in federal adjusted gross income on line 9 of federal Schedule 1 (Form 1040). **Caution:** Do not include any amounts included on line 8 as a tuition and fee expense subtraction or amounts included on line 21 of federal Schedule 1 (Form 1040) as a student loan interest deduction.

Line 39 – Differences in Federal and Wisconsin Basis of Assets

Subtractions may be necessary if there is a difference between the federal basis and the Wisconsin basis of your property. Subtractions are necessary if:

- (1) You acquired property in a taxable year beginning after December 31, 2013, which may be depreciated or amortized (such as buildings and leaseholds), and the federal basis was less than the Wisconsin basis at the time you acquired the property.
- (2) You sold (or otherwise disposed of) property which may not be depreciated or amortized (such as land, stocks, and bonds) in a taxable transaction, and your basis in the assets was less for federal purposes than for Wisconsin.

Compute the amount of any subtraction due to a difference in basis on Wisconsin [Schedule T, Transitional Adjustments](#). Include the completed Schedule T with your Schedule SB.

Exception: Do not use line 39 for the following situations.

- If the difference in basis is due to the difference in the federal and Wisconsin definition of the Internal Revenue Code (for example, Wisconsin did not allow bonus depreciation for tax year 2024), use Schedule I to adjust for the difference in depreciation for each year there is a difference in depreciation due to the difference in basis.
- If the difference in basis is due to using a different federal election for Wisconsin, (for example, electing to claim a different amount of sec. 179 expense), use Schedule I to adjust for the difference in depreciation as a result of the difference in federal and Wisconsin basis, or submit a pro forma federal return based on the election chosen for Wisconsin.
- If you sold your interest in a partnership and any increases or decreases were made to the federal basis of your partnership interest in taxable years prior to 1975, which resulted from partnership business or property located outside Wisconsin. (Prior to 1975, Wisconsin did not tax income from business or property located outside Wisconsin.) Compute any adjustment due to a difference in basis on Schedule T and net with other capital gains and losses on Wisconsin Schedule WD.

Line 40 – Reserved for future use

Line 41 – Differences in Federal and Wisconsin Reporting of Marital Property (Community) Income

If you are married filing a separate return or married filing as head of household or if you obtained a decree of divorce or separate maintenance during 2025, you may have to report a different amount of income on your Wisconsin Form 1 than on your federal Form 1040 or 1040-SR. Fill in on line 41 any amount which is taxable to your spouse rather than to you because of any difference in federal and state reporting of marital property (community) income. For further information, get [Publication 109, Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2025](#).

Required Attachments for Subtractions Reported on Lines 42, 43, 46, 47, and 48

For a subtraction reported on these lines, submit a copy of the related Schedule 2K-1, 3K-1, or 5K-1 and all supplemental schedules by attaching them as PDF documents to your electronically filed return. If you cannot attach and submit the PDF documents with your e-filed return, you can upload the PDF documents through the department's website using Form W-RA at tap.revenue.wi.gov/WRA. If you cannot create PDF documents, you can mail the attachments with Form W-RA to the address listed on the form.

Line 42 – Charitable Contributions from Tax-Option (S) Corporations

If you were a shareholder of a tax-option (S) corporation, you may elect to treat your charitable contributions reported on Schedule 5K-1, line 12a, as a subtraction modification instead of an itemized deduction for the Wisconsin itemized deduction credit. Your subtraction is limited to the amount actually deductible for federal purposes (as allowable under Wisconsin law) on

federal Schedule A (Form 1040). Include a copy of Schedule 5K-1, as described in the preceding section's instructions. Enter the name and Federal Employer Identification Number (FEIN) of the tax-option (S) corporation on the line(s) provided. If you have more than 3 entries, attach a schedule listing each additional entry.

Note

If the tax-option (S) corporation elected to be taxed at the entity level, do not take a subtraction for charitable contributions reported on Schedule 5K-1. In addition, these amounts may not be used in the computation of the itemized deduction credit.

Line 43 – Tax-Option (S) Corporation Adjustments

Fill in any of the following adjustments that apply to you:

- (1) If you were a shareholder of a tax-option (S) corporation which is required to file a Wisconsin franchise or income tax return, you will receive a Wisconsin Schedule 5K-1 from the tax-option (S) corporation informing you of any adjustments to be made for Wisconsin tax purposes.
- (2) If you are a shareholder of a federal S corporation that elects not to be treated as a Wisconsin tax-option (S) corporation, you must reverse all items of S corporation income included on your federal return. **Caution:** Do not reverse any item of S corporation income reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD.
- (3) Instead of using tax-option (S) corporation items deductible on federal Schedule A (Form 1040) to compute the Wisconsin itemized deduction credit, you may elect to treat these items as subtraction modifications. Your subtraction is limited to the amount actually deductible for federal purposes (as allowable under Wisconsin Law) on federal Schedule A (Form 1040).
Note: If you are electing to treat charitable contributions as a subtraction modification, see the line 42 instructions.

Required Attachments: See the instructions earlier under the section titled Required Attachments for Subtraction Reported on Lines 42, 43, 46, 47, and 48.

Enter the name and FEIN of the tax-option (S) corporation on the line(s) provided. For example, if you have a \$1,000 subtraction from tax-option (S) corporation A and a \$5,000 subtraction from tax-option (S) corporation B, enter two separate subtractions on line 43 and enter the name and FEIN of tax-option (S) corporation A and tax-option (S) corporation B on the lines provided. If you have more than 3 entries, attach a schedule listing each additional entry.

See the instructions for Schedule AD, line 28, for making adjustments for additions.

For more information, get [Publication 102](#), *Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders*.

If an adjustment listed on Schedule 5K-1 is due to a difference between federal and Wisconsin law, such as bonus depreciation, this amount should be adjusted on Wisconsin Schedule I.

Line 46 – Tax-Option (S) Corporation Entity Level Tax Election Adjustments

If you were a shareholder of a tax-option (S) corporation that elected to be taxed at the entity level, you must compute your subtraction modification due to the entity-level tax election as follows. **Note:** If the tax-option (S) corporation made the election, the box will be checked on Schedule 5K-1, Part II, Item B, box 3.

1. Complete Schedule I to modify your federal adjusted gross income, using the Internal Revenue Code (IRC) in effect under Wisconsin law, as if the election was not made.
2. Complete Schedule AD (line 28) to make any addition modifications as if the election was not made.
3. Complete Schedule SB (line 43) to make any subtraction modifications as if the election was not made.
4. For each tax-option (S) corporation, net all tax-option (S) corporation items included in your Wisconsin income (including the adjustments made on Schedules I, AD, and SB above) and remove the tax-option (S) corporation items by entering the net amount as either an addition to income on Schedule AD, line 29, or a subtraction from income on Schedule SB, line 46. You must enter the FEIN for each tax-option (S) corporation for which you are removing items from your Wisconsin income. See example below.

Caution: Do not reverse any item of tax-option (S) corporation gain or loss reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD. See the [Schedule WD instructions](#) for more information.

Caution: If you are a shareholder of a tax-option (S) corporation that did not make the entity-level election but it directly or indirectly owned another pass-through entity (lower tier) that made the election, you need to make a similar adjustment to your

income, except only for your share of that lower tier's items. Box 4 of Part II, Item B, will be checked on the Schedule 5K-1 if a lower tier elected to pay the entity level tax. The tax-option (S) corporation is required to provide you a supplemental statement detailing your share of income, gain, loss, and deduction that have been taxed by a lower-tier entity.

Required Attachments: See the instructions earlier under the section titled Required Attachments for Subtractions Reported on Lines 42, 43, 46, 47, and 48.

For more information, see [Publication 102](#), *Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders*.

Example: Shareholder A was a Wisconsin resident for the entire year in 2025 and owns 50 percent of Tax-option (S) Corporation. Shareholder A's only sources of income for 2025 are \$15,000 of wages and \$100,000 of federal ordinary business income from the tax-option (S) corporation. Tax-option (S) corporation makes an election under sec. 71.365(4m)(a), Wis. Stats., to pay tax at the entity level for 2025.

Tax-option (S) Corporation's \$100,000 of federal ordinary business income for 2025 has the following Wisconsin differences:

- \$10,000 of additional Wisconsin depreciation expense because of a different depreciable basis of an asset determined under the IRC in effect for Wisconsin purposes
- \$5,000 of Wisconsin tax paid by the tax-option (S) corporation with its 2024 Form 5S deducted on the 2025 federal Form 1120-S

Shareholder A must file the following forms:

- [Schedule I](#) to reduce federal adjusted gross income by \$10,000 of additional depreciation
- [Schedule AD](#), line 28, to report the addition modification of \$5,000 relating to the tax paid to Wisconsin with the 2024 Form 5S and deducted on the 2025 federal Form 1120-S
- [Schedule SB](#), line 46, to report a \$95,000 subtraction modification for Wisconsin income taxed at the entity level of the tax-option (S) corporation

Computation of the \$95,000 subtraction from Wisconsin income reported by the tax-option (S) corporation

Description	Amount
Federal ordinary business income from the tax-option (S) corporation	\$100,000
Schedule I depreciation difference	(\$10,000)
Schedule AD (line 28) - addition modification relating to tax paid to Wisconsin and deducted on federal Form 1120-S	\$5,000
Schedule SB (line 46) - subtraction modification for Wisconsin income reported by the tax-option (S) corporation	\$95,000

Line 47 – Partnership, Limited Liability Company, Trust, or Estate Adjustments

If you were a partner or member of a partnership or limited liability company (LLC) treated as a partnership, or you received income from an estate or trust, you will receive a statement from the partnership, LLC, trust, or estate notifying you of any additions or subtractions which you should make on your return. Fill in the amount of any such subtractions on line 47. See the instructions for Schedule AD, line 30, for making adjustments for additions.

Required Attachments: See the instructions earlier under the section titled Required Attachments for Subtractions Reported on Lines 42, 43, 46, 47, and 48.

Enter the name and FEIN of the partnership on the line(s) provided. For example, if you have a \$1,000 subtraction from partnership A and a \$5,000 subtraction from partnership B, enter two separate subtractions on line 47 and enter the name and FEIN of partnership A and partnership B on the lines provided. If you have more than 3 entries, attach a schedule listing each additional entry.

Note

If an adjustment listed on Schedule 2K-1 or 3K-1 is due to a difference between federal and Wisconsin law, such as bonus depreciation, this amount should be adjusted on Wisconsin Schedule I.

Line 48 – Partnership Entity Level Tax Election Adjustments

If you were a partner or member of a partnership or LLC treated as a partnership that elected to be taxed at the entity level, you must compute your subtraction modification due to the entity-level tax election as follows. **Note:** If the partnership made the election, the box will be checked on Schedule 3K-1, Part C, box 3.

1. Complete Schedule I to modify your federal adjusted gross income, using the Internal Revenue Code (IRC) in effect under Wisconsin law, as if the election was not made.
2. Complete Schedule AD (line 30) to make any addition modifications as if the election was not made.
3. Complete Schedule SB (line 47) to make any subtraction modifications as if the election was not made.
4. For each partnership, net all partnership items included in your Wisconsin income (including the adjustments made on Schedules I, AD, and SB above) and remove the partnership items by entering the net amount as either an addition to income on Schedule AD, line 31, or a subtraction from income on Schedule SB, line 48. You must enter the FEIN for each partnership for which you are removing items from your Wisconsin income. See example below.

Caution: Do not reverse any item of partnership gain or loss reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD. See the [Schedule WD instructions](#) for more information.

Caution: If you are a partner of a partnership that did not make the entity-level tax election but it directly or indirectly owned another pass-through entity (lower tier) that made the election, you need to make a similar adjustment to your income, except only for your share of that lower tier's items. Box 4 of Part C on Schedule 3K-1 will be checked if a lower tier elected to pay the entity level tax. The partnership is required to provide you a supplemental statement detailing your share of income, gain, loss, and deduction that have been taxed by a lower-tier entity. **Note:** This also applies to beneficiaries of an estate or trust that directly or indirectly owned a tax-option (S) corporation or partnership that elected to pay the entity level tax. In this instance, Box D of Part II on the Schedule 2K-1 will be checked.

Required Attachments: See the instructions earlier under the section titled Required Attachments for Subtractions Reported on Lines 42, 43, 46, 47, and 48.

Example: Partner A was a Wisconsin resident for the entire year in 2025 and owns 50 percent of Partnership. Partner A's only sources of income for 2025 are \$15,000 of wages and \$100,000 of federal ordinary business income from the partnership. Partnership makes an election under sec. 71.21(6)(a), Wis. Stats., to pay tax at the entity level for 2025.

Partnership's \$100,000 of federal ordinary business income for 2025 has the following Wisconsin differences:

- \$10,000 of additional Wisconsin depreciation expense because of a different depreciable basis of an asset determined under the IRC in effect for Wisconsin purposes
- \$5,000 of Wisconsin tax paid by the partnership with its 2024 Form 3 deducted on the 2025 federal Form 1065

Partner A must file the following forms:

- [Schedule I](#) to reduce federal adjusted gross income by \$10,000 of additional depreciation
- [Schedule AD](#), line 30, to report the addition modification of \$5,000 relating to the tax paid to Wisconsin with the 2024 Form 3 and deducted on the 2025 federal Form 1065
- [Schedule SB](#), line 48, to report a \$95,000 subtraction modification for Wisconsin income taxed at the entity level of the partnership

Computation of the \$95,000 subtraction from Wisconsin income reported by the partnership

Description	Amount
Federal ordinary business income from the partnership	\$100,000
Schedule I depreciation difference	(\$10,000)
Schedule AD (line 30) - addition modification relating to tax paid to Wisconsin and deducted on federal Form 1065	\$5,000
Schedule SB (line 48) - subtraction modification for Wisconsin income reported by the partnership	\$95,000

Line 49 – Other Subtractions from Income

You may subtract any amounts not taxable by Wisconsin (less related expenses except those expenses which are used to calculate the Wisconsin itemized deduction credit) which have been included as income on your federal tax return or excluded from federal deductions and not included on lines 1 through 48 above. Write a brief description of the subtraction on the line provided.

Example: Wisconsin doesn't tax certain relocation assistance payments received by persons displaced by condemnation, subject to the conditions in sec. [32.19](#), Wis. Stats.

Investment in a Wisconsin Qualified Opportunity Fund (QOF)

You may qualify for a subtraction modification for an investment in a Wisconsin QOF under sec. [71.05\(25m\)](#), Wis. Stats., if all of the following conditions are met:

- In a previous year, you deferred paying tax on a capital gain by investing in a Wisconsin QOF.
- For the year in which you invested in the Wisconsin QOF, the Wisconsin QOF properly filed Wisconsin [Form WQOF](#) and provided a copy to you. **Exception:** Form WQOF is not required for taxable years beginning prior to January 1, 2020.
- You held the investment in the Wisconsin QOF for at least 5 years.
- For taxable year 2025, you qualify for the federal exclusion for investment in a qualified opportunity zone.
- You are not excluding or deferring the gain on [Schedule QI](#) or [Schedule CG](#) under the qualified Wisconsin business program

If the above conditions are met, you may use the following worksheet to calculate your subtraction.

Worksheet - Wisconsin QOF Subtraction	
1. If the investment in the WI QOF was held for at least 5 years but less than 7 years, enter 10%. If the investment in the WI QOF was held for 7 years or more, enter 15%	1. _____
2. Amount of deferred gains from the investment in a WI QOF	2. _____
3. Multiply line 2 by line 1. This is the amount of the subtraction to report on Schedule SB, line 49. Use a description similar to "Wisconsin QOF subtraction"	3. _____

Caution:

- If you are a partner in a partnership or a shareholder in a tax-option (S) corporation, do not include a "Wisconsin QOF subtraction" from Schedule 3K-1, Part V, line 15, or Schedule 5K-1, Part IV, line 19, in the worksheet above. Amounts shown on Schedules 3K-1 or 5K-1 should be reported on the appropriate line(s) of Schedule SB with other items of income, gain, loss, or deduction, from the partnership or tax-option (S) corporation.
- Do not use this subtraction when using a different federal election for Wisconsin and federal tax purposes. Instead, complete a pro forma federal return using the election chosen for Wisconsin or adjust using Schedule I. The federal adjusted gross income from this pro forma federal return or from Schedule I is computed on line 3 of Form 1. If completing a pro forma federal return, attach the pro forma federal return to your Wisconsin return instead of the return sent to the IRS.
- Do not use this subtraction for wages which are taxable in another state as well as Wisconsin. Instead, include these wages in Wisconsin income and see the [Form 1 instructions](#) regarding the credit for net tax paid to another state.

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 enacted as of October 6, 2025: ch. 71, Wis. Stats. and sec. Tax 3.01, Wis. Adm. Code