

WISCONSIN TAX BULLETIN

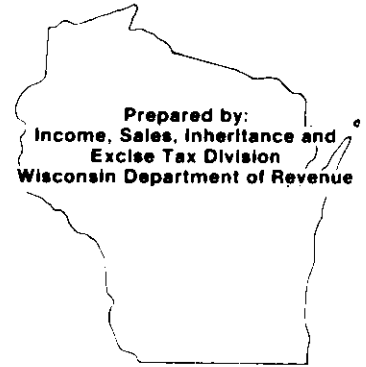
Subscriptions available from:

Wisconsin Department of Revenue Administration Document Sales

P.O. Box 7840
Madison, WI 53707
Annual cost - \$5.25

OCTOBER 1984
NUMBER 39

Prepared by:
Income, Sales, Inheritance and
Excise Tax Division
Wisconsin Department of Revenue



CHANGES IN FORMS FOR 1984

Included in the last six pages of this issue are preliminary proof copies of the 1984 Wisconsin Form 1, 1A and Schedule H. Although the forms are still subject to change before being printed, these preliminary proofs will give you an idea of how the 1984 version will look.

The major changes made to the forms for 1984 include the following:

Income Tax Forms (Form 1 and 1A)

- Minnesota income question which appeared on the 1983 Form 1 and 1A has been removed. This information is not needed for 1984.
- Individual Retirement Account (IRA) deductions will be permitted on the Form 1A. (Line 9, Form 1A)
- Line for adding back portion of federal long-term capital gain deduction removed from Form 1. (Wisconsin long-term capital gain deduction is the same as federal in 1984.)
- Lines for entering subtractions from federal income on Form 1 have been relocated from the top of page 2 to the bottom of page 1.
- Line for claiming an itemized deduction on Form 1 for child and dependent care expenses removed. (This deduction is replaced by a credit in 1984, see next item.)
- New entry lines are provided for the child and dependent care credit and earned income credit which may be claimed on 1984. (Lines 17 and 18, Form 1A; lines 48 and 49, Form 1)
- A separate entry line is provided on Form 1 for IRA penalties. (Line 55, Form 1)

IN THIS ISSUE

	Page
Changes in Forms for 1984.....	1
Wisconsin Tax Brackets Will Not be Indexed in 1984.....	1
Taxpayers to Receive Forms 1099-G in January, 1985.....	2
Joint Returns Not Effective Until 1986.....	2
Processing of 25% Increase in 1983 Homestead Benefits Continues.....	2
Tax Return Statistics for 1983.....	3
Taxpayer Convicted of Filing Fraudulent Returns.....	3
Place for Conducting Field Audits.....	3
Administrative Rules.....	3
1984 Income Tax and Corporate Forms.....	4
Bulk Orders of Tax Forms.....	4
Report on Litigation.....	4
Tax Releases	
Income and Franchise.....	11
Sales/Use.....	12
Index to Wisconsin Tax Bulletins, Issues 1 to 39.....	13
Proofs of 1984 Forms 1, 1A, and HC.....	31
Tax Report.....	37
Camera Copy Order Blank.....	39

- A new entry line is provided for research credits which may be claimed for 1984 (Line 57, Form 1)
- A signature area for use by tax practitioners has been added to Form 1A (See page 2, Form 1A)

Homestead (Schedule H)

- The format of the qualification questions area has been changed from two-column to sin-

gle column. (Lines 1 through 6, Schedule H)

- Persons residing in nursing homes will be required to indicate the name of the municipality in which it is located. (Line 4c, Schedule H)
- A new question has been added relative to persons with homes located on more than one acre of land. (Line 5, Schedule H)
- Persons who became married in 1984 are required to indicate the date of their marriage. (Line 7b, Schedule H)
- Persons filing claims based on rent will be required to indicate the full amount of rent they paid for occupancy during the year. (Line 14, Schedule H)
- Schedules 1 through 4 have been added to page 2 of Schedule H. These schedules are to be used by certain persons (see title of each schedule) to compute their income and allowable property taxes and rent.

In addition to the changes to existing forms described above, there will also be two new forms for 1984. Wisconsin Schedule R will be used to compute credits based on (1) increases in research expenses incurred for research conducted in Wisconsin and (2) expenditures for new or expanded research facilities located in Wisconsin. Wisconsin Schedule 2440W (Disability Income Exclusion) will be used by disabled retirees under age 65 to compute the amount of disability income which may be excluded from Wisconsin taxable income.

WISCONSIN TAX BRACKETS WILL NOT BE INDEXED FOR 1984

As a result of 1983 Wisconsin Act 27 (the 1983-85 budget bill), the Wisconsin income tax brackets were not

indexed in 1983 and will not be indexed for the 1984 tax year. A person's Wisconsin income tax will be computed for 1984 using the same brackets that were in effect for the 1982 tax year. The 1982 brackets and rates (which will also be used for 1984) were as follows:

\$ 0 - 3,900	3.4%
3,900 - 7,700	5.2%
7,700 - 11,700	7.0%
11,700 - 15,500	8.2%
15,500 - 19,400	8.7%
19,400 - 25,800	9.1%
25,800 - 51,600	9.5%
51,600 and over	10.0%

TAXPAYERS TO RECEIVE FORMS 1099-G IN JANUARY, 1985

Taxpayers who received a Wisconsin income tax refund in 1984 will be mailed an information return, Form 1099-G, in January, 1985. The Internal Revenue Code in Section 6050E requires the Department of Revenue to send this 1984 information return to taxpayers.

As a result of a recent ruling from the Internal Revenue Service, there will be two significant changes for married persons regarding the amount of refund entered on Form 1099-G for refunds issued in 1984.

The first difference involves situations where a husband and wife offset the refund and tax due amounts on their Wisconsin income tax return. For example, on their 1983 return, spouse A had a refund of \$300 which was applied against \$100 of tax due of spouse B, and a refund check of \$200 (\$300 - \$100 = \$200) was issued to spouse A in 1984. IRS has now ruled that the gross amount of refund (\$300 in this example) must be reported on the 1984 Form 1099-G prepared for spouse A, rather than the net amount of refund (\$200 in this example). (Note: When the department prepared Form 1099-G's in early 1984 to report refunds issued in 1983, the net amount rather than gross amount of refund was reported in situations such as this. Reporting of the net amount for refunds issued in 1983 was based on advice received from IRS at that time. However, the ruling which has now been issued by IRS specifies that the gross amount of refund is to be reported on Form 1099-G for refunds issued in 1984.)

The second difference between 1983 and 1984 involves situations where both a husband and wife receive a refund when filing on the same Wisconsin income tax return (i.e., filing a combined return). For example, on their 1983 return, spouse A showed a refund of \$150 and spouse B a refund of \$75. One refund check of \$225 was sent to them in 1984. The IRS ruling states that a separate 1984 Form 1099-G must be prepared for each spouse showing that spouse's refund. In this example, the Form 1099-G prepared for spouse A would show a refund of \$150 and the Form 1099-G for spouse B would show a \$75 refund. (Note: For refunds issued in 1983, the informal advice provided by IRS indicated one 1983 Form 1099-G should be prepared showing the total of both spouses' refunds. However, the ruling now issued by IRS specifies that a separate Form 1099-G must be prepared for each spouse for 1984 in situations such as this.)

The January, 1985 Wisconsin Tax Bulletin will include additional information about Forms 1099-G which will be mailed in January, 1985.

REMINDER — JOINT RETURNS NOT EFFECTIVE UNTIL 1986

As reported in issue number 37 of the WTB, 1983 Wisconsin Act 186 created a marital property system for Wisconsin. As part of the new marital property system, married couples will be permitted to file joint Wisconsin income tax returns, beginning with the 1986 tax year.

Until the joint return provision becomes effective in 1986, married persons will continue to be treated as separate taxpayers. For tax years 1984 and 1985 the incomes of a husband and wife will continue to be reportable in separate columns on Wisconsin long-form and short-form income tax returns.

PROCESSING OF 25% INCREASE IN 1983 HOMESTEAD BENEFITS CONTINUES

1983 Wisconsin Act 212 provides a retroactive 25% increase in Homestead Credit benefits for 1983 claims. Every claimant who files a 1983 Homestead claim by the December

31, 1984 deadline is to receive a 25% increase in the amount of their allowable credit. No additional form is required to be filed by a claimant to receive the additional benefit. It will automatically be paid by the department.

Additional details concerning this provision of 1983 Wisconsin Act 212, can be found in issues number 37 and 38 of the WTB.

Payments for the 25% increase in Homestead are being processed in batches. The first and largest batch consisted of the approximately 250,000 claimants whose 1983 Homestead claims were completely processed by the department by July 31, 1984. Mailing of the checks for the additional benefit to those persons took place in late August, 1984. Processing of subsequent batches is tentatively scheduled as follows:

Processing of 1983 Schedule H Completed	Check for Increase In Benefit Will be Issued
August 1 through September 30, 1984	Late October, 1984
October 1 through November 30, 1984	Late December, 1984
December 1, 1984 and later	Within 90 days after processing is completed

An informational notice accompanies each check for the 25% increase in Homestead. The notice provides information as to what the check is for and how the amount was computed. It directs claimants who have questions about their check to contact the nearest Department of Revenue office.

Homestead claimants who owe delinquent taxes, or a debt to another state agency which has been certified to the department, may not receive a check for the 25% increase in their 1983 Homestead benefit. The amount of their 25% increase will first be applied against the delinquencies they owe. The claimant will receive a check only if the 25% increase in Homestead exceeds the amount of his or her delinquencies. For example, if the 25% increase in Homestead amounted to \$120 and a claimant had a \$100 income tax delinquency he or she would only receive a check for \$20 (\$120 increase - \$100 delinquency = \$20).

A flyer is provided to claimants subject to delinquency offsets explaining how much of their 25% increase in Homestead has been applied to a delinquency.

Claimants who file amended 1983 Homestead claims which reflect a greater benefit than their original 1983 claim may receive more than one check for the 25% increase in their Homestead benefit. This will occur when the original and amended claims are processed as part of different batches. For example, if a claimant's original 1983 Homestead claim was processed before July 31, 1984 and an amended 1983 claim filed by the claimant was processed during October, 1984, the claimant would receive two checks for the 25% increase in Homestead. The first check (based on the original claim) would have been sent in August, 1984 and the second check (based on the additional benefit claimed on the amended claim) would be sent in December, 1984.

TAX RETURN STATISTICS FOR 1983

During the first six months of 1984, 2,060,000 Wisconsin income tax returns were filed for 1983. Homestead Credit claims for 1983 totaling 255,000 and 13,000 Farmland Preservation Credit claims were also filed during the period January - June, 1984.

The 2,060,000 income tax returns for 1983 were filed by 2,900,000 individuals. (The combined return of a husband and wife is considered one return.) Itemized deductions were claimed by 24% of the individuals, and the standard deduction was claimed by 76%.

A total of 1,500,000 income tax refunds were issued to taxpayers for 1983 returns, which averaged \$216 each. The average refund for 1982 returns was \$222.

Homestead Credit refunds averaged \$325 per claimant, an increase from the average refund of \$310 issued last year. Over 40% of the claimants were age 65 or older. Of the individuals claiming Homestead Credit, 40% were renters and 60% were homeowners.

An average payment of \$1,575 was issued to each Farmland Preservation claimant. The average payment for 1982 claims was \$1,525. As a re-

sult of Wisconsin's 5% minimum tax, 9,400 persons made an average payment of \$1,200 each.

TAXPAYER CONVICTED OF FILING FRAUDULENT RETURNS

Roger A. Isaac of Fox Point, Wisconsin has been ordered by Dane County Circuit Judge William F. Eich to serve five years probation, pay a \$500 fine and serve thirty days in jail for a criminal violation of Wisconsin's state income tax law. He must also make restitution of state income taxes, penalties and interest due for the years 1977, 1978 and 1979 in the amount of \$12,617.87 within eighteen months.

The Attorney General's office filed criminal charges against Isaac after an investigation by the Intelligence Section of the Wisconsin Department of Revenue. Isaac was charged with three counts of filing false and fraudulent Wisconsin income tax returns for 1977, 1978 and 1979. He was charged with failing to report income in excess of \$69,000 and evading more than \$7,000 in state income taxes for those years. He pled no contest to the charge of filing a false and fraudulent 1979 income tax return on March 1, 1984. The charges for 1977 and 1978 were dismissed after his no contest plea was entered.

Filing a false or fraudulent Wisconsin state income tax return is a felony punishable by a maximum fine of \$10,000 or imprisonment for five years or both. In addition to the criminal penalties, Wisconsin law provides for substantial civil penalties on the civil tax liability. Assessment and collection of the additional taxes, penalties and interest follows conviction for criminal violations.

PLACE FOR CONDUCTING FIELD AUDITS

Field audits by auditors of the Department of Revenue will usually be conducted at the taxpayer's place of business. If there is a lack of space at the taxpayer's location, the records may be transported to the office of the taxpayer's representative or to the auditor's office.

If all of the taxpayer's books, records and supporting data are located at the representative's office, the audit may be conducted there if it is con-

venient for all parties involved. However, if the audit is going to be conducted at the representative's office and the taxpayer is not present at all times, a power of attorney must be obtained from the representative. Wisconsin Administrative Code section Tax 1.13 gives further information about the power of attorney procedures.

NEW ISI&E DIVISION RULES AND RULE AMENDMENTS IN PROCESS

Listed below, under parts A and B, are proposed new administrative rules and amendments to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of October 1, 1984. Part C lists new rules and amendments which have been adopted in 1984.

("A" means amendment, "NR" means new rule, "R" means repealed and "R&R" means repealed and recreated.)

A. Rules at Legislative Council Rules Clearinghouse

11.71 Automatic data processing-N

B. Rules at Legislative Standing Committees

11.03 Elementary and secondary schools-A
11.05 Governmental units-A
11.65 Admissions-A

C. Rules Adopted in 1984 (in parentheses is the date the rule became effective)

9.01 Definitions pertaining to cigarette tax-N (4/1/84)
9.08 Cigarette tax refunds to Indian tribes-N (4/1/84)
9.09 Cigarette sales to and by Indians-N (4/1/84)
11.05 Government units-A (10/1/84)
11.08 Medical appliances, prosthetic devices and aids-A (10/1/84)
11.09 Medicines-A (10/1/84)
11.10 Occasional sales-A (10/1/84)
11.11 Waste treatment facilities-A (10/1/84)
11.12(4) Farming, agriculture, horticulture and floriculture-A (10/1/84)

- 11.12(5) Farming, agriculture, horticulture and floriculture-A (10/1/84)
- 11.13 Sale of a business or business assets-A (10/1/84)
- 11.15 Containers and other packaging and shipping materials-A (1/1/84, 10/1/84)
- 11.16 Common or contract carriers-A (1/1/84)
- 11.17 Hospitals, clinics and medical professions-A (10/1/84)
- 11.19 Printed material exemptions-A (1/1/84, 10/1/84)
- 11.26 Other taxes in taxable gross receipts and sales price-A (1/1/84)
- 11.27 Warranties-A (10/1/84)
- 11.30 Credit sale, bad debt and repossessions-A (10/1/84)
- 11.32(3) "Gross receipts" and "sales price"-A (1/1/84)
- 11.39 Manufacturing-A (10/1/84)
- 11.45 Sales by pharmacies and drug stores-A (10/1/84)
- 11.48 Landlords, hotels and motels-A (1/1/84)
- 11.50 Auctions-A (1/1/84)
- 11.51 Grocer's guidelist-A (10/1/84)
- 11.52 Coin-operated vending machines and amusement devices-A (1/1/84)
- 11.56 Printing industry-A (10/1/84)
- 11.65 Admissions-A (10/1/84)
- 11.67 Service enterprises-A (10/1/84)
- 11.68 Construction contractors-A (1/1/84)
- 11.72 Laundries, dry cleaners and linen and clothing suppliers-A (10/1/84)
- 11.79 Leases of highway vehicles and equipment-A (10/1/84)
- 11.83 Motor vehicles-A (10/1/84)
- 11.85 Boats, vessels and barges-A (10/1/84)
- 11.86 Utility transmission and distribution lines-A (10/1/84)
- 11.87 Meals, food, food products and beverages-A (10/1/84)
- 11.94 Wisconsin sales and taxable transportation charges-A (10/1/84)
- 11.95 Retailer's discount-A (10/1/84)

1984 INCOME TAX AND CORPORATE FORMS

For tax practitioners and others who wish to print their own supplies of Wisconsin tax forms, camera copy of the 1984 Wisconsin income and franchise tax forms and the 1985 declaration of estimated tax forms is

available for purchase from the WISCOMP Center. The cost is \$10.50 per page which includes the 5% Wisconsin sales tax, handling and shipping. The camera copy for 1984 corporation forms is available immediately. Camera copy for most of the other tax forms is expected to be available about November 1, 1984. A clip out order form is located on the last page of this bulletin. Address orders to WISCOMP, One West Wilson Street, Room B345, Madison, WI 53702. Make remittance payable to WISCOMP. Remittance must accompany order. Orders are processed on a 24 hour basis.

BULK ORDERS OF TAX FORMS

In October, the department will mail out the order blank (Form P-744) which practitioners and other persons or organizations should use to request bulk orders of 1984 Wisconsin income tax forms. As in past years, professional tax preparers are subject to a handling charge on their orders. No charge is made for forms used for distribution to the general public (for example, in a bank, library or post office).

Orders should be placed as early as possible after you receive the order blank. By receiving the orders early, the department can better identify possible shortages of specific forms.

This year's mailing list for bulk order blanks contains the names of all persons and organizations who placed orders for 1983 forms. If you are not on this mailing list and do not receive a Form P-744, you may request the bulk order blank by contacting any department office or by writing to the Wisconsin Department of Revenue, Central Services Section, Post Office Box 8903, Madison, WI 53708.

REPORT ON LITIGATION

This portion of the WTB summarizes recent significant Tax Appeals Commission and Wisconsin court decisions. The last paragraph of each decision indicates whether the case has been appealed to a higher court.

The last paragraph of each WTAC decision in which the department's determination has been reversed will indicate one of the following: 1) "the department appealed", 2) "the department has not appealed but has

filed a notice of nonacquiescence" or 3) "the department has not appealed" (in this case the department has acquiesced to Commission's decision).

The following decisions are included:

Income and Franchise Taxes

Leroy W. Knies
Constitutionality of taxes
Thomas R. Krueger
Property transferred pursuant to divorce
Larry Roe
Negligence penalty - late filing
WOKY, Inc., c/o The Charter Company,
Allocation of income between affiliates

Sales/Use Taxes

Advance Pipe & Supply Co., Inc. and Milwaukee Sewer Pipe & Manhole Co., Inc.
Construction contractors
Cuna Mutual Insurance Society
Advertising material used out-of-state
Edward Kraemer & Sons, Inc.
Claims for refund
Frisch, Dudek and Slattey, Ltd.
Retailer - who must register
Hein/Bakers Equipment Corporation
Manufacturing exemption
Oscar Mayer & Co., Inc.
Manufacturing - cleaning supplies
Valley Microforms, Inc.
Manufacturing exemption
Young Women's Christian Association of Madison, Wisconsin Inc.
Admissions

INCOME AND FRANCHISE TAXES

Leroy W. Knies vs. Wisconsin Department of Revenue (Circuit Court of Waukesha County, March 22, 1984). The issue before the court is whether or not the decision of the Wisconsin Tax Appeals Commission dismissing the taxpayer's appeal should be affirmed or reversed solely on the record.

The taxpayer and his wife, Nancy L. Knies, filed with the department a form which purports to be a 1978 Wisconsin Income Tax form in which the taxpayer and his wife refused to answer any questions relative to the income they earned and received for the year 1978, by writing on the tax