WISCONSIN TAX BULLETIN

Subscriptions available from:

AUGUST 1985 NUMBER 43

Wisconsin Department of Revenue Administration Document Sales

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



NEW WISCONSIN TAX LAWS

The Wisconsin Legislature has enacted several changes to the Wisconsin tax laws. This issue of the Wisconsin Tax Bulletin contains an index and brief descriptions of the major income, corporation franchise/income, homestead credit, farmland preservation credit, sales/use, inheritance, gift and excise tax provisions. All of the provisions described below are contained in 1985 Wisconsin Act 29, published July 19, 1985, except for Item H.5. which is in 1985 Wisconsin Act 15, published February 27, 1985. The description for each item indicates the sections of the statutes affected and the effective date of the new provision.

		Effective Date	Page Number
Α.	STATE TAX AMNESTY	September 15, 1985 to November 22, 198	7 5
В.	INCOME TAXES		
1.	Update Reference to Internal Revenue Code for Individuals, Estates, Trusts and Tax-Option Corporations For 1985 For 1986 and Thereafter	1985 tax year 1986 tax year	9
3. 4.	Eliminate Itemized Deductions Change Standard Deduction Index Standard Deduction Provide Exemption for Capital Gains From Sale of Small Business Stock	1986 tax year 1986 tax year 1987 tax year Stock acquired on or after	11 11 12 12
6. 7.	Limit Deduction for Certain Farm Losses Disallow Deduction for Certain Entertainment	January 1, 1986 1986 tax year	13
8.	and Travel Expenses Disallow ACRS Depreciation on Residential Real Property and on Certain Property	1986 tax year	14 14 .
9.	Used in Farming Repeal \$1,680 Exclusion for Federal Civil Service Annuity Repeal \$1,000 Military Pay Exclusion	1986 tax year 1986 tax year 1986 tax year	15 15
10.	Repeal \$1,000 Military Pay Exclusion Repeal Exemption for Awards for Victims of Crime	1986 tax year	15
12.	Clarify Exemption for Payments From Certain Retirement Systems	1985 tax year	16

13.	Repeal Exemption for Compensation for Well Contamination	1986 tax year	16
14.	Repeal Subtract Modification for Interest Received on Prisoner of War Compensation	1986 tax year	16
15.	Repeal Subtract Modification for Adoption	1980 Cax year	J. U
15.	Expense	1986 tax year	16
16.		·	
, ,	Insurance Act	1986 tax year	16 17
1/.	Wisconsin Net Operating Loss	· 1986 tax year	17
	Modify Computation Increase Carryforward to 15 years	Losses incurred in	
	Increase carryrorward to 13 years	1980 tax year	
18.	Change Personal Exemption Credits	1986 tax year	17
19.		1986 tax year	18
20.		1986 tax year	18
21.			19
	Update Reference to Internal Revenue Code	1985 tax year	
	Repeal Credit	1986 tax year	
22.	Community Development Finance	·	_
	Authority Credit for Individuals		20
	Allow 15 Year Carryforward	Credits available	
	D 3.0 14	in 1984 tax year	
22	Repeal Credit	1986 tax year	20
23.	Research Credits Increase Carryforward to 15 Years	Credits available	20
	Therease curryrothard to 15 fears	CICCICS GYGIIGDIC	
		in 1984 tax vear	
	Change Reference to Internal Revenue Code	in 1984 tax year 1985 tax year	
	Change Reference to Internal Revenue Code Deny Credits to Individuals, Partners,	in 1984 tax year 1985 tax year	
	Change Reference to Internal Revenue Code Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders		
24.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit	1985 tax year	21
24.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code	1985 tax year 1986 tax year 1985 tax year	21
	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit	1985 tax year 1986 tax year	
24.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits	1985 tax year 1986 tax year 1985 tax year 1986 tax year	21
	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit	1985 tax year 1986 tax year 1985 tax year 1986 tax year 1986 tax year	
25.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit	1985 tax year 1986 tax year 1985 tax year 1986 tax year 1986 tax year 1986 tax year	21
25. 26.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse"	1985 tax year 1986 tax year 1985 tax year 1986 tax year 1986 tax year 1986 tax year 1986 tax year	21 21
25. 26. 27.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals	1985 tax year 1986 tax year 1985 tax year 1986 tax year	21 21 22
25. 26. 27. 28.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets	1985 tax year 1986 tax year 1985 tax year 1986 tax year	21 21 22 22
25. 26. 27. 28. 29.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets	1985 tax year 1986 tax year 1985 tax year 1986 tax year	21 21 22
25. 26. 27. 28.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order	1985 tax year 1986 tax year 1985 tax year 1986 tax year	21 21 22 22
25. 26. 27. 28. 29.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets	1985 tax year 1986 tax year 1987 tax year	21 21 22 22 23
25. 26. 27. 28. 29.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order of Computations	1985 tax year 1986 tax year 1987 tax year	21 21 22 22 23 23
25. 26. 27. 28. 29. 30.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order of Computations Minimum Tax Update Reference to Internal Revenue Code Modify Minimum Tax Computations	1985 tax year 1986 tax year	21 21 22 22 23 23
25. 26. 27. 28. 29.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order of Computations Minimum Tax Update Reference to Internal Revenue Code Modify Minimum Tax Computations Amend Designation to the Wisconsin Election	1985 tax year 1986 tax year 1987 tax year 1986 tax year 1986 tax year 1986 tax year	21 21 22 22 23 23 24
25. 26. 27. 28. 29. 30.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order of Computations Minimum Tax Update Reference to Internal Revenue Code Modify Minimum Tax Computations Amend Designation to the Wisconsin Election Campaign Fund	1985 tax year 1986 tax year 1987 tax year 1986 tax year 1986 tax year 1985 tax year 1985 tax year	21 21 22 22 23 23 24
25. 26. 27. 28. 29. 30. 31.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order of Computations Minimum Tax Update Reference to Internal Revenue Code Modify Minimum Tax Computations Amend Designation to the Wisconsin Election Campaign Fund Repeal Surplus Language	1985 tax year 1986 tax year 1987 tax year 1986 tax year 1986 tax year 1986 tax year	21 21 22 22 23 23 24
25. 26. 27. 28. 29. 30.	Deny Credits to Individuals, Partners, Tax-Option Corporation Shareholders Earned Income Credit Update Reference to Internal Revenue Code Repeal Credit Property Tax and Rent Credits Repeal 10% Credit Allow 7.9% Credit Define "Married Person" or "Spouse" Change Filing Requirements for Individuals Change Tax Rates and Brackets Index Tax Brackets Revise Sections Included in the Order of Computations Minimum Tax Update Reference to Internal Revenue Code Modify Minimum Tax Computations Amend Designation to the Wisconsin Election Campaign Fund	1985 tax year 1986 tax year 1987 tax year 1986 tax year 1986 tax year 1985 tax year 1985 tax year	21 21 22 22 23 23 24

25

C. CORPORATION FRANCHISE/INCOME TAXES

1.	Increase Net Business Loss Carryforward to	Losses incurred	25
2.	15 Years Increase Manufacturer's Sales Tax Credit	in 1980 tax year Credits accrued in	25
3.	Carryforward to 15 Years Limit Community Development Finance	1980 tax year Credits available	25
	Authority Credit Carryforward to 15 Years	in 1984 tax year	
4.	Disallow Deduction for Certain Entertainment, Gift and Travel Expenses	1986 tax year	25
5.	Disallow ACRS Depreciation on Residential Real Property and on Certain Property		
	Used in Farming	1986 tax year	26
6.	Research Credits Increase Carryforward to 15 Years	Credits available	27
	·	in 1984 tax year	
7.	Change Reference to Internal Revenue Code Update Reference to Internal Revenue Code	1985 tax year	
	for Insurance Companies	1985 tax year	27
8.	Update Reference to Internal Revenue Code for Regulated Investment Companies and		
0	Real Estate Investment Trusts	1985 tax year	27
9.	Disallow Deduction for Value of Incentive Stock Option Payments	1986 tax year	28
10.	Define "Dividends Received" From Foreign Subsidiaries	1985 tax year	28
11.	Deduction for Forest Croplands and Managed		
12.	Forest Land Limit Income or Franchise Tax Liability of	January 1, 1986	28
	Domestic Credit Accident and Health Insurers	1985 tax year	28
D.	HOMESTEAD CREDIT		
1.	Amend Definition of "Income"	July 20, 1985	28
2.	Amend Definition of "Property Taxes Accrued"	January 1, 1986	29
_		00 madry 1, 1500	23
Ε.	FARMLAND PRESERVATION CREDIT		
1.	Increase Credit to 90% for Farmland Subject to Town Zoning Ordinances	1985 tax year	29
2.	Require Compliance With Soil and Water	Various effective	29
	Conservation Standards	dates	
F.	SALES/USE TAXES		
1.	Impose Sales Tax on Access Services	_	
2.	Provided Interexchange Carriers Repeal Exemption for Hospital Service	July 20, 1985	29
•	Insurance Corporations Organized Under	Contombou 1 1005	20
3.	s. 613.80(2) Impose Sales Tax on Motor Fuel or Special	September 1, 1985	30
	Fuel on Which Tax Is Refunded Because of Nonhighway Use	September 1, 1985	30
	Hominghau 036	500 tember 1, 1505	J U

4. 5. 6. 7.	Exempt Farm Livestock Medicines Exempt Material Used for Animal Bedding Exempt 35% of Selling Price of New Mobile	July 1, 1986 July 1, 1986 July 1, 1986	30 30 30
8.	Homes and Total Selling Price of Used Mobile Homes Exempt Boats Purchased Out-of-State but	January 1, 1987	30
9.	Stored in Wisconsin Exempt Certain Railroad Crossties	September 1, 1985 July 20, 1985	30 31
10. 11. 12.	Processing Exempt Motorized Wheelchairs and Scooters	July 20, 1985 September 1, 1985	31 31
13.	Museum	July 20, 1985	31
	American Legion Baseball	September 1, 1985	31
	Renewal of Seller's Permit - \$400 Delinguency Includes All Taxes Increase Sales Tax Security to \$15,000 Increase Seller's Permit Fee to \$5 Sales/Use Tax Determinations Against Dissolved Corporations	October 1, 1985 October 1, 1985 July 20, 1985 Dissolutions occurring on or after July 20, 1983	31 32 32 32
18.	Impose 25% Penalty for Failure to Keep Sales/Use Tax Records	July 20, 1985	32
19.	Amend County Sales Tax	July 20, 1985	32
G.	INHERITANCE AND GIFT TAXES		
1.	Reduce Inheritance and Gift Tax Pates	Deaths and gifts occurring on or after January 1, 1986	33
2.	Eliminate Inheritance Tax on Transfers From Decedent Missing in Action and		
3.	Declared Dead Update Reference to Internal Revenue Code for Power of Appointment, Qualified	July 20, 1985 Various effective dates	33 33
4.	Retirement Plans and Installment Payments Clarify Inheritance Tax Liens	Deaths occurring on or after July 20, 1985	34
Н.	EXCISE TAXES		
1.	Eliminate Motor Fuel Tax Refund on Motorboats	Motor fuel purchased on or after	34
2.	Limit Motor Fuel Tax Refund for All-Terrain Vehicles	January 1, 1986 Motor fuel purchased on or after July 1, 1986	34
3. 4.	Exempt Industrial Fermented Malt Beverages Permit Underage Persons in Private Soccer	September 1, 1985	34
5.	Clubs Amend Tied-House Law	July 20, 1985 May 22, 1985	34 35

			0.5
6.	Increase Cigarette Tax Rate	July 20, 1985	35
7.	Exempt Retailers From Cigarette Inventory		
	Tax	July 20, 1985	35
8.	Require Cigarette Stamps	October 1, 1985	35
	Cigarette Retailers	July 20, 1985	35
9.	Refunds to Indian Tribes	July 20, 1985	35
10.	Retunds to indian ritbes	6d1y 20, 1500	
_	TOTAL DETUDE WAR ITAL PROPERTY INDICHENTATION		
Ι.	JOINT RETURN/MARITAL PROPERTY IMPLEMENTATION		•
_		1006 tay year	35
1.	Limit Effect of Marital Property Agreements	1986 tax year	33
2.	Computation of Tax Liability of Part Year	1005	2.5
	Residents and Monresidents	1986 tax year	35
3.	Amend Definition of "Wisconsin Taxable		26
	Income"	1986 tax year	36
4.	Limit Capital Loss Carryforwards	1986 tax year	36
5.	Modify Computation of Basis of Marital	Deaths occurring	36
• •	Property Acquired From Decedent	on or after	
	Troper by magacras to see a see	January 1, 1986	
6.	Joint Return Requirements	1986 tax year	36
	Filing Joint Return After Filing Separate		
7.		1986 tax year	37
0	Return	1500 can yeu.	<u> </u>
8.	Filing Separate Returns After Filing Joint	1986 tax year	39
	Return	1986 tax year	40
Ĝ.	Joint Return Liability	•	40
10.	Separate Return Liability	1986 tax year	40
11.	Claims for Refunds by Spouses	1986 tax year	40
12.	Credit Overpayments or Refunds Against	1006 +	40
	Tax Liabilities	1986 tax year	
13.	Notice of Additional Assessment	1986 tax year	41
14.	Notice of Incorrect Claims for Refund	1986 tax year	41
15.	Establish Procedure for Appeals by		4.5
	Spouses	1986 tax year	41
16.	Date Tax Obligations Are Incurred	1986 tax year	42
17.			
	Tax Return Information	1986 tax year	42
18.	Six Year Statute of Limitations	1986 tax year	42
19.			
1 _′ •	Fraudulent Return	1986 tax year	42
20.	Impose Penalty for Filing an Incomplete	•	
7.0.	or Incorrect Return	1986 tax year	43
21.	Declaration of Estimated Tax Requirements	·	
<u> </u>	for Farmers and Fishers	1986 tax year	43
22.	Joint and Separate Declarations of Estimated	3	
۷۷.		1986 tax year	43
00	Tax Exceptions to the Underpayment Penalty	1986 tax year	44
23.	Provents for Extension of Time to File	1500 our you.	
24.	Requests for Extension of Time to File	1986 tax year	44
0.5	Tax Returns	100 tun yeur	• •
25.	Provide That Marital Property Agreements	1086 tax year	44 ·
	Have No Effect Upon Homestead Credit	1986 tax year	45
26.	Inheritance Tax Exclusion - Survivorship	Deaths occurring	TU
	Marital Property	on or after	
		January 1, 1986	45
27.	Claim for Refund - Marital Property	Gifts on or after	45
	Gift	January 1, 1986	

J. <u>OTHER</u>

	Set Off of Payments to Vendors	July 20, 1985	45
	Officer Liability for Taxes	July 20, 1985	46
3.	Provide for Levy Upon Property for		
	Delinquent Taxes	Pecember 1, 1985	46
4.	Eliminate Requirement That Warrants Be		
	"Returned Not Satisfied"	July 20, 1985	50
5.	Require Additional Employer Withholding	July 20, 1985	50
6.	Index Withholding Tax Tables	1986 tax year	50
7.	Increase Fee for Obtaining Tax Return		
	Information to \$4	July 20, 1985	50
8.	Clarify Disclosure of Tax Return	•	
	Information	July 20, 1985	50
9.	Increase Late Filing Fee	Returns required	51
•	inor acoustic transfer and a second s	to be filed on or	
		after July 20, 1985	
10	Increase Penalty for Attempt to Defeat		
10.	or Evade Tax	1985 tax year	51
11.	Increase Penalties for Failure to File a	2000 02 y 00.	
11.	Return or Filing a False or Fraudulent		
	Return	July 20, 1985	51
12.	Impose Penalties for False Documents	July 20, 1985	51
13.	Battery or Threat to Department Employe	July 20, 1985	51
14.	Change Tax Appeals Commission Procedures	July 20, 1985	52
15.	Implement Property Tax Deferral Loan Program		53
15.	Timp rement rroperty tax beterrar tour rrogram	assessed for 1985	55
		and payable in 1986	
16.	Require School District Information	and paydere in 1900	
10.	on Income Tax Forms	July 20, 1985	53
17.	Renumber Definitions in Statutes	Culy 20, 1900	53
1/.	Income and Franchise Taxes	1986 tax year	55
		January 1, 1987	
	Sales/Use Taxes	Calluary 1, 130/	