

the period involved, the taxpayer was in the business of cleaning beer taps and lines in taverns and bars located in the LaCrosse, Wisconsin area.

During the calendar years 1979, 1980, 1981, 1982, 1983 and January-August 1984, the taxpayer received payment for its services which it reported on its Wisconsin corporate franchise or income tax returns. The taxpayer, however, did not file Wisconsin sales tax returns or pay Wisconsin sales or use taxes on the gross receipts it received during that period of time.

Under date of September 28, 1984, the department issued notices of sales and use taxes due against the taxpayer covering the calendar years 1979, 1980, 1981, 1982, 1983 and January-August 1984 totaling \$14,881.70. The assessments imposed a sales and use tax on the gross receipts the taxpayer received from its beer tap and line cleaning operation during the period involved.

The assessments resulted from an audit the department conducted on the G. Heileman Brewing Company of LaCrosse, Wisconsin during which it discovered that the taxpayer was not reporting or paying sales taxes on the gross receipts it received from its beer tap and line cleaning operations.

The taxpayer was not aware it had a sales and use tax liability until the assessments were made in September of 1984. It did not collect sales and use tax from its customers during the period under review.

The taxpayer objected to the assessments on the following basis:

- A. Its services are not subject to tax.
- B. It relied on the advice of its attorney and accountant.

C. The department should have notified them of its sales and use tax obligation at an earlier date.

D. It can't afford to pay the assessments.

The Commission held as follows:

A. The taxpayer's cleaning of beer tap and line equipment in taverns and bars in the LaCrosse, Wisconsin area during the period under review constituted servicing tangible personal property in the form of "bar equipment" and/or "restaurant and tavern type equipment" as those terms are used in s. 77.52(2)(a)10, Wis. Stats., and the gross receipts received from those services during the period under review were subject to tax.

B. The taxpayer's reliance on advice it received from its attorney and accountant does not relieve it from the sales and use tax liability arising from the provisions of Wisconsin's sales and use tax law.

C. Wisconsin sales and use tax law is based on a self-reporting and self-assessment system with the primary responsibility for compliance resting with the taxpayer, not the Wisconsin Department of Revenue.

D. Ability to pay is not a valid criteria to determine liability under Wisconsin sales and use tax law.

The taxpayer has not appealed this decision.

Wisconsin State Telephone Association, et al. vs. Mark E. Musolf and Wisconsin Department of Revenue (Circuit Court of Dane County, October 31, 1985). This matter was before the Circuit Court on the defendants' motion for summary judgment. The plaintiffs are domestic and foreign corporations and cooperatives, as well as the telecommunications trade association, and they provide or purchase telephone services within Wisconsin. They claimed that

s. 77.52(2)(a)4, Wis. Stats., which forces them to pay a 5% sales tax on the gross receipts from all interstate and international telephone calls originating from and charged to telephones located in Wisconsin, violates their substantive due process rights guaranteed by the constitution.

In *Wisconsin Tel. Co. v. Dept. of Revenue*, 125 Wis. 2d 339 (Ct. App. 1985), the Court of Appeals rejected a challenge to s. 77.52(2)(a)4, Wis. Stats., brought on commerce clause grounds. The question before the Circuit Court now is whether this rejection is fatal to the plaintiffs' due process challenge. The plaintiffs have contended that the *Wisconsin Tel. Co.* case does not control this case because a due process challenge requires a different approach to the issues than a commerce clause challenge. The plaintiffs' final argument is that the *Wisconsin Tel. Co.* court did not consider the effect of the tax on out-of-state telephone companies.

The Circuit Court concluded that the *Wisconsin Tel. Co.* case controls the instant case and summary judgment in favor of the defendants must be granted.

The plaintiffs have not appealed this decision.

Wisconsin Telephone Company, et al. vs. Wisconsin Department of Revenue, et al. (Wisconsin Supreme Court, November 5, 1985). The taxpayers appealed the adverse decision of the Court of Appeals, District IV, which held the sales tax imposed by s. 77.52(2)(a)4, Wis. Stats., constitutional. (See WTB #44 for a summary of the decision of the Court of Appeals.)

The Supreme Court denied the taxpayers' petition for review.

TAX RELEASES

("Tax Releases" are designed to provide answers to the specific tax questions covered, based on the facts indicated. However, the answer may not apply to all questions of a similar nature. In situations where the facts vary from those given herein, it is recommended that advice be sought from the Department. Unless otherwise indicated, Tax Releases apply for all periods open to adjustment. All references to section numbers are to the Wisconsin Statutes unless otherwise noted.)

Individual Income Taxes

1. Adoption Expense Deduction

Corporation Franchise/Income Taxes

1. Sales Factor: Items of Income Includable
2. Deductibility of Motor Carriers' Operating Authorities
3. Bad Debts - Savings and Loan Associations
4. Nexus and Certain Exempt Activities for Foreign Corporations

5. Wisconsin Tax Treatment of Deferred Income by Corporations
6. Doctrine of Recoupment in Pending Cases Where Taxpayer Has Paid an Admitted Portion of Tax

Sales/Use Taxes

1. Furnaces That May Be Used to Burn Bio-Mass Pellets or Lignite Fuel

INDIVIDUAL INCOME TAXES

1. Adoption Expense Deduction

Statutes: sections 71.02(2)(f) and 71.05(1)(b)7, 1983 Wis. Stats.

Note: This Tax Release applies only with respect to taxable years 1978 through 1985.

Facts: Section 71.05(1)(b)7, 1983 Wis. Stats., provides for a subtraction from federal adjusted gross income for amounts expended by an adoptive parent or prospective adoptive parent in adoption fees, court costs or legal fees relating to the adoption of a child, whether or not the adoption process is completed. The deduction is allowed to the extent that the adoption costs, when added to allowable medical deductions under Section 213 of the Internal Revenue Code (IRC), exceeds 5% of the person's federal adjusted gross income.

Section 71.02(2)(f), 1983 Wis. Stats., defines "itemized deductions" as deductions from federal adjusted gross income allowable under the IRC in determining federal taxable income with certain exceptions. This statute also provides that part-year residents must prorate itemized deductions on the basis of Wisconsin adjusted gross income to federal adjusted gross income.

A taxpayer is a Michigan resident until November 1, 1985 at which time the taxpayer moves to Wisconsin. In February of 1985, prior to the move to Wisconsin, the taxpayer incurs and pays adoption expenses. The expenses include a required payment to an adoption agency for reimbursement of the mother's hospital and medical expenses.

Question 1: Does the amount paid for reimbursement of the mother's hospital and medical expenses qualify as an adoption expense for Wisconsin tax purposes?

Answer 1: Yes. Pursuant to s. 71.05(1)(b)7, 1983 Wis. Stats., any amount expended by an adoptive parent in adoption fees, court costs or legal fees relating to the adoption of a child is deductible for Wisconsin income tax purposes (subject to income limitations). A legal obligation to pay for the hospital and medical expenses of the mother may be considered adoption fees.

Question 2: Is a part-year resident allowed a deduction for adoption expenses paid prior to the move to Wisconsin?

Answer 2: Yes. Section 71.05(1)(b)7, 1983 Wis. Stats., does not limit the subtraction for adoption expenses to full year residents.

Question 3: Is a part-year resident required to prorate the subtraction for adoption expenses?

Answer 3: No. Section 71.02(2)(f) provides that part-year residents must prorate itemized deductions. Even though the allowable deduction for adoption expenses is com-

puted based on the adoption costs added to medical expenses allowable as an itemized deduction, the adoption expenses claimed as a subtraction from Wisconsin income are not deductions allowable under the IRC. Therefore, the adoption expenses do not meet the definition of an "itemized deduction" and do not need to be prorated when claimed by a part-year resident.

(Note: Federal law does allow an itemized deduction up to \$1,500 for qualified adoption expenses relating to the adoption of a child with special needs. If an adoptive parent who is a part-year resident claims this itemized deduction for the adoption of a child with special needs for Wisconsin purposes the deduction would have to be prorated along with any other itemized deductions claimed.)

CORPORATION FRANCHISE/INCOME TAXES

1. Sales Factor: Items of Income Includable

Statutes: sections 71.07(1m), (2)(c), (cm) and (cr), 1983 Wis. Stats. as amended by 1985 Wisconsin Act 120

Wis. Adm. Code: section Tax 2.39(5), September 1983 Register

I. INTRODUCTION:

The May 9, 1985 Wisconsin Tax Appeals Commission decisions in *United States Steel Corporation vs. Wisconsin Department of Revenue* and *International Business Machines Corporation vs. Wisconsin Department of Revenue* altered the Wisconsin sales factor computation under s. 71.07(2)(c), Wis. Stats., and Wis. Adm. Code section Tax 2.39(5). 1985 Wisconsin Act 120 reversed in part the effect these decisions had on the sales factor computation. This Tax Release will review the May 9, 1985 decisions by the Wisconsin Tax Appeals Commission as they are related to the sales factor issue, what items of income are includable in the sales factor based on the *U.S. Steel* and *IBM* decisions, and the effects of 1985 Wisconsin Act 120 on the sales factor computation, including choosing the option to apply this Act to tax years prior to the 1986 taxable year.

This Tax Release is intended only to set forth what items of apportionable business income are included in the sales factor. It is not intended to answer whether an item of income is apportionable or nonapportionable or unitary or nonunitary. The treatment under Parts II.B and C and III.B is applicable only if the items of income are unitary and apportionable.

CAUTION - This Tax Release has no application to insurance companies, interstate air carriers, interstate motor carriers, interstate pipeline companies or interstate finance companies. These corporations apportion their incomes using different statute sections or tax rules.

II. SALES FACTOR - INTERPRETATION AS A RESULT OF U.S. STEEL AND IBM DECISIONS:

A. DECISIONS BY THE WISCONSIN TAX APPEALS COMMISSION - MAY 9, 1985

(1) *United States Steel Corporation vs. Wisconsin Department of Revenue*

(2) *International Business Machines Corporation vs. Wisconsin Department of Revenue*

Although these cases involve several issues, only the portion dealing with the items of income includable in

the computation of the sales factor is being covered by this Tax Release.

In these companion decisions the Commission held that apportionable incomes from intangibles—dividends, interest, royalties from patents and the gross proceeds from the sale, exchange and redemption of the taxpayers' intangible investments—must be included in the denominators of their Wisconsin sales factors. (1975 was the last tax year in both of these cases.)

The Commission also found that certain dividends received were from nonunitary affiliates, and were, accordingly, not includable in apportionable income; therefore, these dividends were not includable in the sales factor denominator.

The question of what portion (gross or net) of dividends deductible under s. 71.04(4)(a) or (b), Wis. Stats., is includable in the sales factor was not an issue in the *U.S. Steel* and *IBM* cases. However, in its February 17, 1986 Order of Rehearing in the case of *American Telephone and Telegraph Company vs. Wisconsin Department of Revenue*, the Wisconsin Tax Appeals Commission held that the amount of dividend income deducted under s. 71.04(4)(a) or (b), Wis. Stats., was not includable in the sales factor. Instead, only the net amount not deductible is includable in the factor.

The Department did not appeal these decisions and is bound by them, including the sales factor computations under s. 71.07(2)(c), Wis. Stats. These decisions have retroactive application to all years open to assessment under s. 71.11(21), 1983 Wis. Stats., or refund under s. 71.10(10), 1983 Wis. Stats., or their counterparts for the years involved, prior to taxable year 1986. For taxable years 1986 and thereafter the sales factor must be computed under ss. 71.07(2)(c), (cm) and (cr), Wis. Stats., as described in Part III below.

B. EXAMPLES OF INTANGIBLE INCOMES WHICH ARE INCLUDABLE (IF UNITARY AND APPORTIONABLE) OR NOT INCLUDABLE IN THE SALES FACTOR AS A RESULT OF THE *U.S. STEEL* AND *IBM* DECISIONS

	<u>Includable</u>	<u>Not Includable</u>
(1) <u>Denominator of Sales Factor</u>		
(a) All income from nonunitary affiliates which is not taxable		X
(b) Exempt income—e.g., life insurance proceeds in payment of a death claim		X
(c) Dividends from DISCs excludable under s. 71.11(7r)		X
(d) Dividends deductible under s. 71.04(4)(a) or (b)		X

Includable Not
Includable

(e) All other apportionable dividends not included in items (c) or (d) above	X	
(f) Apportionable interest income	X	
(g) Royalties from patents	X	
(h) Gross receipts from dispositions of investments in nonunitary affiliates		X
(i) Gross receipts from dispositions (sales, exchanges or redemptions) of all other intangible assets (other than item (h) above) includable in apportionable income	X	
(j) Corporation's distributive share of the net income (not losses) from limited partnerships	X	

(2) Numerator of Sales Factor

As noted above, these decisions dealt with a number of issues, including the question of what items of income were includable in the denominators of the sales factors. They did not address the question of what items of income are included in the numerator of the sales factor since the Department had taken the position that such items of intangible income were not includable in the sales factor at all.

It is the Department's position that intangible incomes cited under Part II.B.(1), above, which are included in the denominator are also includable in the numerator of the sales factor if the income-producing activity is in Wisconsin. ("Income-producing activity" is based on direct cost of performance in jurisdiction states if such income-producing activity is performed both in and outside Wisconsin pursuant to s. 71.07(2)(c)3, Wis. Stats.) This position applies to any year open to assessment or refund prior to the 1986 taxable year.

C. OTHER TYPES OF APPORTIONABLE INCOME INCLUDABLE IN THE SALES FACTOR AS A RESULT OF THE *U.S. STEEL* AND *IBM* DECISIONS

Total Company Denominator	Includable In The Wisconsin Numerator?	Total Company Denominator	Includable In The Wisconsin Numerator?
(1) Gross receipts from dispositions of real estate	Yes, if the real estate is located in Wisconsin	(7) Receipts from installment sales (if permissible under rule Tax 2.19) in the year of collection (if not permissible as an installment sale, receipts are reportable in the year of sale)	Yes— <i>Tangible property</i> - based on rule Tax 2.39(5)
(2) Gross rents and royalties from real estate and tangible personal property	Yes, if the real estate or tangible personal property is located in Wisconsin	(8) Gross receipts of the above items by general partnerships (corporation's distributive share only)	<i>Intangible property</i> - if the income-producing activity is performed in Wisconsin
(3) Gross receipts of farms, mines and quarries	Yes, based on rule Tax 2.39(5)		
(4) Gross receipts from management fees to third parties or at arm's-length price to affiliates (see Part II.D.(2) below), franchise fees and personal services	Yes, if income-producing activity is performed in Wisconsin (based on direct cost of performance if both in and outside Wisconsin)		Yes, includable as noted above for applicable item(s)
(5) Gross receipts from sales of tangible personal property. Examples include:	Yes, based on rule Tax 2.39(5) except that gains or losses on foreign currency transactions involving the export of goods are not includable		
(a) Sales of finished goods inventory			
(b) By-product sales			
(c) Scrap sales			
(d) Sales of assets used in the production of business income			
(e) Gains or losses on foreign currency transactions involving the export of goods (an adjustment to selling price which may occur when such selling price is stated in foreign currency)			
(6) All other apportionable gross receipts. Examples include:	Yes, for items (a) and (b), if income-producing activity is performed in Wisconsin (based on direct cost of performance if both in and outside Wisconsin). For item (c) and other apportionable gross receipts, the answer depends on the factual situation; write to the address listed below at Part IV		
(a) Sales of accounts receivable to factors (does not include normal collections of accounts receivable)			
(b) Fees earned by an agent in connection with the issuance of commercial paper			
(c) Amounts received from damages, judgments or anti-trust awards			
		D. EXAMPLES OF ITEMS NOT INCLUDABLE IN THE SALES FACTOR AS A RESULT OF THE <i>U.S. STEEL</i> AND <i>IBM</i> DECISIONS	
		(1) Receipts from the sale of securities (e.g., stocks or bonds) of the issuing corporation by the issuing corporation.	
		(2) Reimbursement of administrative expenses allocated to an affiliate regardless as to how classified on the books. (See Part II.C.(4) above.)	
		(3) Gains or losses on foreign currency transactions involving the <i>import</i> of goods (an adjustment of cost, not a gross receipt).	
		(4) Cash discounts earned on purchases (an adjustment of cost, not a gross receipt).	
		(5) Uncashed checks restored to books.	
		(6) Recoveries of items previously deducted, including bad debts, taxes, freight and insurance.	
		III. <u>SALES FACTOR - COMPUTATION UNDER 1985 WISCONSIN ACT 120:</u>	
		A. BACKGROUND	
		1985 Wisconsin Act 120 significantly changes the computation of the sales factor for multistate apportionment corporations. The Act amends s. 71.07(2)(d)1, repeals and recreates s. 71.07(1m), and creates s. 71.07 (2)(cm) and (cr). It specifies what income is apportionable and what is nonapportionable, as well as which items of income are included and which are not included in the sales factor calculation.	
		This legislation reverses the effect of the <i>U.S. Steel</i> and <i>IBM</i> Wisconsin Tax Appeals Commission decisions by excluding apportionable income from intangibles from the sales factor, except for certain royalties and franchise fees from income-producing activities. This legislation first applies to the taxable year 1986, but, at the taxpayer's option, may be applied retroactively to all years which are open to assessment or refund. Taxpayers exercising this option must apply it to all years prior to the 1986 tax year that are open to assessment or refund. Notification to the Department must be in writing. (See Part III.D below.)	

B. ITEMS OF INCOME INCLUDABLE IN SALES FACTOR - S. 71.07(2)(cm)

Pursuant to s. 71.07(2)(cm) as created by 1985 Wisconsin Act 120, "sales" as used in s. 71.07(2)(c), Wis. Stats., includes, but is not limited to, the following items related to the production of business income:

- (1) Gross receipts from the sale of inventory.
- (2) Gross receipts from the operation of farms, mines and quarries (for the taxable year 1982 and thereafter).
- (3) Gross receipts from the sale of scrap or by-products.
- (4) Gross commissions.
- (5) Gross receipts from personal and other services.
- (6) Gross rents from real property or tangible personal property.
- (7) Interest on trade accounts and trade notes receivable.
- (8) A general partner's share of the partnership's gross receipts.
- (9) Gross management fees.
- (10) Gross royalties from income-producing activities.
- (11) Gross franchise fees from income-producing activities.

C. ITEMS OF INCOME NOT INCLUDABLE IN SALES FACTOR - S. 71.07(2)(cr)

Pursuant to s. 71.07(2)(cr), as created by 1985 Wisconsin Act 120, the following items are among those that are not included in "sales" as used in s. 71.07(2)(c), Wis. Stats.:

- (1) Gross receipts and gain or loss from the sale of tangible business assets, except those under s. 71.07(2) (cm) 1, 2 and 3.
- (2) Gross receipts and gain or loss from the sale of nonbusiness real or tangible personal property.
- (3) Gross rents and rental income or loss from real property or tangible personal property if that real property or tangible personal property is not used in the production of business income.
- (4) Royalties from nonbusiness real property or non-business tangible personal property.
- (5) Proceeds and gain or loss from the redemption of securities.
- (6) Interest, except interest under s. 71.07(2) (cm) 7, and dividends.
- (7) Gain or loss from the sale of intangible assets.
- (8) Dividends deductible under s. 71.04(4).
- (9) Gross receipts and gain or loss from the sale of securities.
- (10) Proceeds and gain or loss from the sale of receivables.
- (11) Refunds, rebates and recoveries of amounts previously expended or deducted.
- (12) Other items not includable in apportionable income.
- (13) Foreign exchange gain or loss.

(14) Royalties and income from passive investments.

(15) A limited partner's share of income or loss from a partnership.

D. OPTION TO APPLY SALES FACTOR COMPUTATION UNDER 1985 WISCONSIN ACT 120 TO TAX YEARS PRIOR TO 1986

(1) Years For Which Option May Be Applied

Although the sales factor computation under 1985 Wisconsin Act 120 first applies to the 1986 taxable year, taxpayers may, at their option, elect to apply this legislation retroactively to all years prior to 1986 which are open to assessment or refund. This means years open for assessment under s. 71.11(21), or open for refund under s. 71.10(10), including contested assessments, refunds and refund claim denials which have not yet been acted on by the Department of Revenue's Appellate Bureau. If a net business loss offset from a closed year is carried forward into an open year, the loss year is not an open year for purposes of this option.

The option to apply s. 71.07(2)(cm) and (cr), Wis. Stats., to years prior to 1986 may be exercised by the taxpayer at any time so long as the "open" years affected have not been finalized by any of the various statutes of limitation. Once an option is exercised, it must be consistently applied to all years which are open to assessment or refund at that time. Such option may be subsequently changed only if all years for which it was initially exercised are also changed. The following examples illustrate years for which the option may be applied:

- (a) Taxpayer A, a calendar year corporation, filed its Wisconsin franchise/income tax returns each year before March 15 of the succeeding year, reporting net income each year. The taxpayer files a sales factor option on May 1, 1986. After March 17, 1986, the year 1981 is not open to assessment or refund so the only years affected by the option are the years 1982 through 1985.
- (b) Taxpayer B, a calendar year corporation with a similar filing record, was field audited for the years 1977 through 1979, which resulted in an assessment. A petition for redetermination was filed with the Appellate Bureau, and no action has been taken to date.

Taxpayer B files a sales factor option on September 15, 1986. The contested assessment on the years 1977 through 1979 at the Appellate Bureau keeps those years open. The years 1982 through 1985 are open under ss. 71.10(10) and 71.11(21). The taxpayer may not exercise the option for 1980 and 1981 after March 17, 1986 as those years are no longer open for adjustment or refund under the statute. Thus the computation of the sales factor under the option will be made for the years 1977 through 1979 and 1982 through 1985.

- (c) Taxpayer C, another calendar year corporation with a similar filing record, reported the following amounts, before business loss carry forwards:

1981	\$(2,000)
1982	(1,500)
1983	500
1984	3,500
1985	3,000

Taxpayer C files a sales factor option on January 15, 1987. Because the 1981 business loss may be carried forward to 1983 and 1984 the loss may be adjusted, but the year is not open for assessment or refund. Therefore, the taxpayer may not exercise the option to recompute the 1981 sales factor. Exercising the option will require that the sales factor for the years 1982 through 1985 all be recomputed under s. 71.07(2)(cm) and (cr), 1985 Wis. Stats.

- (d) Taxpayer D, a calendar year corporation, was field audited for the years ended December 31, 1981 through December 31, 1983. Additional tax was assessed in each year, and the assessment was paid in October of 1985. Only taxable years 1984 and 1985 are open and could be affected by the option.
- (e) Taxpayer E, a calendar year corporation, filed its 1981 return on March 15, 1982. On March 1, 1986, the taxpayer and the Department executed an extension agreement extending the time for assessment or refund on 1981 until September 15, 1986. The taxpayer files a sales factor option on August 1, 1986. The year 1981 as well as 1982 through 1985 are open and affected by the option.

(2) How and When the Option Is Made

To exercise the option for taxable years prior to 1986 the taxpayer shall:

- (a) file a completed option form, Form 4B-OP (a copy of Form 4B-OP is included on page 37 of this bulletin), with the Supervisor, Corporation Office Audit Unit, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708 along with an amended Wisconsin franchise or income tax return, Form 4X, for each prior year for which exercising this option requires a recomputation of the sales factor, and, if applicable,
- (b) file a supplemental petition for redetermination with the Appellate Bureau, Wisconsin Department of Revenue, P.O. Box 8907, Madison, WI 53708 on contested assessments, refunds or refund claim denials not yet acted on.

In ascertaining that the option applies to all open prior years, the determination shall be made as of the date the completed option is filed with the Department of Revenue. The postmark date shall be the date filed for options mailed to the Department, and if not mailed the date received in any Department of Revenue office for options that are hand-delivered.

IV. QUESTIONS:

Questions concerning the computation of the sales factor should be addressed to:

Audit Technical Services
Wisconsin Department of Revenue
Post Office Box 8906
Madison, WI 53708

V. EXAMPLE:

ABC Corporation has its investment income-producing activity in Wisconsin and it computes its Wisconsin net income using the apportionment method under s. 71.07(2), Wis. Stats. For 1985 it has revenue from the following sources:

Sales:			
Into Wisconsin.....	\$ 5,000,000		
Into nexus states.....	10,000,000		
From Wisconsin to nonnexus states.....	4,000,000		
From Wisconsin to U.S. Government.....	<u>1,000,000</u>	\$20,000,000	
Interest Income:			
From trade accounts receivable.....	\$ 10,000		
From investments (unitary).....	<u>100,000</u>	110,000	
Dividend Income (Unitary):			
Qualified for deduction per 71.04(4)(a).....	\$ 200,000		
Qualified for deduction per 71.04(4)(b).....	100,000		
Not qualified for deduction.....	<u>50,000</u>	350,000	
Capital Gains:			
Sale of capital stock (unitary)			
\$500,000 (proceeds)—\$350,000 (cost).....	\$ 150,000		
Sale of business assets in Wisconsin			
\$200,000 (proceeds)—\$150,000 (net cost).....	<u>50,000</u>	200,000	
Royalties from Patents (Unitary).....		50,000	
Gross Rents:			
Wisconsin real property (business).....	\$ 50,000		
Wisconsin personal property (business).....	20,000		
Non-Wisconsin personal property (business).....	20,000		
Wisconsin real property (nonbusiness).....	<u>60,000</u>	150,000	
Gross Income.....			<u>\$20,860,000</u>