

WISCONSIN TAX BULLETIN

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ADDRESS CORRECTION

In November 1986, a few practitioners received copies of the 1987 Form 1-ES, Declaration of Estimated Income Tax for Individuals, which contained an incorrect address. The incorrect address given on these forms was P.O. Box 2943 and zip code 53201-2943.

The correct address is:

Wisconsin Department of
Revenue
P.O. Box 2942
Madison, WI 53201-2942

Please note the change in the post office box number and zip code to 2942.

If you received a 1987 Form 1-ES with an incorrect address, please correct it. Estimated tax payments must be mailed to the correct address for a taxpayer to receive proper credit for such payments.

All 1987 Forms 1-ES the Department of Revenue mails to individuals as well as the Forms 1-ES available in department offices, reflect the correct address.

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vent the supply of forms at any office from being quickly depleted and unavailable to other persons. In addition, Wisconsin libraries have a copy of Wisconsin Package WI-X which contains copies of most Wisconsin tax forms. Reproductions may be made from Package WI-X. You may also purchase your own copy of Package WI-X (see page 2 of this Bulletin).

Practitioners or other persons requiring larger supplies should write the Wisconsin Department of Revenue, Central Services Section, Post Office Box 8903, Madison, Wisconsin 53708.

ADDITIONAL COUNTIES ADOPT COUNTY SALES AND USE TAX PROVISIONS

Since April 1, 1986, Barron and Dunn Counties have had a county sales and use tax.

Effective April 1, 1987, the following new counties have also adopted the county sales and use tax: Buffalo, Iowa, Jackson, Lincoln, Marathon, Onieda, Rusk, Sawyer, St. Croix and Walworth.

This county tax results from the county boards in these counties approving an ordinance to adopt the tax.

On page 40 of this Bulletin is the December 1986 Tax Report which explains how the county tax affects retailers.

HOW TO OBTAIN WISCONSIN TAX FORMS

During the filing season, small supplies of forms can be obtained from any Department of Revenue office. However, requests will be limited to six copies of any single form. This is necessary to pre-

NEW FOR 1986 — WISCONSIN PACKAGE WI-X

A new package of 1986 Wisconsin tax forms is available. It is titled "Package WI-X" and contains actual size copies of most of the 1986 Wisconsin individual and corporation income tax, inheritance tax, sales tax and withholding tax forms.

The cost is \$5.00 per copy. To purchase copies of Package WI-X, requests indicating the number of copies wanted along with the amount due should be mailed to: Wisconsin Department of Revenue, Shipping and Mailing Section, Post Office Box 8903, Madison, WI 53708.

REMINDER: TWO NEW FORMS FOR 1986

1. Form WI-Z

Form WI-Z is a simplified tax form similar to federal Form 1040EZ. Form WI-Z may be filed by persons who

- file federal Form 1040EZ,
- were Wisconsin residents for all of 1986,
- did not have interest income from U.S. bonds or from state and municipal bonds in 1986,
- do not claim any Wisconsin tax credits other than the Wisconsin renter's and home owner's credits (such as Wisconsin homestead credit),
- will be claimed as a dependent on another person's income tax return, and have less than \$5,200 of total income.

2. Form 1NPR

Nonresidents and part-year residents of Wisconsin must file Form 1NPR. As a result of changes in Wisconsin income tax law, Form 1NPR has been designed to make it easier for those persons to report their Wisconsin income.

CHECKLIST OF MAJOR WISCONSIN LAW CHANGES AFFECTING INDIVIDUAL INCOME AND DEDUCTIONS FOR 1986

- ☒ Married persons may file a Wisconsin joint income tax return.
- ☒ The depreciation deduction and gain or loss on the sale or other disposition of residential real property and certain farm property, placed in service during the 1986 taxable year and thereafter, must be computed under the Internal Revenue Code in effect on December 31, 1980.
- ☒ Certain travel and entertainment expenses allowable under Section 162, 212 or 274 of the Internal Revenue Code are limited or nondeductible for Wisconsin.
- ☒ Certain farm losses allowable for federal tax purposes may not be deductible for Wisconsin tax purposes.
- ☒ The exclusion for federal civil service annuities of \$1,680 may no longer be used for Wisconsin.
- ☒ The first \$1,000 of military pay may no longer be excluded from Wisconsin income.
- ☒ Wisconsin net operating losses incurred in 1980 and thereafter may be carried forward 15 years.
- ☒ Itemized deductions may no longer be used in computing Wisconsin taxable income. Wisconsin now allows an itemized deduction credit.
- ☒ Personal exemption credits may only be claimed for dependents or by those persons who have reached age 65 before the close of the calendar or fiscal year.
- ☒ Married taxpayers may claim the married person's credit if both spouses work.

FEDERAL TAX LAWS ENACTED IN 1986 DO NOT APPLY FOR WISCONSIN FOR 1986

As a result of the Tax Reform Act of 1986 and federal Public Law 99-272, many changes have been made to the Internal Revenue Code for 1986 which may result in a difference between Wisconsin and federal income.

Federal tax laws enacted during 1986 generally may not be used in determining Wisconsin taxable income for 1986. There are two exceptions: (1) any federal law which changes the taxable unemployment compensation required to be included in federal adjusted gross income will apply for Wisconsin, and (2) at the taxpayer's option, any revisions to the federal Internal Revenue Code that relate to the taxation of income derived from participation in the milk production termination program will apply for Wisconsin.

The above two exceptions will only affect 1986 fiscal year taxpayers. No changes have been made to the IRC for unemployment compensation and participation in the milk production termination program that will affect 1986 calendar year taxpayers.

As in prior years, Wisconsin Schedule I should be used to adjust for differences between Wisconsin and federal income. A copy of Schedule I and the instructions begins on page 17 of this Bulletin.

STANDARD DEDUCTION BUILT INTO TAX TABLES FOR 1986

The standard deduction is changed for 1986. For single persons the standard deduction will range from zero to \$5,200 depending on the amount of total Wisconsin adjusted gross income. For married persons filing jointly the standard deduction will range from zero to \$7,200 and for married persons filing separately will range from zero to \$3,420.

Persons filing Wisconsin Form 1, Form 1A, or Form WI-Z will not have to compute their standard deduction, subtract the amount from Wisconsin income

and then determine their tax. Rather, the standard deduction amounts are incorporated into the tax tables of Form 1, Form 1A and Form WI-Z.

Nonresidents and part-year residents, required to file a Wisconsin Form 1NPR, will subtract their standard deduction (found in the standard deduction table of Form 1NPR) from Wisconsin income in computing Wisconsin net income.

DON'T OVERLOOK NEW WISCONSIN CREDIT FOR MARRIED COUPLES WHEN BOTH SPOUSES WORK

Married persons filing a joint Wisconsin income tax return may claim as a credit against Wisconsin net income taxes due, an amount equal to 2.5% of the earned income of the spouse with the lower income. "Earned income" means wages, salaries, tips, other employee compensation and net earnings from self employment allocable to Wisconsin.

The maximum amount of credit is \$450. A marital property agreement transferring income between spouses has no effect in computing earned income. Earned income for Wisconsin tax purposes will not be reduced by IRA contributions, employee business expenses and so on.

Remember, to claim the married persons' credit for Wisconsin, both spouses must work.

FORMS 1099-G REMINDER

Wisconsin individual taxpayers who received Wisconsin income tax refunds during 1986 will be mailed information returns (Forms 1099-G) in January 1987. Federal law requires the Department of Revenue to provide Forms 1099-G to taxpayers who claimed itemized deductions on their 1985 federal income tax returns and received state income tax refunds during 1986.

INDIVIDUAL'S 1987 ESTIMATED TAX PAYMENT REQUIREMENTS

Estimated income tax payments are tax deposits made during the year to prepay the tax that will be due when the individual's income tax return is filed. If the individual does not make estimated tax payments when required, a penalty may be assessed.

Every individual, or married couple who files a joint income tax return, is required to file a 1987 declaration of Wisconsin estimated tax (Form 1-ES) if the individual or couple expects to owe \$100 or more of income tax with their 1987 income tax return. Residents, nonresidents, trusts, and estates are required to file declarations of estimated tax. However, an estate in its first taxable year is not required to make estimated tax payments.

Every individual or married couple who filed a 1986 Form 1-ES, will be mailed a 1987 Form 1-ES during the last week of January 1987. Each form will be preprinted with the persons name, address, and social security number. Taxpayers are encouraged to use the preprinted forms to reduce the chance for error in posting estimated tax payments and to reduce the State's costs in processing the forms. Corrections can be made to the preprinted forms by lining out the incorrect information and printing in the correct information.

Taxpayers who did not receive preprinted forms may obtain Form 1-ES and instructions by calling any Department of Revenue office or by writing: Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708.

DON'T FORGET WISCONSIN MINIMUM TAX

Wisconsin has had a minimum tax since 1981. For the years 1981 through 1985, it was a tax imposed on persons, trusts, and estates who had tax preference items in excess of \$10,000. The most common tax preference items are the long-term capital gain deduction and accelerated depreciation on real property and leased personal property.

Beginning in 1986, the Wisconsin minimum tax is based on the federal alternative minimum tax. The tax applies to persons, trusts, and estates, and is equal to 55% of the federal alternative minimum tax owed. The Wisconsin minimum tax must be added to the Wisconsin income tax otherwise due.

CLAIMING CREDIT FOR TAXES PAID TO OTHER STATES

The documentation required to be attached to an income tax return to claim credit for taxes paid to other states has been changed. Taxpayers are required to submit with their Wisconsin return a copy of the other state tax return and wage statement(s). It is no longer necessary to submit copies of cancelled checks to substantiate taxes paid to other states or a *certified* copy of the other state tax return with the Wisconsin tax return.

Changes will be made to section Tax 2.955, Wis. Adm. Code, to reflect this new policy.

RESIDENCE QUESTIONNAIRE REVISED

The residence questionnaire (Form I-827) has been revised as of July 1986. The introductory paragraph has been expanded to include a more specific definition of domicile and certain questions have been rearranged.

Individuals claiming a change of domicile from Wisconsin to another state should file a residence questionnaire. The residence questionnaire should be attached to the Wisconsin income tax return filed for that year. For example, if a Wisconsin domicile is abandoned in the 1986 calendar year, the residence questionnaire should be attached to the 1986 Wisconsin income tax return filed on or before April 15, 1987.

A ruling may be obtained from the Wisconsin Department of Revenue regarding whether an individual is considered to be domiciled in Wisconsin prior to an

individual taking specific steps to abandon his/her domicile. In letter form, an individual should indicate what steps he/she intends to take to abandon his/her domicile. The residence questionnaire (Form I-827) may serve as a guide in drafting the request for a ruling. Such requests should be sent to: Wisconsin Department of Revenue, Audit Bureau, ATTN: Domicile Unit, P.O. Box 8906, Madison, Wisconsin 53708.

NEW PUBLICATION FOR MARRIED PERSONS FILING SEPARATE RETURNS AND DIVORCED PERSONS

The Department of Revenue publishes a variety of informational materials called "publications." These are pamphlets which provide detailed information about specific areas of Wisconsin tax laws.

New this year is Publication 109, Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1986. This publication will help such taxpayers in preparing their 1986 Wisconsin income tax returns. A copy of Publication 109 begins on page 22 of this Bulletin.

For 1986, the following publications may also be obtained at any of the Department's offices.

Number Name

102	1986 Wisconsin Tax Treatment of Tax-Option Corporations and Their Shareholders
103	Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates and Trusts
104	Wisconsin Taxation of Military Personnel
109	Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1986
200	How Electrical Contractors Determine Their Wisconsin Sales and Use Tax
201	Wisconsin Sales and Use Tax Information
202	How Wisconsin Sales and Use Tax Applies to Motor

	Vehicle Sales, Leases and Repairs
203	Sales and Use Tax Information for Manufacturer's
300	Alcohol Beverage Laws Relating to Underaged Persons
500	Tax Guide for Wisconsin Political Organizations and Candidates
501	Field Audit of Wisconsin Tax Returns
503	Wisconsin Farmland Preservation Tax Credit for 1986
504	Directory of Wisconsin Department of Revenue
508	Wisconsin Tax Requirements Relating to Nonresident Entertainers

YEAR-TO-DATE FIGURES FOR PROPERTY TAX DEFERRAL LOAN PROGRAM

As of August 31, 1986, the Department of Revenue has received 368 applications for these loans available to individuals who are age 65 or older to help them pay the property taxes on their homes. The dollar amount of loans outstanding is \$324,537.56 with an average loan amount of \$1,134.75.

CRIMINAL VIOLATIONS OF STATE INCOME TAX LAW

A Manitowoc County man has been ordered to serve probation and serve sixty days in jail for criminal violation of the Wisconsin state income tax law. Donald E. Stenz, Newton, Wisconsin was placed on two years probation by Circuit Judge Allan J. Deehr, Manitowoc County Circuit Court, Branch 1. Stenz pled no contest to one count of failing to file a state income tax return. Stenz was charged with failing to file a state income tax return on gross income of more than \$20,000 for 1983. Under the conditions of probation, Stenz must file state income tax returns for 1979 through 1985 by February 1, 1987, file 1986 and 1987 returns when due and pay all taxes due. Stenz must also pay \$1,743 cost of prosecution.

Leonard S. Svec, 704 Walnut Street, Eau Claire, was sentenced in Eau Claire County Circuit Court, Branch I, by Circuit Court Judge Thomas H. Barland on three counts of failing to file state income tax returns. Judge Barland sentenced Svec to six months in jail on each count to be served consecutively and fined him \$500 on each count in addition to \$6,104 for cost of prosecution. Svec was charged with failing to file state income tax returns on gross income of more than \$12,000 for 1982, \$11,000 for 1983 and \$14,000 for 1984.

Svec is affiliated with such well known tax protest groups as the Wild River Patriots and the Posse Comitatus. Svec tried to hide his income by depositing funds from his business into the account of the Life Science Church of the Truth, of which he was local leader, and then withdrawing money from that account for personal use.

Failure to file a Wisconsin state income tax return is a crime punishable by a fine of not more than \$500 or imprisonment not to exceed six months or both for income tax returns due prior to July 20, 1985. Beginning July 20, 1985, the criminal penalty is a \$10,000 fine or imprisonment not to exceed nine months 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 due follows conviction for criminal violations.

ACCOUNTANT CHARGED WITH HOMESTEAD FRAUD

A West Allis accountant has been ordered, under conditions of a two year probationary period, to pay a \$5,000 fine and serve thirty days in jail for a criminal violation of the Wisconsin homestead credit law.

Phillip Wrobbel, 2954 South 92nd Street, West Allis, who operates the Phil Wrobbel Service Corporation, was ordered to serve two years probation by Circuit Judge Daniel R. Moeser on one count of filing a false homestead credit claim with the Wisconsin Department of

Revenue. Wrobbel must also make restitution of \$3,309.47, in addition to the \$5,000 fine. He pled guilty to the criminal charge on May 29, 1986.

Filing a false Wisconsin homestead credit claim or assisting in the preparation or filing of a false claim is a felony punishable by a maximum fine of \$10,000 or imprisonment for 5 years or both together with the cost of prosecution.

JAIL TERM FOR CRIMINAL VIOLATION OF WISCONSIN HOMESTEAD CREDIT LAWS

A Milwaukee woman was ordered to serve two years in jail and ten years probation for violation of the Wisconsin homestead credit tax law. Mary Thomas was sentenced in Milwaukee County Circuit Court, Branch 25, by Circuit Judge Ralph G. Gorenstein on three counts of filing false Wisconsin homestead credit claims. She will have work release privileges. Under the conditions of probation, Thomas must make restitution of \$23,180 which had been paid by the State of Wisconsin on false homestead credit claims. Thomas pled guilty to the charges.

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 state in the process as of December 15, 1986. Part C lists new rules and amendments which were adopted in 1986. Part D lists emergency rules now in effect. ("A" means amendment, "NR" means new rule, "R" means repealed and "R&R" means repealed and recreated.)

A. Rules at Legislative Council Rules Clearinghouse

- 2.395 Sales factor option-NR
- 2.99 Minimum tax—individuals, estates and trusts-NR
- 3.03 Dividends received, deductibility of-A
- 3.08 Retirement and profit-sharing payments by corporations-A
- 3.10 Salesmen's and officers' commissions, travel and entertainment expense of corporations-R
- 3.12 Losses on account of wash sales by corporations-A
- 3.37 Depletion of mineral deposits by corporations-A
- 3.38 Depletion allowance to incorporated mines and mills producing or finishing ores of lead, zinc, copper or other metals except iron-A
- 3.47 Legal expenses and fines—corporations-R
- 3.54 Miscellaneous expenses not deductible—corporations-A
- 3.81 Offset of occupational taxes paid against normal franchise or income taxes-A
- 3.91 Petition for redetermination-A
- 3.92 Informal conference-A
- 3.93 Closing stipulations-A
- 3.94 Claims for refund-A

B. Rules at Legislative Standing Committees

- 1.06 Application of federal income tax regulations for persons other than corporations-A
- 1.10 Depository bank requirements for withholding, motor fuel, general aviation fuel and special fuel tax deposit reports-A
- 1.13 Power of attorney-A
- 2.01 Residence-A
- 2.03 Corporation returns-A
- 2.05 Information returns, forms 8 for corporations-A
- 2.08 Returns of persons other than corporations-A
- 3.07 Bonuses and retroactive wage adjustments paid by corporations-A

C. Rules Adopted in 1986 (in parentheses is the date the rule became effective)

- 2.045 Information returns; form 9c for employers of nonresident entertainers, entertainment corporations or athletes-R (1/1/86)
- 3.22 Real estate and personal property taxes of corporations-R (1/1/86)
- 3.30 Depreciation and amortization, leasehold improvements: corporations-R (1/1/86)
- 3.31 Depreciation of personal property of corporations-R (1/1/86)
- 3.61 Mobile home monthly parking permit fees-R (1/1/86)
- 11.001 Definitions and use of terms-A (11/1/86)
- 11.32 "Gross receipts" and "sales price"-A (11/1/86)
- 11.68 Construction contractors-A (11/1/86)
- 11.71 Computer industry-NR (3/1/86)
- 11.83 Motor vehicles-A (3/1/86)
- 11.83 Motor vehicles-A (11/1/86)
- 11.92 Records and record keeping-A (11/1/86)
- 11.95 Retailer's discount-A (11/1/86)
- 11.97 "Engaged in business" in Wisconsin-A (11/1/86)
- 17.01 Administrative provisions-NR (9/1/86)
- 17.02 Eligibility-NR (9/1/86)
- 17.03 Application and review-NR (9/1/86)
- 17.04 Repayment of loan-NR (9/1/86)

D. Emergency Rules

- 2.395 Sales factor option-NR

ISI&E DIVISION OFFERS TAXPAYER ASSISTANCE

During the 1987 filing season (January through April 15th), the division's auditors and tax representatives will be available to answer questions.

In the department's larger offices, assistance is provided on a daily basis (Monday through Friday). Assistance in other offices generally is available on Mondays only, although there are exceptions for Ashland and Janesville as noted below.

Offices Providing Daily Assistance

Location	Address	Telephone No.	Hours
* Appleton	265 W. Northland	(414) 735-5001	7:45-4:30
* Eau Claire 718	W. Clairemont	(715) 836-2811	7:45-4:30
* Green Bay	200 N. Jefferson St.	(414) 436-4230	7:45-4:30
* Kenosha	5500 8th Ave.	(414) 656-7100	7:45-4:30
* LaCrosse	620 Main	(608) 785-9720	7:45-4:30
* Madison	4638 University Ave.	(608) 266-2772	7:45-4:30
Madison	212 E. Washington Ave.	NONE	8:00-4:15
* Milwaukee	819 N. Sixth St.	(414) 224-4000	7:45-4:30
* Racine	616 Lake Ave.	(414) 636-3711	7:45-4:30
* Waukesha	141 N.W. Barstow St.	(414) 521-5310	7:45-4:30

Offices Providing Assistance on Mondays Only (unless otherwise noted)

Ashland	Courthouse	NONE	10:00-2:00 (a)
Baraboo	1007 Washington	(608) 356-8973	7:45-4:30
Beaver Dam	211 S. Spring St.	(414) 887-8108	7:45-4:30
Cedarburg/Grafton	220 Oak Street	(414) 377-6700	7:45-4:30
Elkhorn	300 S. Lincoln St.	(414) 723-4098	7:45-4:30
Fond du Lac	160 S. Macy St.	(414) 929-3985	7:45-4:30
Hayward	221 Kansas Ave.	(715) 634-8478	7:45-11:45
Hudson	759 Sommer St., North	(715) 386-8224	7:45-4:30
Janesville	101 E. Milwaukee	(608) 755-2750	7:45-4:30 (b)
Lancaster	130 W. Elm St.	(608) 723-2641	7:45-4:30
Manitowoc	1314 Memorial Dr.	(414) 683-4152	7:45-4:30
Marinette	Courthouse	(715) 735-5498	9:00-12:00
Marshfield	630 S. Central Ave.	(715) 387-6346	7:45-4:30
Monroe	1220 16th Ave.	(608) 325-3013	7:45-4:30
Oshkosh	404 N. Main St.	(414) 424-2100	7:45-4:30
Park Falls	1114 S. 4th Ave.	(715) 762-2160	7:45-11:45
Rhinelanders	Sunrise Plaza	(715) 362-6749	7:45-4:30
Rice Lake	9 W. John St.	(715) 234-7889	7:45-4:30
Shawano	420 E. Green Bay St.	(715) 526-5647	7:45-4:30
Sheboygan	504 S. 14th St.	(414) 459-3101	7:45-4:30
Superior	Courthouse	(715) 394-0204	8:00-4:30
Tomah	City Hall	(608) 372-3256	8:00-12:00
Watertown	415 E. Main St.	(414) 261-7700	7:45-4:30
Waupaca	201 1/2 S. Main St.	(715) 258-9564	7:45-11:45
Wausau	210 McClellan St.	(715) 847-5380	7:45-4:30
West Bend	120 N. Main St.	(414) 338-4730	7:45-4:30
Wisconsin Rapids	1681 Second Ave. S.	(715) 421-0500	7:45-4:30

(a) Tuesday only

(b) Monday through Wednesday

*Open during noon hour