

WISCONSIN TAX BULLETIN

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WITHHOLDING EXEMPTION CERTIFICATES

The federal employee withholding allowance certificate has been changed. Federal law requires all employees to complete and file a copy of the new certificate with their employer before October 1, 1987.

Questions have been raised as to whether the new federal certificate will also apply for Wisconsin withholding tax purposes and, if so, will it create problems for Wisconsin wage earners.

An employee may claim the same number of withholding allowances for Wisconsin withholding tax purposes as are allowable for federal (s. 71.20(9)(e), Wis. Stats.). Therefore, withholding allowances claimed on a new federal form will apply for Wisconsin unless a separate Wisconsin withholding exemption certificate (Form WT-4) is filed with the employer.

Generally, using the new federal withholding allowances for Wisconsin purposes will not cause underwithholding of Wisconsin tax. However, there is an exception. It involves taxpayers who base their federal withholding allowances on federal tax credits such as the child care credit. If a similar credit is not provided by Wisconsin law (and one is not in the case of the child care credit), the taxpayer should be cautioned that using federal withholding allowances for Wisconsin purposes could cause an insufficient amount of Wisconsin tax to be withheld.

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TEN NEW COUNTIES ADOPT COUNTY SALES TAX

On April 1, 1987, the 1/2% county sales and use tax begins in ten new counties: Buffalo, Iowa, Jackson, Lincoln, Marathon, Oneida, Rusk, Sawyer, St. Croix and Walworth. Barron and Dunn Counties had previously adopted the county tax beginning April 1, 1986. The Tax Report included with the January 1986 Wisconsin Tax Bulletin explains how this new county tax applies to retailers and other persons.

On page 12 of this Bulletin is a copy of the March 1987 Tax Report which was sent in late March to all retailers who have a seller's permit.

WISCONSIN TAX BULLETIN INDEX INCLUDES PAGE NUMBERS

Once each year the Wisconsin Tax Bulletin includes an index of articles, tax releases and other attachments that have appeared in past Bulletins.

For the convenience of its users, the April WTB includes page numbers for each issue number listed. The index may be found on pages 14 to 34 of this Bulletin.

CHANGE TO 1986 SCHEDULE I INSTRUCTIONS

Please refer to 1986 Schedule I instructions. Item 14 on page 2 of the instructions should be deleted. Further review of SEP contributions has indicated that the maximum SEP contribution for Wisconsin tax purposes is \$30,000, the same as federal.

The 1986 Tax Reform Act did make a change in this area. However, it was a *clarification* that the \$15,000 noted in IRC Section 219(b)(2)(c) should actually be \$30,000. The IRS had allowed a maximum SEP contribution of \$30,000 in previous years.

REFUND QUESTIONS

Do you have a question about your income tax or homestead credit refund check? First, wait at least 10 weeks after filing your tax return or homestead claim. Then, call or write to: Wisconsin Department of Revenue, P.O. Box 8903, Madison, Wisconsin 53708, (608) 266-8100.

In your inquiry be sure to include your name and social security number, the name and social security number of your spouse if you are married, your address, the approximate date you filed your return, and your phone number where you can be reached during the day.

EXTENSIONS TO FILE FOR INDIVIDUALS

Forms 1 and 1A

Any extension of time granted by the Internal Revenue Service for filing federal returns also extends the time for filing the corresponding Wisconsin individual income tax returns. A copy of the federal extension (Form 4868 for a 4-month extension, or Form 2688 for an additional extension) must be filed with the Wisconsin return. If the Internal Revenue Service for any reason refuses to grant an extension or terminates one previously granted, the Wisconsin income tax return is due on the same date as the federal return.

If you are not applying for a federal extension, but need extra time for a Wisconsin return, a 30-day extension of time to file may be requested on Wisconsin Form I-101, "Application for Extension of Time to File Wisconsin Individual Income Tax Return." The application for extension must be submitted on or before April 15, 1987.

If an individual who has been granted an extension files a Wisconsin return and has a tax due, the amount due is subject to 12% interest per year for the extension period (s. 71.10(5)(b), Stats.). To avoid interest charges, individuals may pay the tax due on or before the original due date of the return. A Wisconsin "Declaration Voucher," 1986 Form 1-ES, should be submitted with any payment. This will ensure that the payment

is properly credited to the individual's account. Individuals using a federal extension can obtain a 1986 Form 1-ES from any Department of Revenue office. Individuals applying for a Wisconsin extension may use the 1986 Form 1-ES that is attached to the bottom of the application for the Wisconsin extension.

U.S. citizens who are not in the United States or Puerto Rico on April 15, 1987 are allowed an automatic extension until June 15 to file their returns. These persons do not have to request an extension, but should attach a statement to their returns indicating that they were out of the United States and Puerto Rico on April 15.

Applications for extensions and related correspondence should be sent to:

Wisconsin Department of Revenue
Post Office Box 8903
Madison, Wisconsin 53708

Schedules H (Homestead Credit) and FC (Farmland Preservation Credit)

No extensions of time are available for filing claims for these two credits.

1986 Homestead claims must be filed no later than December 31, 1987. Farmland Preservation Credit claims for 1986 must be filed no later than 12 months after the farmland owner's 1986 taxable year ends (e.g., December 31, 1987 for calendar year taxpayers).

INDIVIDUALS' 1987 ESTIMATED TAX 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 the estimated tax payments when required, a penalty may be assessed.

Every individual, or married couple filing jointly, is required to file a 1987 declaration of Wisconsin estimated tax (Form 1-ES) if the individual or couple expects to have a balance due of \$100 or more with their 1987 income tax return.

The due date for individuals and couples required to file a 1987 declaration during the first quarter of 1987 is April 15, 1987. Installment payments are also due on June 15, 1987, September 15, 1987 and January 15, 1988 for calendar year taxpayers.

Nonresidents as well as residents are required to file declarations of estimated tax. A trust or estate is required to file a declaration for 1987 (except that a declaration of estimated tax does not have to be filed for the first taxable year of an estate).

GIFT TAX REPORTS DUE APRIL 15

1986 Wisconsin gift tax reports must be filed if the total value of taxable gifts given by one donor (person giving the gift) to one donee (person receiving the gift) exceeds \$10,000. Gift tax reports of the donee and donor for 1986 must be filed by April 15, 1987.

The donor reports gifts made on Form 7. On this form the donor enters the description and value of the gifts made to each donee.

The donee reports the gifts he or she received on Form 6, and includes the description and value of the gifts received from one donor. If the donee received gifts from more than one donor during that year, the donee must file a separate report of gifts received from each donor.

The gift tax due is figured on Form 6. In determining the 1986 gift tax due, an annual exemption of \$10,000 is allowed for all gifts made during a calendar year by one donor to one donee. Gifts to a spouse are completely exempt from Wisconsin gift tax. A lifetime personal exemption of \$50,000 is allowed for gifts to lineal issue (children, grandchildren), lineal ancestors (parents, grandparents), the wife or widow of a son, the husband or widower of a daughter, an adopted or mutually acknowledged child, and a mutually acknowledged parent. There is no lifetime exemption allowed to other donees.

DO YOU HAVE SUGGESTIONS FOR 1987 TAX FORMS?

Do you have suggestions for improving the Wisconsin tax forms and instructions? Send your suggestions to the Wisconsin Department of Revenue, Director of Technical Services, P.O. Box 8933, Madison, WI 53708. Please be specific and send your suggestions in early. The Department appreciates hearing from you.

PLEASE GIVE US YOUR COMMENTS

As a means of improving the Wisconsin Tax Bulletin, we need your help. Please take the time to answer the questions on page 35 of this Bulletin and send your reply to us.

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 March 15, 1987. Part C lists new rules and amendments which are approved but not yet effective. ("A" means amendment, "NR" means new rule, "R" means repealed and "R&R" means repealed and recreated.)

A. Rules at Legislative Council Rules Clearinghouse

- 2.16 Change in method of accounting for corporations-A
- 2.19 Installment method of accounting for corporations-A
- 2.20 Accounting for acceptance corporations, dealers in commercial paper, mortgage discount companies and small loan companies-A
- 2.21 Accounting for incorporated contractors-A
- 2.22 Accounting for incorporated dealers in securities-R&R
- 2.24 Accounting for incorporated retail merchants-A

- 2.25 Corporation accounting generally-A
- 2.26 "Last in, first out" method of inventorying for corporations-A
- 2.45 Apportionment in special cases-A
- 2.50 Apportionment of net business income of interstate public utilities-A
- 2.505 Apportionment of net business income of interstate professional sports clubs-A
- 2.53 Stock dividends and stock rights received by corporations-A
- 2.56 Insurance proceeds received by corporations-A
- 2.65 Interest received by corporations-A
- 2.72 Exchanges of property by corporations generally-A
- 2.721 Exchanges of property held for productive use or investment by corporations-A
- 2.83 Requirements for written elections as to recognition of gain in certain corporation liquidations-A
- 2.88 Interest rates-A
- 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
- 3.44 Organization and financing expenses—corporations-R&R
- 3.45 Bond premium, discount and expense—corporations-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

- 2.395 Sales factor option-NR

C. Rules Approved by Legislative Standing Committee But Not Yet Effective

- 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

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 non-acquiescence" or (3) "the department has not appealed" (in this case the department has acquiesced to Commission's decision).

The following decisions are included:

Individual Income Taxes

- Chris Culver
Business expenses—wages
- Zeev Edelman
Travel expenses
- St. Charles Lockett
Business expenses
Rental expenses
Sale of assets
- Urban P. Van Susteren
Assessments—failure to file