

TAX RETURN STATISTICS FOR 1987

There were 2,256,000 Wisconsin individual income tax returns filed during the period from July 1, 1986, to June 30, 1987. This compares to 2,280,000 income tax returns filed for the twelve months ending June 30, 1986.

The 2,256,000 returns were filed by 3,288,000 individuals. In 1985, a husband and wife could file a combined return and in 1986, a husband and wife could file a joint return.

There were 265,000 homestead credit claims and 23,000 farmland credit claims filed during the year. This compares to 277,000 homestead credit claims and 20,000 farmland credit claims filed for the prior year.

Taxpayers were issued a total of 1,654,900 income tax refunds during the twelve months ending June 30, 1987, for an average refund of \$314. The average refund for the prior year was \$264.

Homestead credit refunds averaged \$392 per claimant, an increase from the average refund of \$375 issued last year. About 46% of the claimants were age 65 or older. Of all individuals claiming homestead credit, 45% were renters and 55% were homeowners.

An average farmland preservation credit of \$1,557 was issued to each claimant. The average payment for 1985 claims was \$1,671.

An itemized deduction credit was claimed by 15% of the taxpayers on 1986 tax returns. The average credit allowed was \$207.81.

TAXPAYERS DESIGNATE \$396,700 TO STATE ELEC- TION CAMPAIGN FUND

The 1986 Wisconsin income tax returns, Forms 1, 1A, and WI-Z, included a box

for taxpayers to designate \$1 to the State Election Campaign Fund. If the box was checked "yes," there was no increase in tax liability or reduction in refund for making the designation.

During the period July 1, 1986, to June 30, 1987, taxpayers designated \$396,700 to the election campaign fund on their Wisconsin tax returns. This compares to \$476,536 for the prior twelve months ending June 30, 1986.

CONTRIBUTIONS TO ENDANGERED RESOURCES PROGRAM INCREASE

The 1986 Wisconsin income tax returns, Forms 1, 1A, and WI-Z included a line for taxpayers to contribute to the Wisconsin Endangered Resources Fund. These donations either reduce a taxpayer's refund or increase the amount owed. Amounts contributed go to the Wisconsin Department of Natural Resources to help protect and care for Wisconsin's endangered species, nongame wildlife and rare plant and animal habitats.

On 1986 Wisconsin income tax returns filed, 57,825 taxpayers contributed \$515,965 to the Endangered Resources Fund. This compares with 1985 income tax returns where 61,081 taxpayers contributed \$441,235.

REMINDER: FILING DEADLINES FOR 1986 HOMESTEAD AND FARM- LAND PRESERVATION CREDIT CLAIMS

December 31, 1987, is the deadline for filing a 1986 homestead credit claim. Farmland preservation credit claims for 1986 must be filed no later than 12 months after the farmland owner's 1986 taxable year ends. December 31, 1987, is the deadline for filing a 1986 farmland pres-

ervation credit claim for farmland owners who are calendar year taxpayers.

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

REMINDER: EMPLOYERS MUST SUBMIT COPIES OF CERTAIN EMPLOYEE WITHHOLDING EXEMPTION CERTIFICATES TO THE DEPARTMENT

Wisconsin law requires employers to submit copies of employee withholding exemption certificates to the department whenever they are required to provide such information to the Internal Revenue Service (IRS). The copies must be submitted to the department within 15 days after they are filed with the IRS.

For both federal and Wisconsin purposes, employers are required to submit copies of any employee's withholding exemption certificate if (1) the number of exemptions claimed is more than 10 or (2) the employee is claiming complete exemption from withholding and he or she earns more than \$200 per week.

REMINDER: NOTIFY DEPARTMENT OF FEDERAL ADJUSTMENTS AND AMENDED RETURNS

If a taxpayer's federal income tax return is adjusted by the Internal Revenue Service (IRS), and the adjustments affect the amount of Wisconsin income reportable or tax payable, such adjustments must be reported to the Wisconsin Department of Revenue within 90 days after they become final.

In addition, taxpayers filing an amended return with the IRS or another state must also notify the department within 90 days

of filing if information in the amended return affects the amount of Wisconsin income reportable or tax payable.

If a taxpayer does not report adjustments made by the IRS or amended returns are not filed in the time period specified above, the department may make an assessment against the taxpayer or a refund to the taxpayer within 10 years after the date which the original tax return was filed or within 2 years after the date when the federal determination of tax became final, whichever was later. (Note: Effective for taxable year 1987, the department may make an assessment against the taxpayer or a refund to the taxpayer within 4 years after discovery by the department.)

An amended Wisconsin return or copy of the federal audit report should be sent to the Wisconsin Department of Revenue, Audit Bureau, P. O. Box 8906, Madison, Wisconsin 53708.

REMINDER: NONRESIDENT ENTERTAINERS REQUIRED TO FILE SURETY BOND OR CASH DEPOSIT

A "nonresident" entertainer who performs in Wisconsin for a contract price that exceeds \$3,200 is required to file a surety bond or cash deposit with the Department of Revenue in an amount of 6% of his or her total contract price.

If the bond or deposit is not filed, the "employer" at the event is required to withhold the 6% from the nonresident entertainer's payment. If the employer fails to withhold the required amount, the employer will be held liable for the amount that should have been withheld.

A "nonresident entertainer" is a nonresident person who furnishes amusement, entertainment or public speaking services, or performs in one or more sporting events, and includes a foreign corporation (one not organized under the laws of Wisconsin) not regularly engaged in busi-

ness in Wisconsin which derives income from any of these activities or from these services performed by a nonresident person.

An "employer" is any Wisconsin resident person or firm which contracts for the services of a nonresident entertainer. In the absence of such resident contracting person, the employer is the last resident person or firm to have receipt, custody or control of the proceeds of the event. If there is neither a resident contracting person nor a resident with control of the proceeds, the employer is any nonresident person or firm who contracts for or has control of the proceeds of the event.

Amounts of cash deposited with the Department of Revenue with Form WT-10 (Nonresident Entertainer's Application & Receipt for Surety Bond or Cash Deposit) and amounts withheld by employers and reported on Form WT-11 (Nonresident Entertainer's Receipt for Withholding by Employer) may be claimed as a credit by the nonresident entertainer on his or her Wisconsin individual income tax return or on the corporation's franchise or income tax return for the year in which the appearance was made. Any amounts deposited or withheld that are in excess of the nonresident entertainer's Wisconsin tax liability per the return will be refunded.

Surety bonds filed with the Department of Revenue with Form WT-10 will be released upon request when the nonresident entertainer's tax liability for the year involved has been satisfied.

Additional information may be obtained by requesting Publication 508, entitled Wisconsin Tax Requirements Relating to Nonresident Entertainers.

Copies of Publication 508, Form WT-10, Form WT-11, and the Nonresident Entertainer's Surety Bond may be obtained from the Wisconsin Department of Revenue, Central Services Section, P. O. Box 8903, Madison, Wisconsin 53708.

Any questions about the requirements of this law may be directed to Edward Pelner, Wisconsin Department of Reve-

nue, P. O. Box 8906, Madison, Wisconsin 53708, telephone (608) 266-3645.

CRIMINAL ENFORCEMENT ACTIVITIES

Franchise or Income Taxes

A former Stoughton man accused of embezzling more than \$645,000 from the company he headed has been arrested in California.

A criminal complaint filed in Dane County Circuit Court accuses Gary William Homberg, 48, of 48 counts of embezzlement and 4 counts of filing fraudulent income tax returns. The tax fraud charges were filed by the Wisconsin Department of Revenue.

Homberg was president and 48 percent stockholder of Millfab, Inc., Stoughton, from September 1982 to August 22, 1986. Millfab is a division of Stoughton Trailers.

According to the complaint, Homberg reported taxable income of \$21,149 in 1982; \$49,073 in 1983; \$13,820 in 1984 and \$2,438 in 1985. The complaint says Homberg underestimated his income by \$37,309 in 1982; \$87,796 in 1983; \$201,000 in 1984 and \$239,066 in 1985.

Homberg owes more than \$50,000 in back taxes on the unreported income.

A Hayward area businessman and his wife have been ordered to pay \$23,200 in fines, penalty assessments and court costs and to serve jail time for Wisconsin state income tax violations.

James A. Taylor and Jean M. Taylor, who formerly operated the Mr. Burger restaurant in Hayward, were sentenced in Dane County Circuit Court, Branch 12, Madison, by Circuit Judge Mark A. Frankel. Judge Frankel withheld sentencing and ordered Mr. and Mrs. Taylor to each serve one year probation on each of two counts

of being parties to a crime of individual state income tax evasion and state corporation franchise or income tax evasion. Under the conditions of probation, the Taylors must each serve 30 days in jail and pay \$10,000 in fines plus a \$1,500 penalty assessment and \$100 in court costs. The jail time may be served in the Douglas County Jail during nonworking hours.

The Taylors were charged with failing to report more than \$20,000 in taxable income and evading more than \$1,500 in individual state income and state corporation franchise or income taxes. They pled no contest to the charges before they were sentenced.

Homestead Credit

A Green Bay man has been ordered to serve five years in prison for violation of Wisconsin homestead credit tax law.

Gary L. Brice, Sr., who formerly resided at 1713 Main Street, Green Bay, Wisconsin, was sentenced in Dodge County Circuit Court, Branch 2, Juneau, Wisconsin, by Circuit Judge Joseph E. Schultz after he was convicted on one count of filing a false Wisconsin homestead credit claim for 1985. Judge Schultz sentenced Brice to five years in the Wisconsin Correctional Institute at Waupun after Brice entered a guilty plea to the charge. A second count was dismissed in accord with a plea agreement.

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

Sales/Use Taxes

Three Wisconsin men have been ordered to pay fines of \$200 each for criminal violations of Wisconsin's sales and use tax law.

Dwayne A. Braun, Route 4, Beaver Dam; Craig A. Lapp, 8243 Cooper Road, Ke-

nosha; and Curtis R. Greaves, 1004 South Erie, Street, De Pere were sentenced June 17, 1987, by Dane County Judicial Court Commissioner Todd Meurer after they each pled no contest to one count of filing a false MV-1 report. In addition to the fines, each of them must pay the additional taxes, penalties, and interest due.

They were each charged with filing false applications for motor vehicle title/registration forms which are combined with the state sales and use tax report. The criminal complaints alleged the men each reported the purchase price of a vehicle he bought to be less than the actual purchase price and that each paid less tax than was due.

Filing a false sales and use tax return is a crime punishable by a fine of not more than \$500 or imprisonment not to exceed thirty days 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 violation.

Excise Taxes

A Madison beer wholesaler pled no contest and was found guilty of 18 counts of violating the state's beer sales laws.

In a disposition agreed upon by the company and the state Revenue Department, Wisconsin Distributors, Inc., 2921 Syene Road, was ordered to pay \$10,005 in fines and penalty assessment by Rock County Circuit Court Judge Mark J. Farnum. Violations occurred in Rock, Columbia, Dane, Green, and Walworth counties, according to the complaint filed by the state Justice Department.

The conviction was the result of a fifteen-month probe of the company's trade practices, made by the Alcohol & Tobacco Enforcement Section of the state Revenue Department. The complaint alleges that Wisconsin Distributors reimbursed its employees for monies spent at taverns to promote its products in violation of s. 125.33 of the state statutes, known as the

"tied house law". This law forbids beer wholesalers from furnishing things of value to tavern licensees.

In agreeing to this disposition, Wisconsin Distributors did not admit to any violations of law.

Council Davis was found guilty on July 13, 1987, of selling beer without a license at Sharp's Grocery, 928 West Burleigh, Milwaukee. Davis was fined \$100.00 for the violation.

Anthony Sharp, 928 West Burleigh, Milwaukee, pled guilty and was found guilty on July 10, 1987, of failing to have a licensed operator present on his fermented malt beverage licensed premises and failing to have his Class "A" license posted. Sharp was fined \$100.00 on each count.

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 October 30, 1987. Part C lists new rules and amendments which are adopted. Part D lists emergency rules. ("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
- 2.395 Sales factor option-NR
- 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
- 3.44 Organization and financing expenses—corporations-R&R
- 3.45 Bond premium, discount and expense—corporations-A

B. Rules at Legislative Standing Committees

- 11.10 Occasional sales-A

C. Rules Adopted in 1987 (effective 8/1/87)

- 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
- 11.05 Governmental units-A
- 11.08 Medical appliances, prosthetic devices and aids-A
- 11.09 Medicines-A
- 11.10 Occasional sales-A
- 11.12 Farming, agriculture, horticulture and floriculture-A
- 11.14 Exemption certificates (including resale certificates)-A
- 11.16 Common or contract carriers-A
- 11.27 Warranties-A
- 11.28 Gifts, advertising specialties, coupons, premiums and trading stamps-A
- 11.39 Manufacturing-A
- 11.41 Exemption of property consumed or destroyed in manufacturing-A
- 11.45 Sales by pharmacies and drug stores-A
- 11.49 Service stations and fuel oil dealers-A
- 11.65 Admissions-A
- 11.66 Communication and CATV services-A
- 11.80 Sales of ice-A
- 11.84 Aircraft-A
- 11.85 Boats, vessels and barges-A
- 11.88 Mobile homes-A
- 11.94 Wisconsin sales and taxable transportation charges-A
- 11.96 Interest rates-A

D. Emergency Rules (effective 8/1/87)

- 3.095 Interest income from federal obligations-A

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:

Individual Income Taxes

Capital Preservation Fund, Inc., et al. (p. 8)

Interest income—mutual funds

James F. Honzik (p. 9)

Capitalized expenses

Corporation Franchise or Income Taxes

Regency Nursing Homes, Inc. (p. 9)
Business loss carryforward (prior law)

Sales/Use Taxes

PAE Communications, Inc. (p. 10)
Cable TV

Susie Q Fish Company, Inc. (p. 10)
Boats, vessels and barges

Valley Veterinary Clinic, S.C. and Dairyland Veterinary Associates, S.C. (p. 11)
Farming—livestock medicines

Homestead Credit

John H. Jackson (p. 11)
Household income

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

INDIVIDUAL INCOME TAXES

Interest income—mutual funds. *Capital Preservation Fund, Inc., Trust for Short Term U.S. Government Securities, Lee R. Hribar, Unrquhart L. Meeter, and*