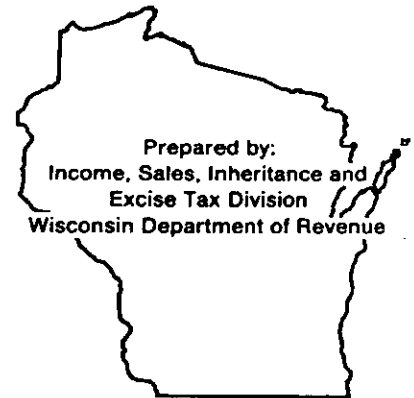


# WISCONSIN TAX BULLETIN

June 1988  
NUMBER 56

*Subscriptions available from:*

**Wisconsin Department of  
Administration  
Document Sales**  
P.O. Box 7840  
Madison, WI 53707  
Annual cost \$5.00



---

## NEW WISCONSIN TAX LAWS

The Wisconsin Legislature has enacted numerous changes to the Wisconsin tax laws. This issue of the Wisconsin Tax Bulletin contains an index and brief descriptions of the major individual and fiduciary income, corporation franchise or income, tax-option (S) corporation franchise or income, homestead credit, farmland preservation credit, sales/use, inheritance, gift, and excise tax provisions.

The majority of the provisions described are contained in 1987 Act 399, the Governor's budget bill, which was published May 16, 1988. However, several separate tax bills are also addressed. They are as follows:

1987 Act 119 - Published December 7, 1987  
1987 Act 141 - Published March 16, 1988  
1987 Act 246 - Published April 20, 1988  
1987 Act 247 - Published April 20, 1988  
1987 Act 249 - Published April 20, 1988  
1987 Act 268 - Published April 21, 1988  
1987 Act 300 - Published April 27, 1988  
1987 Act 308 - Published April 27, 1988  
1987 Act 312 - Published April 27, 1988  
1987 Act 323 - Published April 27, 1988  
1987 Act 328 - Published April 27, 1988  
1987 Act 335 - Published April 27, 1988  
1987 Act 336 - Published April 27, 1988  
1987 Act 354 - Published May 2, 1988  
1987 Act 378 - Published May 2, 1988  
1987 Act 393 - Published May 2, 1988  
1987 Act 395 - Published May 2, 1988  
1987 Act 411 - Published June 6, 1988  
1987 Act 419 - Published June 16, 1988

The description for each item indicates the Act which contains the law change, the sections of the statutes affected, and the effective dates of the new provisions.

INDEX

	<u>Effective Date</u>	<u>Page</u>
A. <u>INDIVIDUAL AND FIDUCIARY INCOME TAXES</u>		
1. Exceptions to Definition of Internal Revenue Code for Individuals, Estates, and Trusts Provided for 1987	1987 tax year	1
2. Reference to Internal Revenue Code for Individuals, Estates, and Trusts Updated for 1988	1988 tax year	1
3. Small Business Stock Requirements Changed	1988 tax year	2
4. Allocation of Negative Income Items Clarified	1987 tax year	2
5. Distributions That Are Taxable to Shareholders of Federal S Corporations Which Have Elected Not to Be Wisconsin Tax-Option Corporations	1987 or 1988 tax year, as appropriate	2
6. Subtract Modification for Exempt Interest Reduced by Related Expenses on Fiduciary Return	1988 tax year	2
7. Carryforward of Limited Farm Losses Allowed	1988 tax year	3
8. Assets Acquired From a Decedent Qualify for Capital Gain Modification Regardless of Holding Period	1987 tax year	3
9. Wisconsin Capital Gain Modification Does Not Apply to Sale of Dairy Cattle Under Milk Production Termination Program	1987 tax year	3
10. Nonrecognition of Gain or Loss for Exchange of Marital Property Interest Between Surviving Spouse and Distributee	1987 tax year	3
11. Taxation of Lottery Winnings Received by Nonresident Individuals	1987 tax year	4
12. Taxation of Lottery Winnings Received by Nonresident Estates and Trusts	1988 tax year	4
13. Taxation of Pari-Mutuel Wager Winnings and Purses	1988 tax year	4

14.	Tax Treatment of Income From Limited Partnership Interests Changed	Partners' 1988 tax year	4
15.	Rehabilitation of Nondepreciable Historic Property Credit	1989 and 1990 tax year	4
16.	Historic Structure Credit	1989 tax year	6
17.	Development Zones - Tax Benefits for Taxpayers Located in Development Zones	Various effective dates	6
18.	School Property Tax Credit Percentage Increased to 8.5%	1988 tax year	10
19.	Alternative Minimum Tax - Federal Standard Deduction, Itemized Deductions and Personal Exemptions Not Subtracted Under the Tax Benefit Rule When Computing Alternative Minimum Taxable Income for Wisconsin	1988 tax year	10
20.	When Department May Credit Overpayments Against Certain Liabilities of Taxpayer Clarified	May 3, 1988	10
21.	Innocent Spouse Protection from Tax Liability Extended to Former Spouses	1988 tax year	11
22.	Satisfaction of Tax Liability if Innocent Spouse Provisions Apply Clarified	May 3, 1988	11
23.	Addition-to-Tax Penalty Changed to Interest	1988 tax year	11
24.	Order of Computation Revised for Computing Tax Liability	Various effective dates	12
25.	Publicly Traded Partnerships Treated as Corporations	May 17, 1988	12
26.	Tax Unrelated Business Income of Tax-Exempt Organizations and Trusts	1988 tax year	12
<b>B. <u>CORPORATION FRANCHISE OR INCOME TAXES</u></b>			
1.	Exceptions to Definition of Internal Revenue Code for Corporations for 1987	1987 tax year	13
2.	Reference to Internal Revenue Code for Corporations Updated for 1988	1988 tax year	13
3.	Publicly Traded Partnerships Treated as Corporations	May 17, 1988	14

4.	Tax Unrelated Business Income of Tax-Exempt Organizations and Trusts	1988 tax year	14
5.	Definition of Internal Revenue Code for Corporations Changed for 1988	1988 tax year	15
6.	Exception to Definition of Internal Revenue Code for Insurance Companies for 1987	1987 tax year	15
7.	Reference to Internal Revenue Code for Insurance Companies Updated for 1988	Taxable years beginning after December 31, 1987	16
8.	Exceptions to Definition of Internal Revenue Code for Regulated Investment Companies, Real Estate Mortgage Investment Conduits, and Real Estate Investment Trusts for 1987	1987 tax year	16
9.	Reference to Internal Revenue Code for Regulated Investment Companies, Real Estate Mortgage Investment Conduits, and Real Estate Investment Trusts Updated for 1988	1988 tax year	16
10.	Treatment of Corporate Partner's Share of Partnership Gross Receipts, Income or Loss	Partners' 1988 tax year	17
11.	Gross Receipts and Gain From Sale of Intangibles Are Not Sales for Purposes of Sales Factor	May 17, 1988	17
12.	Pari-Mutuel Wager Winnings and Purses Are Apportionable Income But Excluded From Sales Factor	1988 tax year	17
13.	Credit for Contributions to Wisconsin Housing and Economic Development Authority	Various effective dates	17
14.	Carryback of Capital Losses by Corporations - Special Statute of Limitations	1987 tax year	18
15.	Addition-to-Tax Penalty Changed to Interest	1988 tax year	18
16.	Quick Refund of Estimated Taxes Paid by Corporations	May 17, 1988	18
17.	Exception to Corporate Estimated Tax Requirements Changed	1989 tax year	18

18.	Development Zones - Tax Benefits for Taxpayers Located in Development Zones	Various effective dates	18
19.	Historic Structure Credit	1989 tax year	19
20.	Rehabilitation of Nondepreciable Historic Property Credit	1989 and 1990 tax years	19
21.	Order of Computation Revised for Computing Tax Liability	Various effective dates	19
 C. <u>TAX-OPTION (S) CORPORATIONS</u>			
1.	Internal Revenue Code for Tax-Option Corporations Defined	Various effective dates	19
2.	Tax-Option (S) Corporation Net Income or Loss Computed Under Rules for Individuals	1987 tax year for tax-option corporation, 1987 or 1988 tax year for shareholder	20
3.	Imposition of Additional Tax on Tax-Option (S) Corporations	1987 tax year	21
4.	Provide for Adjustments Preventing the Double Inclusion or Omission of Income for Federal S Corporations Electing or Not Electing Tax-Option Corporation Status	1987 tax year for tax-option corporation, 1987 or 1988 tax year for shareholder	22
 D. <u>HOMESTEAD CREDIT</u>			
1.	"Gross Rent" Definition Changed	1988 claims filed in 1989	22
2.	Nonsubstantive Change to "Property Taxes Accrued" Definition	January 1, 1989	22
 E. <u>FARMLAND PRESERVATION CREDIT</u>			
1.	"Claimant" Defined for Partners of Publicly Traded Partnership	May 17, 1988	22
2.	Definition of "Farmland" Includes Farmland Enrolled in Conservation Reserve Program	1988 tax year	23
3.	Definition of "Gross Farm Profits" Includes Payments From Federal Dairy Termination Program	1988 tax year	23
4.	Definition of Household Income No Longer Includes Certain Income of Dependents	1988 tax year	23

5. Nonsubstantive Change to "Property Taxes Accrued" Definition	January 1, 1989	23
6. "Property Taxes Accrued" When Farmland Is Sold During the Year	1988 tax year	23
7. 10% Minimum Credit Allowed if Farmland Is Subject to Farmland Preservation Agreement or Transition Area Agreement	1988 tax year	24
8. Certification That Property Taxes of Prior Year Have Been Paid Is Required	1988 tax year	24

#### F. SALES/USE TAXES

1. Exempt Certain Sales of Business Assets as Occasional Sales - 10 Day Period for Permit Cancellation	May 17, 1988	24
2. Occasional Sales by Nonprofit Organizations	January 1, 1989	25
3. Change Nexus Standards for Foreign Publishers	January 1, 1990	25
4. Exempt Intra-LATA Access Charges	May 17, 1988	26
5. Clarify That Wisconsin Sales and Use Taxes Apply to Recreational Rights Sold in Connection With Time-Share Property	May 17, 1988	26
6. Exempt Certain Nonresidents' Boats From Use Tax	June 1, 1988	26
7. Exempt Certain Nonresidents' Aircraft From Use Tax	May 17, 1988	26
8. Nonexempt Soda Water Beverages Cross-Reference Changed	May 17, 1988	27
9. Waste Treatment Facilities Exemption Clarified	May 17, 1988	27
10. Exempt Equipment for Treatment of Diabetes and Supplies Used to Determine Blood Sugar Level	March 1, 1989	27
11. Exempt Heavy Logging Equipment	April 1, 1989	27
12. Change Procedure for Remitting County Sales/Use Tax for Sales of Motor Vehicles, etc.	May 1, 1988	28

13.	Requirement for Proper Proceedings in Sales Tax Officer Liability Cases Removed	May 17, 1988	28
14.	Refund Sales Tax to Consumer Upon Return of Motor Vehicle to Manufacturer Under "Lemon Law"	April 28, 1988	28
15.	New Reporting Requirements for Operators of Swap Meets, Flea Markets, Craft Fairs, or Other Similar Events	May 17, 1988	29
16.	Study of Long-Distance Telecommunication Taxes Required	May 17, 1988	29
 G. <u>INHERITANCE AND GIFT TAXES</u>			
1.	Reference to Internal Revenue Code for Power of Appointment, Qualified Retirement Plans, and Installment Payments Updated	Deaths occurring on or after January 1, 1988	29
2.	Valuation of Future or Limited Estates No Longer Determined by Commissioner of Insurance	April 21, 1988	29
 H. <u>EXCISE TAXES</u>			
1.	Requirements for Purchase of Tax-Exempt Motor Fuel Revised	May 17, 1988	29
2.	Preparation and Distribution of Booklet Explaining Alcohol Beverages Law Required	Various effective dates	30
3.	Issuance of Licenses for Sales of Fermented Malt Beverages and Intoxicating Liquor on Railroad Car	May 17, 1988	30
4.	Restrictions on Minors Entering Premises Selling Alcohol Beverages Do Not Apply to Racetracks	May 3, 1988	30
5.	Methods of Determining Quotas for Purposes of Issuance of Licenses Relating to the Sale of Alcohol Beverages	May 17, 1988	30
6.	Exceptions to Quotas for Issuance of Licenses for Sale of Alcohol Beverages	May 17, 1988	30
7.	Hotels With Alcohol Beverage Licenses May Furnish Alcohol Beverages in Hotel Rooms	April 21, 1988	31

8.	Beer Wholesaler May Not Restrict Sales of Brand of Beer	April 28, 1988	31
9.	Exception for Shipping Wine Into Wisconsin Provided	May 17, 1988	31
10.	Penalties for Providing Alcohol Beverages to Underage Persons Imposed	April 28, 1988	31
11.	Impose Restrictions on Sale or Gifts of Cigarettes or Tobacco Products to Underage Persons	July 1, 1989	32
12.	Separate Tax Rate for Intoxicating Liquor, Containing 0.5% or More of Alcohol by Volume, Manufactured or Distilled in Wisconsin From Whey Produced in Wisconsin	March 1, 1989	32
13.	Uniform Interest and Penalty Provisions for Excise Taxes Created	June 1, 1988	32
I. <u>OTHER</u>			
1.	Chapter 71 of Wisconsin Statutes Revised	Various effective dates	34
2.	Department to Provide Information Regarding Certain Taxes Withheld or Collected by Municipalities and School Districts	Reporting periods ending after April 21, 1988	34
3.	Confidentiality Provisions Expanded to Include Lottery Board	December 8, 1987	34
4.	Withholding of Income Taxes From Lottery Winnings	December 8, 1987	34
5.	Withholding From Pari-Mutuel Wager Winnings	May 3, 1988	35
6.	Lottery Retailer Contracts May Not Be Entered Into With Persons Having Tax Delinquencies	December 8, 1987	35
7.	Withholding of Delinquent State Taxes, Child Support, or Debts Owed the State From Lottery Winnings	December 8, 1987	35
8.	Private Letter Ruling System Adopted	May 17, 1988	36