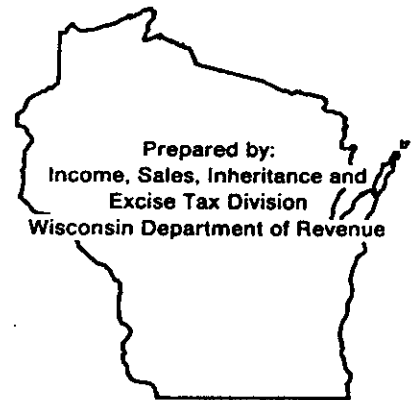


WISCONSIN TAX BULLETIN

April 1989
NUMBER 60

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NEW TAX LAWS TO BE ADDRESSED IN SPECIAL ISSUE

The Governor's budget bill and other tax bills were still pending before the Wisconsin Legislature at the time this bulletin went to press. If any of these bills become law, a special issue of the *Wisconsin Tax Bulletin* will be published to provide information about the tax law changes.

SIX NEW COUNTIES ADOPT COUNTY SALES/USE TAX

On April 1, 1989, the 1/2% county sales and use tax begins in six new counties: Burnett, Columbia, Marquette, Portage, Richland, and Waupaca. The counties of Ashland, Barron, Buffalo, Door, Dunn, Iowa, Jackson, Langlade, Lincoln, Marathon, Oneida, Pierce, Polk, Rusk, Sawyer, St. Croix, Vilas, and Walworth had previously adopted the county tax. The Tax Report included with *Wisconsin Tax Bulletin* 59 (January 1989) explains how this new county tax applies to retailers and other persons.

On pages 18 and 19 of this bulletin is a copy of the March 1989 Tax Report which was sent in late March to all retailers who have a seller's permit.

IN THIS ISSUE

Page

New Tax Laws to Be Addressed in Special Issue	1
Six New Counties Adopt County Sales/Use Tax	1
Payment of Wisconsin Taxes By Credit Card Suspended	1
Extensions of Time to File For Individuals	1
1989 Estimated Tax Requirements for Individuals, Estates, and Trusts	2
Field Audit Staff Automated	2
Information or Inquiries?	2
Refund Questions	3
Gift Tax Reports Due April 17	3
Do You Have Suggestions for 1989 Tax Forms?	3
Wisconsin Tax Bulletin Includes Index	3
Door County Taxpayer Fined \$1,100	3
New ISI&E Division Rules and Rule Amendments in Process	4
Report on Litigation	5
Tax Releases Individual Income Taxes	11
Corporation Franchise or Income Taxes	14
Sales/Use Taxes	16
County Sales/Use Taxes	16
March Tax Report	18
Index of Issues 1-60	20

PAYMENT OF WISCONSIN TAXES BY CREDIT CARD SUSPENDED

In the *Wisconsin Tax Bulletin* 59 (January 1989), the department announced an experimental program utilizing the accep-

tance of credit cards for tax payments in southeastern Wisconsin. This pilot project began on November 1, 1988.

The initial results have been modest but encouraging. Since the inception of this program the department has become aware of technical difficulties with the contractual language between the department and vendor (Comdata Network). On January 20, 1989, the department ceased accepting credit card payments and has suspended this project.

Because this pilot program has shown potential merit, the department hopes to resolve the technical problems and resume this project at a later date. Further announcements will be made as more information becomes available.

EXTENSIONS OF TIME TO FILE FOR INDIVIDUALS

Wisconsin law provides that any extension of time granted by the Internal Revenue Service (IRS) for filing a federal return will also extend the time for filing the corresponding Wisconsin return provided a copy of the federal extension is attached to the Wisconsin return at the time it is filed. Taxpayers are allowed the same 10-day grace period to file a return for Wisconsin as for the IRS when a federal extension request is denied. Again, the denial must be attached to the Wisconsin return when filed in order to be recognized.

In lieu of the federal extension, a taxpayer may request from the Wisconsin Department of Revenue a 30-day extension of time to file a Wisconsin return. If a federal extension is requested, it is not necessary to request this separate Wisconsin extension. Neither is it necessary to submit a copy of the federal extension request to Wisconsin at the time the federal request is made.

Reminders

DO NOT submit copies of federal extension requests to the Department of Revenue.

DO NOT request a Wisconsin extension when a federal extension is requested.

Attach a copy of all approved extensions to the corresponding Wisconsin tax return at the time the Wisconsin return is filed.

Use Wisconsin estimated tax vouchers (Form 1-ES) to submit Wisconsin extension payments. Be sure the Form 1-ES is for the proper year.

1989 ESTIMATED TAX REQUIREMENTS FOR INDIVIDUALS, ESTATES, AND TRUSTS

Estimated income tax payments are tax deposits made during the year to prepay the income tax and minimum tax that will be due when an income tax return is filed. Every individual, married couple filing jointly, estate, or trust is required to pay 1989 Wisconsin estimated tax if they expect to owe \$200 or more on their 1989 Wisconsin income tax return. Form 1-ES, "1989 Wisconsin Estimated Tax Voucher," is filed with each estimated tax payment.

For calendar year taxpayers, the first estimated tax payment is due on April 17, 1989. Installment payments are also due on June 15, 1989, September 15, 1989, and January 15, 1990. For fiscal year taxpayers, installment payments are due on the 15th day of the 4th, 6th, and 9th months of the fiscal year, and the 1st month of the following fiscal year.

Full-year residents, part-year residents, estates, and trusts are subject to the estimated tax requirements for 1989. However, an estate is not required to pay estimated tax during the first two years of its existence.

If an individual, married couple filing jointly, estate, or trust does not make the estimated tax payments when required, or underpays any installment, interest may be assessed.

FIELD AUDIT STAFF AUTOMATED

Department field auditors are replacing ledger paper and mechanical pencils with new lap top computers.

Over the past 2 years, 90 lap top computers have been assigned to the Audit Bureau for use on corporation franchise or income, sales/use, and individual income tax field audits. In addition, the Excise Tax Bureau has 6 lap tops for use by its field agents in audits of motor fuel and special fuel tax returns. Seven portable printers have also been obtained for use at businesses where a printer is not otherwise available for the auditor's use.

Auditors use the lap top computers to generate the bulk of their audit workpapers as well as the proposed and final field audit report. Each field auditor, as well as supervisory and technical support staff, have received in-depth, in-house PC training by the Computer Audit Specialist (CAS) Unit (experienced field auditors who have extensive PC training and background) which has enabled the auditors to become proficient on the PC in a short period of time.

Audit report and workpaper templates (using the Lotus 1-2-3 software package) have been developed in-house by the CAS Unit which enable auditors to merely fill in and enlarge pre-designed exhibits and schedules. The templates are set up to automatically and instantly bring forward numbers from subsidiary exhibits and schedules to the final exhibit and to compute the tax and interest. Libraries of stan-

dard audit adjustment explanations have also been developed. However, auditors have the option of preparing non-standard explanations to fit their particular situations.

The lap tops are a tremendous asset for the department. More uniform, consistent, and professional appearing audit reports and workpapers are generated in less time than in the "old days" of pencil and eraser. Data entered on the lap tops can be sorted, shifted, revised, or deleted quickly and efficiently, cutting down tremendously the "number crunching" required of auditors. Less time is spent at the taxpayer's place of business, the quality of the audit report has been improved, and auditors and taxpayers can discuss differences and instantly determine the tax effect of such. Printouts of exhibits, schedules, or even the entire preliminary audit report can be furnished to the taxpayer while the auditor is at the business location.

The department's long term investment in computer technology for its field auditors will result in a more efficient field audit program and better service to the public.

INFORMATION OR INQUIRIES?

Madison - Main Office Area Code (608)

Beverage, Motor Fuel, Cigarette,	
Tobacco Products	266-6701
Corporation Franchise or Income ..	266-3645
Fiduciary, Inheritance, Gift	266-1231
Homestead Credit	266-8641
Individual Income	266-2486
Property Tax Deferral Loan	266-1983
Sales, Use, Withholding	266-2776
Audit of Returns: Corporation,	
Individual, Homestead, Sales ...	266-2772
Appeals	266-0185
Refunds	266-8100
Delinquent Taxes	266-7879
Copies of Returns:	
Homestead, Individual	266-2890
All Others	266-0678
Forms Request:	
Taxpayers	266-1961
Practitioners	267-2025

District Offices

Appleton..... (414) 832-2727
 Eau Claire..... (715) 836-2811
 Milwaukee (414) 227-4000

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, Post Office 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.

**GIFT TAX REPORTS
DUE APRIL 17**

A Wisconsin gift tax is imposed upon all gifts by a donor who is a Wisconsin resident (regardless of the donee's residence) and gifts of Wisconsin real estate or tangible personal property located in Wisconsin (regardless of where the donor or donee resides).

1988 Wisconsin gift tax reports must be filed if the total value of taxable gifts given in 1988 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 1988 must be filed by April 17, 1989. A return does not have to be filed if the value of the gift is \$10,000 or less.

The donor reports gifts made on Wisconsin 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 Wisconsin 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 Wisconsin Form 6. In determining the 1988 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
1989 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, Post Office Box 8933, Madison, Wisconsin 53708. Please be specific and send your suggestions in early. The department appreciates hearing from you.

**WISCONSIN TAX BULLETIN
INCLUDES INDEX**

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 WTB index includes page numbers for each issue number listed. The index can be found on pages 20 to 45 of this Bulletin.

**DOOR COUNTY
TAXPAYER FINED \$1,100****Income Taxes**

A Door County man has been ordered to pay \$1,100 in fines for criminal violations of Wisconsin tax laws. Bruce C. Weightman, 12405 Gooseberry Lane, Ellison Bay, was sentenced after he pled no contest to two counts of failing to timely file state income tax returns in Door County Circuit Court, Sturgeon Bay. Weightman was charged with failing to timely file state income tax returns on gross income in excess of \$29,000 for 1984 and \$27,000 for 1985.

Circuit Judge John Koehn sentenced Weightman to 30 days in jail on the first count, stayed execution of the sentence, ordered to him to pay a fine of \$100 plus costs and also ordered 80 hours community service to be completed within 6 months. Judge Koehn fined Weightman \$1,000 on the second count.

Homestead Credit

Three women and two men, all Appleton area residents, have been charged in Calumet County with criminal violations of the Wisconsin homestead credit law. Marion E. Hoffman, 2729 South Greenview Street, Appleton, was charged with 2 counts of filing fraudulent homestead credit claims for 1983 and 1984 and 9 counts as a party to a crime in filing fraudulent homestead credit claims for Cheri L. Cross, 1234 East Sylvan, Appleton; Thomas L. Cross, 1234 East Sylvan, Appleton; and Roger A. Fahrenkrug, 2729 South Greenview Street, Appleton. She was also charged with filing fraudulent state income tax returns for 1984 and 1985.

Cheri L. Cross was charged with filing fraudulent homestead credit claims for 1982 and 1983 and Thomas L. Cross was charged with filing fraudulent homestead credit claims for 1983, 1984, and 1985. Roger A. Fahrenkrug was charged with filing fraudulent homestead credit claims

for 1982, 1983, 1984, and 1985. Cara S. Techlin, 2015 Ceil Lane, Little Chute, was charged with filing a fraudulent homestead credit claim for 1984.

Filing or assisting in the filing of a fraudulent homestead credit claim or filing a false state income tax return is a crime punishable by a \$10,000 fine or imprisonment for 5 years or both. In addition, Wisconsin law provides substantial civil penalties for violations.

Sales/Use Taxes

A Burlington man has been ordered to pay a fine of \$200 for criminal violation of Wisconsin's sales and use tax law. William T. Lee, 29516 - 31st Street, Burlington, Wisconsin was sentenced in Dane County Circuit Court, Branch 6, Madison, after he pled no contest to one count of filing a false Motor Vehicle Registration Application, Form MV-1. He was charged with reporting the purchase price of a vehicle he bought from a private party to be less than the actual purchase price to evade the state sales and use tax due.

Circuit Judge James C. Boll fined Lee \$200 and ordered him to pay \$70 court costs and penalty assessment. Lee must also make restitution of tax, penalty, and interest due the Wisconsin Department of Revenue in excess of \$450.

Excise Taxes

Mike's Towne & Country, Inc., 520 East Northland Avenue, Appleton, was fined \$500 on December 12, 1988, for placing an illegal liquor advertisement.

Good Co. of Wausau, Inc., a liquor retailer located at 110 North Richmond Street, Appleton was fined \$250 in December 1988 for possessing liquor from an unauthorized source. In addition to the fine, the liquor was forfeited to the department's

Alcohol & Tobacco Enforcement Section for disposal.

Michael T. Green, d/b/a "Airport Lounge," of Route 5, Black River Falls, was found guilty of selling liquor, beer, and cigarettes without a license on January 23, 1989. Green was ordered to pay \$510 by Circuit Court Judge Robert Radcliffe.

NEW ISI&E DIVISION RULES AND RULE AMENDMENTS IN PROCESS

Listed below, under Parts A, B, and C, 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, 1989. Part D lists new rules and amendments which were adopted in 1989, but not yet effective. Part E 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

- 2.41 Separate accounting method-A
- 2.46 Apportionment of business income of interstate air carriers-R&R
- 2.47 Apportionment of net business income of interstate motor carriers of property-A
- 2.49 Apportionment of net business incomes of interstate finance companies-R&R
- 3.03 Dividends received, deductibility of-R&R
- 3.08 Retirement and profit-sharing payments by corporations-A
- 3.10 Salesmen's and officers' commissions, travel and entertainment expense of corporation-R
- 3.12 Losses on account of wash sales by corporations-R&R

- 3.37 Depletion of timber 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-R&R
- 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
- 11.05 Government units-A
- 11.09 Medicines-A
- 11.10 Occasional sales-A
- 11.12 Farming, agriculture, horticulture and floriculture-A
- 11.16 Common or contract carriers-A
- 11.18 Dentists and their suppliers-A
- 11.19 Printed material exemptions-A
- 11.26 Other taxes in taxable gross receipts and sales price-A
- 11.32 "Gross receipts" and "sales price"-A
- 11.40 Exemption of machines and processing equipment-A
- 11.41 Exemption of property consumed or destroyed in manufacturing-A
- 11.51 Grocers' guidelist-A
- 11.57 Public utilities-A
- 11.61 Veterinarians and their suppliers-A
- 11.66 Communications and CATV services-A
- 11.67 Service enterprises-A
- 11.68 Construction contractors-A
- 11.84 Aircraft-A
- 11.85 Boats, vessels and barges-A
- 14.01 Administrative provisions-R&R
- 14.02 Qualification for credit-R&R
- 14.03 Household income-R&R
- 14.04 Property taxes accrued-R&R
- 14.05 Rent constituting property taxes accrued-R&R

B. Rules at Revisor of Statutes Office for Publication of Hearing Notice

- 1.001 Definition-A

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|---|---|--|
| <p>2.14 Aggregate of personal exemptions-A</p> <p>2.57 Annuity payments received by corporations-A</p> <p>2.60 Dividends on stock sold "short" by corporations-A</p> <p>2.61 Building and loan dividends on installment shares received by corporations -R</p> <p>2.63 Dividends accrued on stock-A</p> <p>2.70 Gain or loss on capital assets of corporations; basis of determining-A</p> <p>2.956 Historic structure and rehabilitation of nondepreciable historic property credits-NR</p> <p>3.01 Rents paid by corporations-A</p> <p>3.05 Profit-sharing distributions by corporations-A</p> <p>3.07 Bonuses and retroactive wage adjustments paid by corporation-A</p> <p>3.09 Exempt compensation of military personnel-A</p> <p>3.095 Income tax status of interest and dividends from municipal, state and federal obligations received by individuals and fiduciaries-A</p> <p>3.098 Railroad retirement supplemental annuities-A</p> <p>3.14 Losses from bad debts by corporations-A</p> <p>3.17 Corporation losses, miscellaneous-A</p> <p>3.35 Depletion, basis for allowance to corporations-A</p> <p>3.36 Depletion of timber by corporations-A</p> <p>3.43 Amortization of trademark or trade name expenditures-A</p> <p>3.48 Research or experimental expenditures-A</p> <p>3.52 Automobile expenses-corporations-R&R</p> <p>3.82 Evasion of tax through affiliated interests-A</p> <p>3.83 Domestic international sales corporations (DISCs)-A</p> | <p>2.20 Accounting for acceptance corporations, dealers in commercial paper, mortgage discount companies and small loan companies-A</p> <p>2.21 Accounting for incorporated contractors-A</p> <p>2.22 Accounting for incorporated dealers in securities-R&R</p> <p>2.24 Accounting for incorporated retail merchants-A</p> <p>2.25 Corporation accounting generally-A</p> <p>2.26 "Last in, first out" method of inventorying for corporations-A</p> <p>2.45 Apportionment in special cases-A</p> <p>2.50 Apportionment of net business income of interstate public utilities-A</p> <p>2.505 Apportionment of net business income of interstate professional sport clubs-A</p> <p>2.53 Stock dividends and stock rights received by corporations-A</p> <p>2.56 Insurance proceeds received by corporations-A</p> <p>2.65 Interest received by corporations-A</p> <p>2.72 Exchanges of property by corporations generally-A</p> <p>2.721 Exchanges of property held for productive use or investment by corporations-A</p> <p>2.83 Requirements for written elections as to recognition of gain in certain corporation liquidations-A</p> <p>2.88 Interest rates-A</p> <p>2.90 Withholding; wages-A</p> <p>2.91 Withholding; fiscal year taxpayers-A</p> <p>2.92 Withholding tax exemptions-A</p> <p>2.93 Withholding from wages of a deceased employee and from death benefit payments-A</p> <p>3.44 Organization and financing expenses—corporations-A</p> <p>3.45 Bond premium, discount and expense—corporations-A</p> | <p>E. Emergency Rules</p> <p>2.956 Historic structure and rehabilitation of nondepreciable historic property credits-NR (effective 12/28/88; expires 5/27/89)</p> <p>3.095 Income tax status of interest and dividends from municipal, state, and federal obligations received by individuals and fiduciaries-A (effective 1/1/89; expires 5/31/89)</p> |
|---|---|--|
-
- C. Rules at Legislative Standing Committee**

2.16 Change in method of accounting for corporations-A

2.19 Installment method of accounting for corporations-A

D. Rules Adopted in 1989 But Not Yet Effective

11.10 Occasional sales-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 nonacquiescence" or (3) "the department has not appealed" (in this case the department has acquiesced to the Commission's decision).

The following decisions are included:

Individual Income Taxes

John Clifford (p. 6)
Gain or loss—property transferred by gift

Arthur P. and Katherine A. Garst (p. 6)
Credits—taxes paid to other states

Harry F. Peck (p. 6)
Personal residence, sale of

Corporation Franchise or Income Taxes

Brunswick Corporation (p. 7)
Appeals, petition for redetermination
Interest—assessments, 12%