

WISCONSIN TAX BULLETIN

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TWO MORE COUNTIES ADOPT SALES TAX

Effective April 1, 1992, Juneau and Sauk Counties have adopted the county sales tax. In addition, there are 40 other counties that have previously adopted the 1/2% county tax.

An explanation of the county sales tax can be found in the December 1991 issue of the Tax Report, which appears on pages 23 to 26 of this Bulletin.

CERTAIN TAXPAYERS MUST REPORT NEW TEMPORARY SURCHARGE

Background

A recycling fee that was to apply for taxable years ending after April 1, 1991, and before April 1, 1993, was repealed by 1991 Wisconsin Act 39 and replaced with a "temporary surcharge." The temporary surcharge is effective for taxable years ending after April 1, 1991, and before April 1, 1999.

Corporations; partnerships; individuals, estates, and trusts having trade or business income, or income as a statutory employee; and exempt organizations having unrelated business taxable income are subject to the temporary surcharge. The temporary surcharge is imposed on the gross tax liability of a corporation, the net income of a tax-option (S) corporation, and the net business income of an individual, partnership, estate, or trust.

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When is the Temporary Surcharge Due?

For taxpayers not filing under an extension, the temporary surcharge must be paid by the due date of the taxpayer's Wisconsin franchise or income tax return.

For taxpayers who are filing under an extension:

- A. If the unextended due date of the Wisconsin franchise or income tax return is on or after December 1, 1991, the taxpayer must make an estimated surcharge payment by the unextended due date of the taxpayer's Wisconsin franchise or income tax return.
- B. If the unextended due date of the Wisconsin franchise or income tax return is before December 1, 1991, the taxpayer must pay the temporary surcharge by the extended due date of the taxpayer's Wisconsin franchise or income tax return.

Example 1: Corporation A has a fiscal year ending August 31, 1991. The due date of Corporation A's 1990 Wisconsin franchise or income tax return is November 15, 1991. Corporation A is granted a six-month extension of time to file its Wisconsin return.

Corporation A's temporary surcharge is due May 15, 1992 (the extended due date of its 1990 return). Corporation A is not required to make an estimated surcharge payment by November 15, 1991, because the unextended due date of its Wisconsin return is *before* December 1, 1991.

Example 2: Taxpayer B, an individual, is a calendar year taxpayer. Taxpayer B's 1991 Wisconsin individual income tax return is due April 15, 1992. Taxpayer B is granted a four-month extension of time to file his Wisconsin return.

Taxpayer B's temporary surcharge is due August 15, 1992 (the extended due date of his 1991 income tax return). However, Taxpayer B must make an estimated surcharge payment by April 15, 1992, because the unextended due date of his Wisconsin income tax return is *after* December 1, 1991.

Which Form is Used to Report the Temporary Surcharge?

The temporary surcharge will be reported as follows:

- A. For a taxable year that is a fiscal year which began in 1990 and ends during the period April 30, 1991, through November 30, 1991, all entities must report the temporary surcharge on a 1990 Form S.
- B. For the 1991 calendar taxable year or a fiscal taxable year which began in 1991, all entities, other than partnerships, must report the temporary surcharge on a line designated for that purpose on their regular Wisconsin franchise or income tax return.
- C. For the 1991 calendar taxable year or a fiscal taxable year which began in 1991, partnerships must report the temporary surcharge on a 1991 Form 3S (Wisconsin Partnership Temporary Surcharge).

More Information

An informational publication (Publication 400, entitled "Wisconsin's Temporary Surcharge") is being developed by the Department of Revenue to provide additional information concerning the temporary surcharge. A copy of this publication will be mailed to each *Wisconsin Tax Bulletin* subscriber in mid to late January.

FEDERAL TAX LAWS ENACTED IN 1991 DO NOT APPLY FOR WISCONSIN FOR 1991

Federal tax laws enacted during 1991 generally may not be used in determining Wisconsin taxable income for 1991. At the time this issue of the *Wisconsin Tax Bulletin* went to print (December 15, 1991) there were no new federal tax laws enacted during 1991, that create a difference between Wisconsin and federal income.

If any new federal tax laws are enacted in 1991, differences between Wisconsin and federal income as a result of such enactment should be reported on Wisconsin Schedule I.

CHANGES MADE TO FARMLAND PRESERVATION CREDIT PROGRAM

Several changes have taken place concerning the farmland preservation credit program, for 1991 claims as well as for certain 1988, 1989, and 1990 claims. A copy of an informational bulletin that was distributed to approximately 65,000 taxpayers who claimed the farmland preservation credit and/or the farmland tax relief credit on 1990 Wisconsin tax returns appears on pages 29 and 30 of this Bulletin.

Any questions regarding the informational bulletin may be directed to the Farmland Preservation Credit Unit of the Department of Revenue, at the address or telephone number shown in the informational bulletin.

REPORT SALES TAX DUE ON OUT-OF-STATE PURCHASES ON YOUR INCOME TAX RETURN

If you make purchases of tangible personal property or taxable services from an out-of-state seller without payment of the Wisconsin 5% sales tax (5 1/2% if located in a taxable county) you are subject to Wisconsin sales or use tax on these purchases.

For example, you owe Wisconsin tax if:

- You bought cameras, sporting goods, or clothes through an out-of-state catalog and no Wisconsin sales tax was charged, or
- You bought furniture or appliances from a store across the Wisconsin border and that other state's sales tax imposed was less than the Wisconsin sales tax, or
- You bought records, tapes, or books via toll-free telephone numbers advertised on television and no Wisconsin sales tax was charged, or
- You bought clothes, jewelry, or art works while traveling in another state, had it shipped home, and no Wisconsin sales tax was charged.

If you do not hold a Wisconsin seller's permit or use tax certificate, you may report Wisconsin sales and use tax on your Wisconsin individual income tax return (Form 1, 1A, WI-Z, or 1NPR) on the line titled "Sales tax due on out-of-state purchases."

Note: Persons holding a Wisconsin seller's permit or use tax certificate should report any Wisconsin sale or use tax on their sales and use tax return (Form ST-12).

For more information, refer to Wisconsin Publication 205, "Do You Owe Wisconsin Use Tax?". A copy of the publication appears on pages 33 to 36 of this Bulletin.

REMINDER: USE YOUR LABEL

Computers do a great job preparing Wisconsin tax returns. However, there's one thing that a computer cannot do and that's to apply the preprinted address label to the completed return.

Taxpayers who use the preprinted label get their Wisconsin refund checks faster than those taxpayers who do not use the label. Corrections to information on the label may be made directly on the label.

Preparers should remember to use these address labels, even if they are preparing and filing computerized returns for clients.

REMINDER: QUICK REFUNDS AVAILABLE FOR INDIVIDUALS

The Department of Revenue will continue its Quick Refund Program for 1991 individual income tax returns processed in 1992. The objective of the Quick Refund Program is to issue individual income tax refunds to qualifying taxpayers in as little as two weeks after the return is received by the department. The return is checked for computation and other errors at a later date and, if necessary, an adjustment notice is mailed at that time.

The following requirements must be met for an individual to qualify for a quick refund:

- File a signed and completed 1991 Form WI-Z, Form 1A, or Form 1, including all attachments, on or before April 1, 1992.
- Use the department-printed mailing label on which none of the information is changed.
- Have a Wisconsin address on the department-printed mailing label.
- Have a refund due and enter that refund amount, less any amount carried over to 1992 estimated taxes, in the quick refund box which appears at the top of the return. Be sure to enter both dollars and cents.
- Claim no homestead credit or farmland preservation credit, and owe no delinquent taxes or delinquent debts to other state agencies.
- Mail the return to: Quick Refund, P.O. Box 38, Madison, WI 53787.

Approximately 1.7 million refunds were issued in 1991, and over 470,000 of those were quick refunds. This is an increase of 7% over the 439,000 quick refunds issued in 1990.

TIPS TO SPEED REFUND PROCESSING

You can avoid delays in the processing of your Wisconsin income tax return by following these tips:

1. Use the department-printed name and address label. If the information on the label is wrong, correct the label by drawing a line through the incorrect information and printing the correct information clearly on the label.
2. Make sure entries are made on the correct lines.
3. Print words and numbers legibly.
4. Attach the correct withholding statement(s) to the return.
5. Claim only Wisconsin taxes withheld from the withholding statement(s). Many taxpayers mistakenly use the federal tax withheld, the social security tax withheld, or state tax withheld for another state.
6. Attach the necessary supporting schedules.
7. Fill in all requested information when claiming the school property tax credit. Many taxpayers claim a credit but don't fill in the rent paid or property taxes paid.
8. Attach a complete copy of the federal income tax return and schedules to the Wisconsin Forms 1 and 1NPR.
9. Check your math.
10. Sign and date the return. If you are filing a joint return, both spouses must sign the return.
11. If tax is due with the return, attach a check to the return (using a paper clip).
12. Attach any extensions of time to file to the back of the return. An extension of time for filing a federal return automatically gives a Wisconsin extension, provided a copy of the federal extension is attached to the Wisconsin return when it is filed.

TOPICAL/COURT CASE INDEX AVAILABLE

The Wisconsin Department of Revenue's Topical and Court Case Index is designed to help you find reference material for use in researching Wisconsin tax questions. This index will help you find a particular Wisconsin statute, administrative rule, Wisconsin Tax Bulletin article, tax release, publication, Attorney General opinion, or court decision that deals with your particular Wisconsin tax question.

The index is divided into two parts. The first part, the "Topical Index," gives references to alphabetized subjects for the various taxes. The taxes include individual income, corporation franchise or income, sales/use, withholding, gift, estate and inheritance, cigarette, tobacco products, beer, intoxicating liquor and wine, and motor fuel.

The second part, the "Court Case Index," lists Wisconsin Tax Appeals Commission, Circuit Court, Court of Appeals, and Wisconsin Supreme Court decisions by alphabetized subjects for the various taxes.

If you need an easy way to research Wisconsin tax questions, you should consider subscribing to the Topical/Court Case Index. The annual cost is \$14, plus sales tax. To order your copy, complete the order blank that appears on page 39 of this Bulletin. The order blank may also be used for subscribing to the Wisconsin Tax Bulletin and for ordering the Wisconsin Administrative Code.

WHAT IS "THE LOTTERY CREDIT"?

The lottery credit is a completely new type of property tax relief for taxpayers who own their primary residence. The lottery credit was enacted by the Wisconsin Legislature in 1991. The credit is financed from the state lottery and is shown as a reduction in property taxes on 1991 property tax bills (due in 1992). The credit is based on the first \$8,200 of a qualifying home's value, times the school tax rate; the average lottery credit is between \$125 and \$150.

1991 property tax bills for residential and agricultural parcels with "improvements" (i.e., with buildings) show the potential lottery credit. However, the fact that the lottery credit is shown on the tax bill does not automatically mean the taxpayer qualifies for the credit. The lottery credit may be claimed only if the taxpayer is the owner of the home described on the tax bill, and the home is used as his or her primary residence (each taxpayer can have only one primary residence). Claims will be audited by the Department of Revenue.

The right-hand portion of the tax bill has two columns, one showing the property taxes due if the lottery credit is claimed, and the other column showing the property taxes due if the lottery credit is not claimed for that parcel. The credit can be claimed by signing the statement on the right-hand portion of the tax bill and paying the amount shown in the "LOTTERY CREDIT CLAIMED" column. The signed statement must accompany the property tax payment. The statement should not be signed nor should the credit be claimed if the tax bill is not for the taxpayer's primary residence. In that case, the taxpayer must pay the amount shown in the "NO LOTTERY CREDIT" column.

Not all lottery credits will be claimed by signing the property tax bill. The lottery credit for homeowners whose taxes are paid directly by mortgage lenders, who fail to claim the credit at the time their taxes are paid, or whose lottery credit is not shown on the property tax bill, may be claimed by completing and signing one of the special lottery credit claim forms. These special forms and the circumstances under which they should be used are explained below.

1. *Escrowed Taxes.* Taxpayers who have a home loan may have the mortgage lender pay the property taxes directly from an escrow account. The lender may send a form for the taxpayer to sign and return to the lender, authorizing the lender to claim the lottery credit and pay the net taxes after the lottery credit.
2. *Late Claim.* A late claim form may be used by an owner whose credit was shown on the tax bill, but who failed to claim the credit or sign the statement on the tax bill. The late claim form can also

be used by owners whose mortgage lender paid the property taxes but did not claim the lottery credit for them.

3. *Class B.* This form may be used by an owner whose lottery credit was not shown on the tax bill because the primary residence was on property not classed as "improved" residential or agricultural. This would apply because the residence was taxed as personal property, because the parcel did not have a residence as of January 1, 1991, or because the parcel has more than one owner and more than one primary residence.
4. *Mobile Home Parking Fee.* This form may be used by mobile home owners subject to the monthly parking permit fee. The lottery credit computed by the treasurer is then prorated over the monthly fees for 1992.

A sample 1991 real estate tax bill appears on page 22 of this Bulletin. The lottery credit, the statement for the owner to sign, and the amounts payable with or without the lottery credit are highlighted on the copy, as #'s 1, 2, 3, and 4, respectively.

If you have more questions or want additional information about the lottery credit, you should contact your local or county treasurer.

FORMS 1099-G AND 1099-INT MAILED TO TAXPAYERS

Federal law requires that the Department of Revenue provide 1991 information returns (Forms 1099-G) to persons who received a Wisconsin income tax refund in 1991 and claimed state income tax payments as an itemized deduction on the federal tax return for the year to which the refund applies. Federal law also requires that information returns (Forms 1099-INT) be provided to persons who received \$600 or more of interest on refunds issued by the Department of Revenue.

The department will mail approximately 250 Forms 1099-INT and 650,000 Forms 1099-G during January 1992.

Regardless of whether a taxpayer is sent a Form 1099-INT, the taxpayer must report all interest received in 1991 as income on his or her 1991 federal and Wisconsin tax returns.

All or a portion of a state income tax refund from Form 1099-G may also be includible in federal taxable income. However, the state income tax refund should not be included in Wisconsin taxable income.

The Form 1099-G has an explanation area on the right side showing how the refund reported to the IRS was determined. The first line shows the amount of the refund, and subsequent lines show plus or minus adjustments for amounts applied to next year's estimated taxes; endangered resources donations; late filing penalties and interest; homestead, farmland preservation, farmland tax relief, and earned income credits; retirement plan penalties; and any other adjustments. The last line shows the amount of refund reported to the IRS.

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 generally limited to 6 copies of any single form. This is necessary to prevent 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, except in the case of items marked "Do Not Photocopy."

Practitioners or other persons requiring larger supplies should write to Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903.

ENDANGERED SPECIES COUNT ON YOUR HELP

The following article was submitted by the Bureau of Endangered Resources, Wisconsin Department of Natural Resources.

Contributions made to the Endangered Resources Fund Checkoff on the 1991 state income tax form are the primary support to the Bureau of Endangered Resources. The donations help to manage and protect endangered species in Wisconsin.

Your help as Tax Practitioners is vital in reaching the largest portion of taxpayers. Please support our efforts by informing your clients of an opportunity to save the endangered species.

Thank you for doing your part to protect the endangered species of Wisconsin.

If you would like more information on the Endangered Resources Fund Checkoff, contact:

Carol Muller
Bureau of Endangered Resources
P.O. Box 7921
Madison, WI 53707
608/264-6040

PACKAGE WI-X AVAILABLE FOR 1991

Package WI-X contains actual size copies of most 1991 Wisconsin individual, fiduciary, and corporation income tax, gift tax, inheritance tax, estate tax, motor fuel tax, sales tax, and withholding tax forms. If you have not yet ordered your 1991 Package WI-X, send your request and \$7 per copy to: Wisconsin Department of Revenue, Shipping and Mailing Section, P.O. Box 8903, Madison, WI 53708.

WISCONSIN INHERITANCE, ESTATE, AND GIFT TAXES

Inheritance Tax

For deaths occurring on or after January 1, 1992, there is no longer an inheritance tax. No "Certificate Determining Inheritance Tax" will be issued for deaths on or after January 1, 1992.

Estate Tax

Effective for deaths occurring on or after January 1, 1992, Wisconsin imposes an es-

tate tax. The Wisconsin estate tax is equal to the credit for state death taxes allowable on the federal estate tax return (Form 706). The only estates required to file a Wisconsin estate tax return will be those which are required to file a federal estate tax return. The current filing requirement for a federal estate tax return is a gross estate of \$600,000.

Those estates required to file a Wisconsin estate tax return must file a Wisconsin Form W706 (see copy of Form W706 and instructions, appearing on pages 31 and 32 of this Bulletin) and include a complete copy of the federal estate tax return and attachments. The due date is the same as the due date of the federal estate tax return, which is 9 months after the date of death or the date the federal estate tax return is required to be filed, as extended, whichever is later. Regardless of when the Wisconsin estate tax return is filed, however, the tax is due 9 months after the date of death.

Upon receipt of the return and payment of the liability, and after audit, the Department of Revenue will issue a dated certificate showing the amount of estate tax, interest, and penalty. For estates not required to file a federal estate tax return, the department will not issue a certificate determining estate tax.

The Department of Revenue must be notified within 30 days if the federal estate tax return is amended or adjusted by any means, including a federal estate tax audit, refund claim, or amendment.

(NOTE: Estates that are not required to file a Wisconsin estate tax return may still be required to obtain a "Closing Certificate for Fiduciaries" for income tax purposes.)

Consent To Transfer Property and Release of Inheritance Tax Lien

For deaths occurring on or after January 1, 1992, there is no authority for the department to issue a "Consent to Transfer Property" or "Release of Inheritance Tax Lien." Therefore, the department will not issue a "Consent to Transfer Property" or "Release of Inheritance Tax Lien" when death is on or after January 1, 1992.

Gift Tax

For gifts made on or after January 1, 1992, there is no Wisconsin gift tax.

Forms and Information

Forms and information may be obtained by writing to Wisconsin Department of Revenue, P.O. Box 8904, Madison, WI 53708-8904, or by telephoning (608) 266-2772.

SPEAKERS BUREAU

The department's Speakers Bureau provides speakers to business, community, and other organizations throughout Wisconsin. The department has developed Publication 700 (Speakers Bureau presenting ...). The publication includes a listing of topics speakers are available to cover, the address and telephone number for requesting a speaker, etc.

A copy of Publication 700 appears on pages 37 and 38 of this Bulletin.

EXTENSIONS OF TIME TO FILE 1991 TAX RETURNS

Extensions Allowed for Some Wisconsin Returns

Due dates for filing various Wisconsin tax returns and reports are determined by Wisconsin Statute and by administrative rule. The Wisconsin Statutes also authorize extensions of time for filing certain (but not all) Wisconsin returns and reports. The time for filing some Wisconsin tax returns and reports cannot be extended, as no extension is authorized by the Wisconsin Statutes.

Extensions To File Do Not Extend Time To Pay

An extension of time to file a Wisconsin tax return or report does not extend the time to pay any tax or temporary surcharge due. Income, franchise, or sales/use taxes not paid by the original due date are subject to interest at the rate of 12% per year during the extension period and 18% per year from the end of the extension period until paid. For