



Wisconsin TAX BULLETIN



Computer programs — sales and use tax treatment

See page 23.

Forms Changes for 1992

Following is a brief description of the major changes to the Wisconsin individual income tax and homestead credit forms for 1992.

Forms WI-Z, 1A, 1, and 1NPR

- A check box is added to Form WI-Z (line 2) and Form 1A (line 9) to identify persons who can be

claimed as dependents on someone else's return.

- Line 24 of Form 1 (line 22 of Form 1A and line 51 of Form 1NPR) is revised to refer to "qualifying" children rather than "dependent" children, for the computation of the Wisconsin earned income credit.
- Line 20 of Form 1NPR is revised to indicate that the federal self-employed health insurance deduction is not allowed for Wisconsin.

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Schedule H

- A check box is added above question 1, to check if the claimant's spouse was age 65 or older as of December 31, 1992 (for use in conjunction with the "PartnerCare" Program).
- Boxes are added in question 7a, to check if a claimant became married or divorced in 1992.

Proof copies of the 1992 Forms WI-Z, 1A, 1, and 1NPR and Schedule H can be found on pages 34 to 44 of this Bulletin. The copies are subject to further revision. □

Information From Illinois Nets Wisconsin Use Tax

The Illinois Department of Revenue provided the Wisconsin Department of Revenue with information from an

audit it had performed of an Illinois furrier. The fur company had sold furs to individuals located throughout the country, including Wisconsin, where Illinois tax was not imposed.

Based on this information, 44 Wisconsin individuals who purchased furs from the Illinois furrier voluntarily remitted over \$15,000 in Wisconsin use tax and interest, and an additional \$13,000 was assessed to 30 individuals who did not remit the tax voluntarily.

In addition, three other individuals were referred for audit because of indications of under reporting of other Wisconsin taxes, in addition to the tax due on the fur purchased.

This "fur project" is one of many instances where the exchange of information agreements the Wisconsin Department of Revenue has with other states have proven useful in the collection of Wisconsin taxes. □

Travelers May Be Subject to Use Tax

Travelers who have purchased merchandise in foreign countries and brought the items into Wisconsin may be subject to Wisconsin use tax on their purchases. In an effort to

improve voluntary compliance with use tax, the department is sending letters to persons who have purchased items from abroad. The letters indicate that they may be subject to Wisconsin use tax on their purchases and explain how to report any use tax due.

Those who fail to respond to the contact letter and a written follow-up will be assessed use tax, based on values determined using U.S. Customs Service information.

The department also has developed two new use tax publications, Publication 212 for businesses (*Businesses: Don't Forget About Use Tax*) and Publication 213 for individuals (*Travelers: Don't Forget About Use Tax*). These publications are included with information sent to purchasers by the U.S. Customs Service, and copies are also available at U.S. Customs locations. □

NCR Case Generates Claims for Refund

As reported in the "Report on Litigation" (page 5 of *Wisconsin Tax Bulletin* 76, April 1992), the Wisconsin Tax Appeals Commission (WTAC) held in *NCR Corporation vs. Department of Revenue* that the Wisconsin dividend received deduction, for dividends received from corporations doing 50 percent or more of their business in Wisconsin, violates the equal protection clause of the U.S. Constitution. The WTAC also ruled that the application of the Wisconsin apportionment formula to NCR's unitary business violates the foreign commerce clause of the U.S. Constitution. The department has appealed this decision to the Circuit Court.

The department has received approximately 700 claims for refund based on the *NCR Corporation* case. Tax-

payers who filed refund claims were sent a "Stipulation and Agreement," extending the department's time to act on their claims until one year after a determination by a court becomes final.

Taxpayers who wish to file a claim for refund but have not yet done so should request an "Agreement Extending Time to File Claim for Refund" from the department. The signed agreement will extend their time to file a refund claim until six months after a determination by a court becomes final.

Refund claims and extension agreements are being held in abeyance in the department's Audit Bureau. The department will take appropriate action on all refund claims and extension agreements when a final court determination is made.

For more information about the *NCR Corporation* case, or to request an "Agreement Extending Time to File Claim for Refund," you may contact the department by writing to Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906, or by phoning (608) 266-2772 in Madison. Indicate whether your claim will be based on the issue of the deductibility of dividends received, the issue of income apportionment, or both issues. □

The "Tax Audit"

Taxpayers are occasionally treated to "news items" on radio or television, usually around the April 15 filing deadline, about that dreaded topic, The Tax Audit. This article is intended to help you better understand the Wisconsin Department of Revenue's audit procedures and perhaps answer some of the questions you may have.

The department conducts two types of audits, which are commonly known

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as “office audits” and “field audits.” This issue of the *Wisconsin Tax Bulletin* will focus on office audits. Field audits will be discussed in a separate article in a future issue.

Most office audits are conducted by auditors located in Madison. Both the income tax returns of individuals and the franchise and income tax returns of corporations are routinely office audited. Usually a taxpayer's returns for a three- or four-year period are audited at one time.

In an office audit the auditor examines tax returns to verify the correctness of the information being reported. When an office auditor requires additional information from you, the information is typically requested by letter. If the audit will include an interview, you have the right to ask that it take place at a reasonable time and at a place that is convenient for both you and the department.

At the conclusion of the examination, the department will send you a notice explaining any adjustments being made to your return, along with an

explanation of how you may appeal if you disagree with the adjustments. The adjustments may result in either an assessment of additional tax or a refund. If the examination results in no adjustments, you will also be notified of that.

Returns may be selected for audit for a number of reasons, including tax filing history, type of business, type of deductions or credits, audit history, and third-party sources of information. Having your return selected for audit does not mean that the department thinks you are dishonest. The audit may or may not result in additional tax. Some audits are completed without any adjustments, and some result in refunds!

For the fiscal year ending June 30, 1992, the department issued 31,002 office audit assessments for \$41,800,000, and 8,633 office audit refunds for \$17,500,000. This compares with 38,914 assessments for \$48,700,000 and 12,799 refunds for \$18,700,000 for the previous year ending June 30, 1991. The fiscal 1991-92 assessments included \$27,700,000 assessed to individuals and \$14,100,000 to corporations. Refunds of \$7,100,000 were issued to individuals and \$10,400,000 to corporations. ☐

Focus on Forms: Dependents With Unearned Income May File Form WI-Z or 1A

WI-Z

Wisconsin income tax return for single persons under 65 with no dependents

1992

2 If your parent (or someone else) can claim you as a dependent, check here ☐

* * *

1A *Wisconsin income tax*

1992

9 If your parent (or someone else) can claim you as a dependent, check here ☐

A check box to indicate that an individual can be claimed as a dependent on a parent's (or someone else's) tax return has been added to Form WI-Z, as line 2, and to Form 1A, as line 9 (see the Forms WI-Z and 1A inserts above).

With the addition of this check box on the Form WI-Z and Form 1A, and a worksheet, standard deduction

table, and tax rate schedule for computing tax in the instruction booklet, a large number of single dependents with unearned income will be able to file their Wisconsin income tax return on a short Form WI-Z or 1A for 1992. In prior years, dependents with unearned income were required to file on the Wisconsin long form, Form 1.

Counties Adopt or Extend County Tax

Effective January 1, 1993, the ½% county sales and use tax is

- adopted by Price County, and
- extended by Douglas and LaCrosse Counties.

Price County is the first county to take advantage of a law change, enacted as part of 1991 Wisconsin Act 39, which allows counties to adopt the county tax on January 1,

April 1, July 1, or October 1, rather than just April 1 as was previously allowed. See *Wisconsin Tax Bulletin* 73 (August 1991), page 23, for a description of this law change.

LaCrosse County adopted the county tax effective April 1, 1990. A provision in the ordinance adopting the county tax stated that the county tax would expire December 31, 1992. However, in 1992, LaCrosse County adopted an ordinance to re-enact the county tax effective January 1, 1993; therefore, there will be no lapse in the county tax for LaCrosse County.

Douglas County, which adopted the county tax effective April 1, 1991, also included a provision in its ordinance that the county tax would expire December 31, 1992. Douglas County amended its ordinance adopting the county tax to remove the expiration date; therefore, there will be no lapse in the county tax for Douglas County.

The December 1991 *Tax Report*, a copy of which appeared in *Wisconsin Tax Bulletin* 75 (January 1992), explains how the county tax applies to retailers and other persons. It includes a listing of the counties that currently have the county tax. □

Reciprocity With Maryland Ends

Because of a law enacted by the state of Maryland on May 1, 1992, reciprocity between Wisconsin and Maryland has terminated, effective for taxable years beginning after December 31, 1991. Wisconsin had practiced reciprocity with Maryland for a number of years under the provisions of sec. 71.05(2), Wis. Stats. (1989-90), based on an informal agreement between the states.

With the termination of reciprocity between Wisconsin and Maryland,

Maryland residents are no longer exempt from Wisconsin income tax on personal service income earned in Wisconsin. Wisconsin residents earning income from personal services performed in Maryland are subject to Maryland income tax and may claim a credit for taxes paid to Maryland on their 1992 or subsequent Wisconsin income tax returns.

Under reciprocity, personal service income is taxed by an employee's state of residence rather than an employee's state of employment. For further information regarding reciprocity, refer to sec. Tax 2.02, Wis. Adm. Code. (Note: Wisconsin continues to practice reciprocity with Illinois, Indiana, Kentucky, Michigan, and Minnesota.) □

Information or Inquiries?

Madison - Main Office Area Code (608)

Beverage, Cigarette, Tobacco Products . . .	266-6701
Corporation Franchise and Income	266-1143
Estimated Taxes	266-9940
Fiduciary, Inheritance, Gift, Estate	266-2772
Homestead Credit	266-8641
Individual Income	266-2486
Motor Fuel	266-3223
Sales, Use, Withholding	266-2776
Audit of Returns: Corporation, Individual, Homestead	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

Annual Bulletin Index

Once each year the *Wisconsin Tax Bulletin* includes an index of materials that have appeared in past Bulletins. The latest index available appears in *Wisconsin Tax Bulletin* 78 (July 1992) and includes information for issues 1 to 75 (January 1992). □

Topical and Court Case Index Available

The Department of Revenue's *Wisconsin Topical and Court Case Index* is designed to help you find reference material for use in researching your Wisconsin tax questions. This index references Wisconsin statutes, administrative rules, *Wisconsin Tax Bulletin* articles, tax releases, publications, Attorney General opinions, and court decisions.

The first part of the index, the "Topical Index," gives references to alphabetized subjects for the various taxes, including individual income, corporation franchise and income, withholding, sales and use, gift, inheritance and estate, cigarette, tobacco products, beer, intoxicating liquor and wine, and motor fuel, special fuel, and general aviation 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 *Wisconsin Topical and Court Case Index*. The annual cost is \$14, plus sales tax. The \$14 fee includes a volume published in December, and an addendum published in May.

To order your copy, complete the order blank that appears on page 45