

## Reminder: Quick Refunds Available for Individuals

The Department of Revenue will continue its Quick Refund Program for 1992 individual income tax returns processed in 1993. 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 1992 Form WI-Z, Form 1A, or Form 1, including all attachments, on or before April 1, 1993.
- 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 1993 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 1992, and over 482,000 of those were quick refunds.

This is an increase of 2.5% over the 470,000 quick refunds issued in 1991. ☐

## 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 or 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 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. Complete the married couple credit schedule (Form 1, Schedule 4) when claiming this credit.

Many taxpayers claim the credit but don't complete the schedule showing their computation.

10. Attach a completed rent certificate if you are a renter claiming homestead credit (a rent certificate is not necessary if you are claiming only the renters' school property tax credit). ☐

## Incomplete Returns Sent Back to Taxpayers

Many tax returns are sent back to taxpayers each year because of missing schedules or information. In the 1992 processing season (1991 returns and claims) the department sent back 52,000 individual income tax returns, 500 corporation franchise and income tax returns, 880 partnership returns, 40,200 homestead credit claims, and 5,500 farmland preservation credit claims. Common reasons for sending back returns are described below.

### Individual Income (Forms WI-Z, 1A, 1, and 1NPR)

- Copies of federal tax return and schedules not attached to Form 1 or 1NPR.
- Withholding statements (Form W-2 and Form 1099-R) not attached.
- Married couple credit schedule not completed.
- Form 1NPR (for nonresidents and part-year residents) filed without completed residence questionnaire.
- Other state's tax return not attached, when Tax Paid to Other States claimed.
- Signature(s) missing.

### Corporation Franchise and Income (Forms 4, 5, and 5S)

- Federal employer identification number not filled in.

- Federal Form 1120 or 1120S copy not attached.
- Schedules to support credits (such as manufacturer's sales tax, research, development zone, and farmland tax relief credits) not attached.
- Schedule S (temporary recycling surcharge) on Form 5S not completed.
- Signature(s) missing.

#### **Homestead Credit (Schedule H)**

- Rent certificate and/or tax bill not attached.
- Rent certificate altered or not filled in completely.
- Number of occupants not filled in on rent certificate.
- Rent certificate shows more than one occupant, but claimant claims all rent and does not explain why.
- Copy of proper or correct year's property tax bill not attached.
- Tax bill(s) shows owner(s) other than claimant, or different address.
- Wisconsin tax return, copy of federal return, necessary schedules, or wage statements missing.
- Special instructions for separated spouses not followed.
- Signature(s) missing.

#### **Farmland Preservation Credit (Schedule FC)**

- Ownership not verified, when other owners listed on tax bill.
- Prior year's property tax payment not verified, when tax bill shows delinquent taxes.
- Copies of applicable property tax bills or correct year's tax bills not attached.
- Copy of properly executed farmland preservation agreement not attached.
- No indication made of which improvements are in agricultural district, when agreement or zon-

ing certificate indicates acres are to be excluded.

- Copy of transfer statement not attached, when property subject to farmland preservation agreement transferred to new owner.
- Zoning certificate certified for year of claim not attached.
- Number of acres not filled in.
- Schedule showing property tax computation not attached, when proration is necessary.
- Federal Form 1040 copy or income schedule not attached.

#### **Partnership (Form 3)**

- Federal employer identification number not filled in.
- Copies of federal Form 1065 or Wisconsin Schedule 3K-1 not attached.
- Federal Form 1065 and Schedule K-1 filed without Wisconsin Form 3 and Schedule 3K-1. ☐

### **Avoid Errors on Tax Returns**

Are your tax returns filed without any errors? Many errors on tax returns are discovered each year, either in processing the returns or in subsequent audits by the Department of Revenue. The information below may be helpful to you in preparing your Wisconsin tax return or your clients' returns.

#### ***Errors Discovered in Processing Returns***

Common errors discovered in processing 1991 individual income tax returns include the following:

- Math errors. Over 270,000 income tax returns (10% of the returns processed) were adjusted to correct math errors.
- Incomplete returns. In addition to the 52,000 returns sent back because they were incomplete (see

the preceding related article), processing of thousands of other returns was delayed because of missing information regarding the school or tax district, school property tax credit, earned income credit, itemized deduction credit, or taxes paid to other states.

- Underpayment of estimated tax. Adjustments charging estimated tax underpayment interest were sent to over 38,000 taxpayers.
- Insufficient payments. Thousands of returns were adjusted where taxes were due but no payment or only a partial payment was included. Over 4,500 returns included checks that were returned due to insufficient funds.

#### ***Audit Adjustments***

Errors discovered in auditing Wisconsin tax returns by the department's auditors resulted in the collection of \$137 million in taxes, penalties, and interest in the fiscal year ending June 30, 1992. This includes sales and use taxes of \$62.8 million, income taxes of \$40.4 million, corporation taxes of \$24 million, and other taxes (inheritance, alcohol, tobacco, fuel, etc.) of \$9.8 million. The most common errors, by type of tax, are described below.

#### **Individual and Fiduciary Income Taxes**

- Capital gain or loss reported incorrectly, including failure to apply \$500 loss limitation, to claim 60% capital gain exclusion, and to use correct cost basis.
- Taxable unemployment compensation or social security computed incorrectly.
- Nonbusiness travel and entertainment expenses claimed as business expenses.
- IRA penalty, distribution, or deduction omitted or claimed incorrectly.

## Department Offers Taxpayer Assistance

During the filing season of January through April 15, 1993, department personnel will be available to answer questions.

In the department's larger offices, assistance is provided on a daily basis (Monday through Friday). Assistance in other offices generally is available on Mondays only, although there are exceptions as noted below.

### Offices Providing Daily Assistance

Location	Address	Telephone No.	Hours
* Appleton	265 W. Northland Ave.	(414) 832-2727	7:45-4:30
* Eau Claire	718 W. Clairemont Ave.	(715) 836-2811	7:45-4:30
* Green Bay	200 N. Jefferson St.	(414) 448-5179	7:45-4:30
* Kenosha	5906 10th Ave., Rm. 106	(414) 653-7100	7:45-4:30
* Madison	4638 University Ave.	(608) 266-2772	7:45-4:30
* Milwaukee	819 N. Sixth St., Rm. 408	(414) 227-4000	7:45-4:30
* Racine	616 Lake Ave.	(414) 638-7500	7:45-4:30
* Waukesha	141 N.W. Barstow St.	(414) 521-5310	7:45-4:30

### Offices Providing Assistance on Mondays Only (unless otherwise noted)

Ashland	Courthouse	NONE	10:00-2:00(a)
Baraboo	1007 Washington	(608) 356-8973	7:45-4:30
Beaver Dam	211 S. Spring St.	(414) 887-8108	7:45-4:30
Elkhorn	300 S. Lincoln St.	(414) 723-4098	7:45-4:30
Fond du Lac	845 S. Main, Ste. 150	(414) 929-3985	7:45-4:30
Grafton	220 Oak St.	(414) 377-6700	7:45-4:30
Hayward	221 Kansas Ave.	(715) 634-8478	7:45-11:45
Hudson	1810 Crestview Dr., Ste. 1B	(715) 386-8224	7:45-4:30
Janesville	101 E. Milwaukee	(608) 758-6190	7:45-4:30(b)
* La Crosse	620 Main St.	(608) 785-9720	7:45-4:30(b)
Lancaster	130 W. Elm St.	(608) 723-2641	7:45-4:30
Madison	545 Zor Shrine Place	NONE	8:00-4:00(c)
Manitowoc	1314 Memorial Dr.	(414) 683-4152	7:45-4:30
Marinette	Courthouse, 1926 Hall Ave.	(715) 732-7565	9:00-12:00
Marshfield	300 S. Peach Ave., Ste. 4	(715) 387-6346	7:45-4:30
Monroe	1518 11th St.	(608) 325-3013	7:45-4:30
Oshkosh	404 N. Main St.	(414) 424-2100	7:45-4:30
Rhineland	203 Schiek Plaza	(715) 362-6749	7:45-4:30
Rice Lake	101 N. Wilson Ave.	(715) 234-7889	7:45-4:30
Shawano	420 E. Green Bay St.	(715) 526-5647	7:45-4:30
Sheboygan	504 S. 14th St.	(414) 459-3101	7:45-4:30
Superior	1418 Tower Ave., Ste. 5	(715) 392-7985	7:45-4:30
Tomah	1200 McLean Ave.	(608) 372-3256	7:45-11:45
Watertown	600 E. Main St.	(414) 261-7700	7:45-4:30
Waupaca	201½ S. Main St.	(715) 258-9564	7:45-11:45
Wausau	710 Third St.	(715) 842-8665	7:45-4:30
West Bend	120 N. Main St.	(414) 335-5380	7:45-4:30
Wisconsin Rapids	2811 8th St. S.	(715) 421-0500	7:45-4:30

\* Open During noon hour

(a) Open Tuesday only, January only

(b) Open Monday, Tuesday, and Wednesday

(c) Open Monday and Wednesday

- Interest or dividend income not reported.
- Office-in-home deduction claimed incorrectly.
- Incorrect filing status used.
- Dependent credit incorrectly claimed for taxpayer and/or spouse.
- Farm loss limitation computed incorrectly.
- Credit for tax paid to another state based on withholding rather than net tax actually paid.
- Amended Wisconsin return not filed to report IRS adjustments to federal return.

## Corporation Franchise and Income Taxes

- Officers' and/or shareholders' personal expenses incorrectly deducted.
- State franchise or income taxes incorrectly deducted.
- Net operating loss carryover, depreciation, or transitional adjustments computed incorrectly.
- Income, deductions, credits, or allowances incorrectly distributed, apportioned, or allocated between related corporations.
- Income of foreign sales corporations (FSCs) not properly allocated.
- Unitary income improperly excluded from apportionable income.
- Manufacturer's sales tax credit or research credits not properly computed.
- Throwback sales not included in computation of sales factor.

## Sales and Use Taxes

- Use tax not reported on taxable property and services stored, used, or consumed in Wisconsin.

- Manufacturer's rebates not included in taxable gross receipts.
- Mandatory tips not included in taxable gross receipts.
- Transportation charges not included in taxable gross receipts.
- Tax not collected by nonprofit organizations on taxable sales.
- Failure to keep required exemption certificates to prove sale was exempt.
- Purchaser improperly giving exemption certificate (e.g., manufacturer, farmer, resale, etc.) for items that do not qualify for exemption.
- Failure to pay tax on taxable canned computer software.
- Contractor adjustments:
  - Buying items without tax which are used in real property construction and then failing to pay use tax.
  - Buying items without tax out-of-state and failing to pay use tax on those items used in Wisconsin.
  - Failing to charge sales tax when acting as a retailer (e.g., installing kitchen cupboards in a restaurant).
  - Failing to charge sales tax on repair of personal property (e.g., repairing a furnace).
  - Failing to pay tax on materials used in construction of real estate for exempt entities (e.g., churches, schools).
- County sales/use adjustments:
  - Failure of seller to recognize that it has nexus in a taxable county and to charge that county's sales tax.
  - Failure to pay county use tax.
  - Failure of contractor to pay county tax on items used in real property construction in a taxable county.

#### Homestead Credit

- AFDC, IRA and deferred compensation deductions, deprecia-

tion, section 179 expense, and unemployment compensation not included in household income.

- Special assessments and charges incorrectly claimed as property taxes.
- Property taxes not properly prorated for homestead owned with others or occupied only part of year.
- Property taxes or rent not reduced for months AFDC received.
- Property taxes before lottery credit incorrectly claimed.
- Total rent incorrectly claimed for jointly occupied homestead.
- Percentage of rent constituting property taxes computed incorrectly.
- Credit looked up incorrectly on computation tables.

#### Farmland Preservation Credit

- Gross pension, depreciation, deferred compensation, and capital gain exclusion not included in household income.
- Total household income computed incorrectly.
- Property taxes computed incorrectly.
- Property taxes not prorated for property owned by or with others.
- Incorrect credit percentage claimed. □

#### Tax Publications Available

The Department of Revenue publishes over 30 publications that are available, free of charge, to taxpayers or practitioners. To order any of the publications, write or call Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903 (telephone (608) 266-1961).

#### Number Title of Publication

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|-----|--|
| 102 | Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders    |
| 103 | Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts |
| 104 | Wisconsin Taxation of Military Personnel   |
| 109 | Tax Information for Married Persons Filing Separate Returns and Persons Divorced |
| 111 | How to Get a Private Letter Ruling From the Wisconsin Department of Revenue      |
| 112 | Wisconsin's Individual Estimated Tax and Corporation Estimated Tax Programs      |
| 113 | Federal and Wisconsin Income Tax Reporting Under the Marital Property Act        |
| 114 | Wisconsin Taxpayer Bill of Rights  |
| 117 | Guide to Wisconsin Information Returns   |
| 200 | Sales and Use Tax Information for Electrical Contractors                         |
| 201 | Wisconsin State and County Sales and Use Tax Information                         |
| 202 | Sales and Use Tax Information: Motor Vehicle Sales, Leases and Repairs           |
| 203 | Sales and Use Tax Information for Manufacturers                                  |
| 205 | Do You Owe Wisconsin Use Tax?  |
| 206 | Sales Tax Exemption for Nonprofit Organizations                                  |
| 207 | Sales and Use Tax Information for Contractors                                    |
| 210 | Sales and Use Tax Treatment of Landscaping                                       |
| 211 | Sales and Use Tax Information for Cemetery Monument Dealers                      |
| 212 | Businesses: Don't Forget About Use Tax   |

- 213 Travelers: Don't Forget About Use Tax
- 214 Do You Owe Wisconsin Use Tax? (Businesses)
- 400 Wisconsin's Temporary Recycling Surcharge
- 500 Tax Guide for Wisconsin Political Organizations and Candidates
- 501 Field Audit of Wisconsin Tax Returns
- 502 Directory of Free Publications
- 503 Wisconsin Farmland Preservation Credit
- 504 Directory for Wisconsin Department of Revenue
- 505 A Taxpayer's Appeal Rights of an Office Audit Adjustment
- 506 Taxpayers' Appeal Rights of Field Audit Adjustments
- 507 How to Appeal to the Tax Appeals Commission
- 508 Wisconsin Tax Requirements Relating to Nonresident Entertainers
- 509 Filing Wage Statements and Information Returns on Magnetic Media
- 600 Wisconsin Taxation of Lottery Winnings
- 601 Wisconsin Taxation of Pari-Mutuel Wager Winnings
- 700 Speakers Bureau presenting ...
- W-166 Wisconsin Employer's Withholding Tax Guide ☐

## Farm Losses May Be Limited

When preparing 1992 income tax returns, don't forget to review farm losses to determine if the deduction for farm losses is limited for Wisconsin.

The amount of farm loss that may be deducted each year is limited if the taxpayer's nonfarm Wisconsin ad-

justed gross income exceeds \$55,000 (\$27,500 if married filing separately).

You can find further information on the Wisconsin farm loss limitations in two tax releases titled "Limitations on Farm Losses" which appear in *Wisconsin Tax Bulletin* 51 (July 1987), page 9, and *Wisconsin Tax Bulletin* 63 (October 1989), page 12. ☐

## CPAs and Accountants Contacted for Use Tax

Accounting firms and self-employed CPAs were sent a letter in November 1992, requesting them to review their records for use tax not previously reported. The letter provided information on use tax requirements and also included a worksheet for computing and remitting previously overlooked use tax.

Wisconsin use tax is imposed on the purchase price of tangible personal property and taxable services that are used, stored, or consumed in Wisconsin, when Wisconsin sales or use tax was not previously paid. A few examples of taxable purchases include reference materials, computer hardware, computer software that is not custom software, gifts or promotional items, and office furniture, equipment, or supplies, as well as shipping and handling charges on these items.

The letter sent to accounting firms and CPAs was part of a use tax self-audit project initiated by the Department of Revenue to achieve voluntary tax compliance. Additional phases of the project will include mailings to other accountants, practitioners, and attorneys. ☐

## Sales and Use Tax Treatment of Landscaping Services for Utilities

Landscaping services are subject to

Wisconsin sales or use tax when performed in lawn and garden areas. This includes lawn, shrub, and tree services performed in residential, commercial, and industrial locations, cemeteries, golf courses, athletic fields, stadiums, parking lots, and other developed areas. Taxable landscaping services include the seeding, sodding, and spreading of top soil in backfilled trenches as a result of installing, repairing, maintaining, or replacing utility transmission or distribution lines in lawn and garden areas.

One type of landscaping service that is not taxable is tree and shrub trimming and defoliation spraying for a utility, for purposes of keeping the overhead transmission and distribution lines free from interference from nearby trees or shrubs or inaccessible to children. This is based on the *Capital City Tree Experts, Inc.* decision by the Circuit Court of Dane County (September 21, 1987).

A copy of Wisconsin Publication 210, which explains the Wisconsin sales and use tax treatment of landscaping services in more detail, appears on pages 49 and 50 of this Bulletin. ☐

## Topical and Court Case Index Available

Are you looking for a convenient way to locate reference material so you can research a particular Wisconsin tax question? The *Wisconsin Topical and Court Case Index* will 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, 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 53 of this Bulletin. The order blank may also be used for subscribing to the *Wisconsin Tax Bulletin* and for ordering the Wisconsin Administrative Code. □

## Need a Speaker?

Are you planning a monthly meeting or training program? The Wisconsin Department of Revenue provides speakers to business, community, and educational organizations.

Department representatives are available to speak on a variety of topics that can be targeted toward your group's particular areas of interest, including:

- New income and corporate tax laws.
- How sales tax affects contractors, landscapers, manufacturers, non-profit organizations, or businesses in general.
- What to expect in an audit.

- Common errors discovered in audits.
- Homestead credit.
- Farmland preservation credit.

To arrange for a speaker, please write to Wisconsin Department of Revenue, Speakers Bureau, P.O. Box 8910, Madison, WI 53708-8910, or call (608) 266-3969. □



## Look for the Loon

*The following article was*

*submitted by the Bureau of Endangered Resources, Wisconsin Department of Natural Resources.*

The loon. Its haunting call echoing over a northern Wisconsin lake is a symbol of all that is wild in our state. It is also the new symbol of Wisconsin's Endangered Resources Fund. The fund is the primary means of support for the Bureau of Endangered Resources which is responsible for protecting our rare plants and animals for future generations. Wisconsin taxpayers can contribute to the fund when preparing their state income tax returns by looking for the symbol of the loon on this year's form.

Thanks in large part to the support of Wisconsin tax practitioners, endangered species were given a shot in the arm in 1992. More than 62,000 taxpayers contributed a total of \$668,000 to the Endangered Resources Fund on their 1991 state tax returns. The fund is used to preserve and manage Wisconsin's 207 endangered and threatened species, nongame animals, and the natural areas they inhabit. From the tiny frosted elfin butterfly to the majestic bald eagle, all benefit from donations to the Endangered Resources Fund.

Last year's contributions were heartening, but the amount remains far shy of the total needed to protect Wisconsin's ever-growing list of rare species. The support of tax practitioners is vital to continuing the success of the Endangered Resources Fund. Practitioners can ensure that this important work will proceed by informing clients of the opportunity to contribute to the fund on their tax forms.

For more information on the Endangered Resources Fund please contact the Bureau of Endangered Resources, Box 7921, Madison, WI 53707, or call (608)266-7012. □

## Electronic Filing Improves Service and Reduces Costs

New technologies and growing public acceptance of electronic data interchange offer an unprecedented opportunity to improve service and reduce costs. Electronic individual income tax return filing is the most immediate example of how emerging technologies can be used.

The key to these new technologies is the development of agreed-upon national standards and guidelines. The Wisconsin Department of Revenue (DOR) is one of several states cooperating with the Internal Revenue Service (IRS) in a Federal/State Electronic Filing program (ELF). This process is designed to test procedures and lay the groundwork for an ongoing electronic tax return filing system.

A pilot electronic filing effort was implemented in the 1992 tax filing season (1991 returns). Three tax practitioners, plus DOR as a transmitter of agency employee returns, volunteered to participate. A total of 492 ELF returns were received and 466 were accepted by DOR (95%). This