

was a very small sample of the 2.6 million individual income tax returns filed in 1992.

Multi-Step Filing Process

The major steps in the process were:

1. The electronic return originator creates a record, using designated software, which includes state and federal income tax return data in two distinct electronic data packets.
2. The record is transmitted over telephone lines to the IRS service center in Austin, Texas.
3. The IRS performs front-end edits and acknowledges receipt or rejects the return.
4. The accepted data packets move into the federal processing stream.
5. The state packet is retrieved by DOR over telephone lines within 24 hours of the federal acknowledgement.
6. Wisconsin performs additional processing edits and acknowledges receipt by FAX or mail (any returns rejected at this point need to be refiled on paper).
7. Wisconsin direct deposits or mails refund checks or the taxpayer pays the amount due by April 15.
8. Taxpayer files Form 8453W, the Wisconsin signature document, and other paper documents, such as W-2s.

Wisconsin forms that can be filed electronically at this time are Form 1, Form 1A, Form WI-Z, Schedule WD, Schedule MT and Schedule 2440W.

The pilot confirmed that electronic filing offers benefits for taxpayers, practitioners and the state.

Faster Refunds

Taxpayers will enjoy faster refunds. Direct deposits will average 5 working days and mailed checks will average 7 days. There is less chance that an electronically filed return will be adjusted by DOR because front-end edit features of the software catch most errors before returns are filed. The error rate for 1991 ELF returns was only 0.6%, compared to an average of 12.3% for all returns. Taxpayers with taxes due also have the flexibility of filing when the return is prepared but not paying until April 15.

Practitioners benefit from IRS and DOR acknowledgements that returns have been received and accepted. Electronic filing also allows practitioners to obtain prompt refunds for their clients for returns filed as late as April 15. By contrast, quick refund claims must be filed by April 1.

DOR and IRS both improve efficiency by eliminating or reducing many labor-intensive tax return processing steps. These include mail opening, sorting, coding, data entry and filing.

In 1993, DOR will expand the pilot to 272 practitioners who were selected on a first-come, first-served basis, and expects to process up to 50,000 ELF 1992 returns. Service enhancements include priority processing of rejected returns refiled on paper and a help line during the processing season. In future years, further improvements are planned, such as automated acknowledgements and electronic filing of other tax returns.

If you would like more information about these activities, contact Carolyn Larson, DOR's electronic filing coordinator, at (608) 264-6886. □

Wisconsin Accepts Substitute Federal Forms

Wisconsin requires many individuals and all partnerships and fiduciaries to include a copy of their federal return with their Wisconsin return. The Internal Revenue Service (IRS) accepts, within prescribed guidelines, computer-generated and other substitute tax forms or schedules in lieu of official IRS forms.

To the extent substitute tax forms or schedules are accepted by the IRS, the Wisconsin Department of Revenue also accepts the substitute federal forms.

Taxpayers who file their federal return on the new Form 1040-PC are not required to complete actual federal forms for Wisconsin filing purposes. They should include a copy of Form 1040-PC with their Wisconsin return.

Note: Form 1040-PC is a computer-generated summary, in a 3-column format, of all pertinent data from a taxpayer's return. For most filers, the tax data from the entire return will fit on a single page, which will include a signature area and will be considered the taxpayer's legal return when filed with the IRS. □

New IRS Program Aimed at Nonfilers

The federal Internal Revenue Service (IRS) has announced that 2,000 of its agents will be assigned to a new program designed to find individuals and businesses that do not file tax returns. The IRS estimates that nonfilers are cheating the federal government out of at least \$7 billion each year.

There are an estimated 7,200 known nonfilers in Wisconsin alone and local

IRS sources suspect there may be many more who are currently unknown to IRS. The Milwaukee District Office of the IRS will work to get these nonfilers back into the tax system.

The new initiative is called the Non-filer Program and aims to secure delinquent returns, and to collect taxes, interest, and penalties due. While this is not an amnesty program, the IRS will help nonfilers who come forward voluntarily by assisting in the preparation of delinquent documents and will consider each case individually - reducing penalties in certain cases and working out installment agreements and offers in compromise based on the taxpayer's ability to pay.

Because information obtained by the IRS will be shared with state tax agencies, those participating in the federal Nonfiler Program should also contact the Wisconsin Department of Revenue to receive necessary state tax forms. Call the IRS toll free at 1-800-829-1040, or contact the nearest Wisconsin Department of Revenue office. □

How to Obtain Wisconsin Tax Forms

Small supplies of forms can be obtained from any Department of Revenue office. 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 of forms should write to Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. □

How to Obtain Copies of Your Tax Returns

What is Available

Upon request, the Department of Revenue will provide copies of taxpayers' previously filed tax returns. This includes individual income tax returns, homestead credit claims, corporation or insurance franchise or income tax returns, sales and use tax returns, withholding tax returns and statements, partnership tax returns, fiduciary tax returns, and gift tax reports.

All requests for copies of returns must be made in writing, in person, or by FAX. Requests made by telephone will not be honored. The department's response cannot be made by FAX.

Individual income tax returns and homestead credit claims are available for at least the 4 prior tax years. Form 1 and 1NPR income tax returns ordinarily include a copy of the federal tax return, which will be provided when a Form 1 or 1NPR copy is requested.

Copies of Forms 1A and WI-Z generally do not include copies of the federal tax return because federal copies are not required when filing those forms. Wage statement copies are not always available with Forms 1A and WI-Z.

Partnership tax returns and closed files of fiduciary returns filed by trusts are available for at least the 4 prior tax years. Gift tax reports and

withholding statements are available for at least the 5 prior tax years. Corporation or insurance franchise or income tax returns are available for at least the 6 prior tax years. Micro-filmed copies of sales, use, and withholding tax returns are available for at least the 10 prior tax years.

For most years prior to the retention periods indicated, limited information is available from department tax rolls, even though copies of complete tax returns are not available.

Copies of tax returns are generally not available until several months after they are filed. For example, an individual income tax return or homestead credit claim filed by April 15 of any year is normally not available for copying until November of that year.

Who May Request Copies

Taxpayers or corporation officers may request copies of their own tax returns.

Persons other than the taxpayer or corporation officer may also request copies of tax returns. However, a power of attorney form or other written authorization, signed by the taxpayer or corporation officer, is required as part of the request.

Requests for copies of a deceased taxpayer's tax returns must include a certified domiciliary letter and be signed by the personal representative of the estate. If there is no estate, a certified copy of the death certificate and a statement of the reason for the request is required.

Fees

The fee for obtaining copies of tax returns is \$4.50 for each return requested. There is an additional fee of 50¢ per return for a certified copy. Requests received without payment will be processed, and a bill will be

included with the copy mailed to the requester.

How to Request

Written or FAX requests for copies must include the following:

1. Name(s) on the requested tax return.
2. Social security number or other identification number of the taxpayer, including spouse's name and social security number, if applicable.
3. Type of return and year(s) or period(s) of the tax return being requested.
4. Name and address to which the copies are to be mailed.
5. Signature of the taxpayer, partner, or corporation officer.

Where to Direct Requests

Written Requests: Mail your request to Wisconsin Department of Revenue, Central Files Section, P.O. Box 8903, Madison, WI 53708.

In-Person Requests: Make your request at the Department of Revenue, Audit Bureau, 4638 University Avenue, Room 132, Madison, Wisconsin. Office hours are 7:45 a.m. to 4:30 p.m. Proper identification (for example, a driver's license) is required.

FAX Requests: The Department of Revenue's telephone number in Madison for FAX requests is (608) 267-0834. The department's response, however, cannot be made by FAX.

Questions

If you have questions about obtaining copies of tax returns, you may call

the Department of Revenue in Madison, at (608) 267-1266.

Forms 1099-G and 1099-INT Mailed to Taxpayers

Federal law requires that the Department of Revenue provide 1992 information returns (Forms 1099-G) to persons who received a Wisconsin income tax refund in 1992 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 1993.

Regardless of whether a taxpayer is sent a Form 1099-INT, the taxpayer must report all interest received in 1992 as income on his or her 1992 federal and Wisconsin tax returns.

All or a portion of a state income tax refund from Form 1099-G may also be includable 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 adjust-

ments. The last line shows the refund amount reported to the IRS.

Withholding Update Sent to Businesses

The annual Withholding Tax Update was sent in December, along with Forms WT-7, (Employer's Annual Reconciliation of Wisconsin Income Tax Withheld from Wages), to employers registered to withhold Wisconsin taxes.

A copy of the Withholding Tax Update can be found on pages 51 and 52 of this Bulletin.

Minnesota Filing Requirements for Wisconsin Residents

Under Wisconsin's reciprocity agreement with Minnesota, individuals who received income in Minnesota while they were Wisconsin residents in 1992 are not subject to Minnesota income tax, provided:

1. Their only Minnesota income for 1992 was from wages, salaries, tips, fees, commissions, bonuses, or similar earnings for the performance of personal services in Minnesota, and \$5,900 or less from sources other than the performance of personal services.
2. They maintained a place of abode in Wisconsin and customarily returned to it at least once a month in 1992.

Those individuals need to file a Minnesota income tax return only if Minnesota tax was withheld from their pay and they want it refunded. (To avoid having Minnesota tax withheld, Wisconsin residents should file an Application for Exemption from Minnesota Income Tax With-

holding, Minnesota Form MW-R, with their Minnesota employers.)

Wisconsin residents whose gross Minnesota income, other than personal service income, exceeded \$5,900 for 1992, are subject to Minnesota tax and must file a 1992 Minnesota income tax return, Form M-1, and Minnesota Schedule M-1NR. Examples of income subject to Minnesota tax include rent from Minnesota property, gains from the sale of Minnesota property, winnings from gambling in Minnesota, and income from a business conducted partly or entirely in Minnesota. Business income includes personal or professional service income from a taxpayer's business which has employees who do more than incidental duties, or where the sale or delivery of goods is more than an incidental part of the business.

To obtain copies of Minnesota tax forms and instructions (Form M-1 and Schedule M-1NR) or the withholding exemption form (Form MW-R), you may submit a written request to Minnesota Tax Forms, Mail Station 7131, St. Paul, MN 55146-7131. For more information about Minnesota filing requirements, you may phone the Minnesota Department of Revenue's toll-free Help Line (1-800-852-9094). □

Criminal Charges for Failure to File

A disbarred Milwaukee attorney, Bradley D. Carr, age 47, of 3351 North Lake Drive, was sentenced in December 1992 by Dane County Circuit Court Judge Daniel Moeser and placed on probation for two years, for criminal violations of Wisconsin income tax laws. Carr was ordered to make restitution to the state of all outstanding tax, penalty, and interest totalling \$50,000, serve 200 hours of community service, file

future tax returns timely, and pay fines and court costs of \$1,260.

Carr was charged with two counts of failure to file income tax returns for the years 1988 and 1989. He pled no contest to one count, and the second count was dismissed as part of the plea agreement. The criminal complaint stated that Carr had gross income of over \$346,000 in 1988 and \$100,000 in 1989, and that he has failed to file timely Wisconsin income tax returns since 1984.

In October 1992, an Elm Grove man was charged in Dane County Circuit Court, with two counts of failure to file state income tax returns and two counts of filing fraudulent applications in conjunction with registering motor vehicles.

According to the complaint, David L. Comey, age 45, 705 Sunnyslope Road, failed to file income tax returns for 1989 and 1990. He received over \$50,000 in interest and dividends during these two years and admitted he had not filed income tax returns since 1977.

The complaint further states that during 1989, and again in 1991, Comey falsified Wisconsin motor vehicle registration forms when he titled Mercedes Benz autos he had purchased from private parties. In each case he stated that the purchase price of the auto was \$100, in an apparent attempt to evade the sales tax due on the purchase of the autos.

In November 1992, a former accountant and investment advisor from Neenah was sentenced by Winnebago County Circuit Judge Robert Haase to eight years in prison for bilking real estate investors during the 1980s.

Dale Helengreen, 44, was sentenced to five years for one felony count of

securities fraud and an additional nine months each, all running consecutively, for four counts of tax violations.

He also was fined \$5,000, plus costs and assessments, and ordered to make restitution of \$35,000 to the creditor named in the case he pled no contest to. Judge Haase also directed the state to collect other restitution figures to add to that figure.

Also in November, William C. Peters, 55, of 2313 S. 28th St., Milwaukee, was arrested in Milwaukee on charges of selling untaxed cigarettes. The complaint alleges that Peters, an Air Force retiree, brought untaxed cigarettes at the commissary at the U.S. Army base at Ft. Sheridan, in Illinois, and sold them to customers in the Milwaukee area.

Agents arrested Peters at a Milwaukee convenience store where they allege he had just sold several cartons of untaxed cigarettes. In addition, 53 cartons of untaxed cigarettes were found in Peters' car, according to investigators. While military retirees may purchase untaxed cigarettes at commissaries and post exchanges for personal use, they may not resell them in Wisconsin.

Failure to file a Wisconsin income tax return on time is a crime punishable by a fine of up to \$10,000, imprisonment for up to nine months, or both. Filing a false sales and use tax return in connection with a motor vehicle registration is a crime punishable by a fine of up to \$500, imprisonment for up to 30 days, or both. Selling untaxed cigarettes in Wisconsin is a crime punishable by a fine of up to \$10,000, imprisonment for up to two years, or both.

In addition to the criminal penalties, Wisconsin law provides for substantial civil penalties on the civil tax

liability. Assessment and collection of the taxes, penalties, and interest due follows conviction for criminal violations. □

Administrative Rules in Process

Listed below are proposed new administrative rules and amendments to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of January 1, 1993, or at the stage in which action occurred during the period from October 2, 1992, to January 1, 1993.

Each affected rule lists the rule number and name, and whether it is amended (A), repealed (R), repealed and recreated (R&R), or a new rule (NR).

Rules at or Reviewed by Legislative Council Rules Clearinghouse

- 2.31 Taxation of personal service income of nonresident professional athletes-R
- 11.04 Constructing buildings for exempt entities-A
- 11.15 Containers and other packaging and shipping materials-A
- 11.38 Fabricating and processing-R&R
- 11.68 Construction contractors-A
- 14.03 Household income and income-A

Rules at Revisor of Statutes Office for Publication of Hearing Notice

- 2.02 Reciprocity-A
- 2.955 Credit for taxes paid to other states-A
- 11.03 Elementary and secondary schools and related organizations-A
- 11.05 Governmental units-A
- 11.08 Medical appliances, prosthetic devices and aids-A

- 11.12 Farming, agriculture, horticulture and floriculture-A
- 11.17 Hospitals, clinics and medical professions-A
- 11.18 Dentists and their suppliers-A
- 11.33 Occasional sales-A
- 11.45 Sales by pharmacies and drug stores-A
- 11.49 Service stations and fuel oil dealers-A
- 11.57 Public utilities-A
- 11.67 Service enterprises-A
- 11.675 Janitorial services-NR
- 11.70 Advertising agencies-R&R
- 11.71 Computer industry-A
- 11.83 Motor vehicles-A
- 11.84 Aircraft-A
- 11.85 Boats, vessels and barges-A
- 11.88 Mobile homes-A
- 11.95 Retailer's discount-A

Rules Adopted and in Effect (including date of adoption)

- 11.26 Other taxes in taxable gross receipts and sales price-A (1/1/93)
- 11.32 "Gross receipts" and "sales price"-A (1/1/93)
- 11.51 Grocers' guidelist-A (1/1/93)
- 11.68 Construction contractors-A (1/1/93)
- 11.87 Meals, food, food products and beverages-A (1/1/93)
- 11.925 Sales and use tax security deposits-A (1/1/93) □

Recently Adopted Rules Summarized

Listed below is a summary of recently adopted administrative rules, including new rules and changes to existing rules. In addition to the summary, new rules and substantive amendments to existing rules are reproduced. In the amendments to existing rules, material lined through (~~lined through~~) represents deleted text, and underscored (underscored) material represents new text.

This issue includes information about changes to the following sales and use tax rules, adopted effective January 1, 1993: sections Tax 11.26, 11.32, 11.51, 11.68, 11.87, and 11.925.

Tax 11.26 Other taxes in taxable gross receipts and sales price. Tax 11.26(2)(intro.), (2)(c), (3)(intro.), and (3)(b) are amended to update language and to reflect the clarification of sec. 77.51(4)(a)4 and (15)(a)4, Wis. Stats., by 1991 Wisconsin Act 39.

Tax 11.32 "Gross receipts" and "sales price". Tax 11.32(2), (4)(a), (4)(c), (5)(a), (5)(am), and (5)(b) are amended to update language. Tax 11.32(7) is amended, as follows, to reflect the amendment of sec. 77.51(4)(b)6, Wis. Stats., by 1991 Wisconsin Act 39:

11.32(7) MOBILE HOMES.

Gross receipts and sales price ~~shall~~ do not include 35% of the amount from the sale of a new mobile home, not including leases and rentals, that is a:

(a) A primary housing unit under s. 340.01(29), Stats. This reduction does not apply to leases or rentals.

(b) Transported in two unattached sections if the total size of the combined sections, not including additions and attachments, is at least 984 square feet measured when the sections are ready for transportation.

Tax 11.51 Grocers' guidelist. Tax 11.51(2)(a) and (2)(b) are amended to clarify that breakfast pastries and granola bars that are not candy coated are not taxable. In paragraph (a), the phrase ", candy or yogurt coated" is added after "Granola bars" in the list. In paragraph (b), "Breakfast pastries." and "Granola bars, see par. (a)." are added to the list, and the phrase ", see par. (a)" is added after "Peanuts . . ." and "Raisins."

Tax 11.68 Construction contractors. Tax 11.68(2)(c) and (3)(f) are created, as follows, to reflect (respectively) the clarification of sec. 77.51(2), Wis. Stats., by 1991 Wisconsin Act 39 and the creation of sec. 77.54(41), Wis. Stats., by 1991 Wisconsin Act 37:

11.68(2)(c) Real property construction activities include the fabrication of modular units designed and fabricated for a specific prefabricated building to be affixed to land at a particular location designated by the purchaser before the fabrication of the modular units. The modular units must have a realty function and must become a permanent accession to realty.

(3)(f) Under s. 77.54(41), Stats., contractors, subcontractors or builders may purchase without sales or use tax building materials, supplies and equipment acquired solely for or used solely in the construction, renovation or development of property that would be exempt under s. 70.11(36), Stats. Section 70.11(36), Stats., exempts property consisting of or contained in a sports and entertainment home stadium, including but not limited to parking lots, garages, restaurants, parks, concession facilities, transportation facilities, and functionally related or auxiliary facilities and structures; including those facilities and structures while they are being built; constructed by, leased to or primarily used by a professional athletic team that is a member of a league that includes teams that have home stadiums in other states, and the land on which that stadium and those structures and facilities are located.

Tax 11.68(6)(a)(intro.) is amended to update language. Tax 11.68(6)(a)9 is amended to reflect the amendment of sec. 77.51(4)(b)6, Wis. Stats., by 1991 Wisconsin Act 39. Tax 11.68(6)(a)10 is amended to clarify the department's position regarding

concrete foundations. Tax 11.68(9)(b) is renumbered 11.68(9)(c), and new Tax 11.68(9)(b) is created to reflect the repeal of sec. 77.51(19), Wis. Stats., and the amendment of sec. 77.51(18), Wis. Stats., by 1991 Wisconsin Act 39. The amended secs. (6)(a)9 and (6)(a)10 and the newly created sec. (9)(b) are as follows:

11.68(6)(a)9. Except as provided in ss. 77.51(4)(b)6 and (15)(b)5 and 77.54(31), Stats., mobile homes located in a mobile home park on land owned by a person other than the mobile home owner. Exemptions are provided by ss. 77.51(4)(b)6 and (15)(b)5 and 77.54(31), Stats., for 35% of the total amount for which a new mobile home that is a primary housing unit, or that is transported in 2 unattached sections if the total size of the combined sections, not including additions and attachments, is at least 984 square feet measured when the sections are ready for transportation, is sold and the full amount for which a used mobile home that is a primary housing unit is sold or purchased. No credit may be allowed for trade-ins and the exemption does not apply to a lease or rental.

(6)(a)10. Advertising signs, except their underground concrete foundations. A foundation is underground even though a portion of the foundation extends above the grade.

(9)(b) If a construction contractor purchases property outside Wisconsin which will be stored in Wisconsin and subsequently used in real property construction activities outside Wisconsin, the contractor shall pay the Wisconsin use tax on those purchases, but may claim a credit against this use tax for any sales or use tax legally due and paid in the state where the purchase was made or property was used prior to being stored in Wisconsin.

Tax 11.68(10)(a), (10)(c), and (12)(c) are amended to update language.

Tax 11.87 Meals, food, food products and beverages. Tax 11.87(2)(d)(intro.), (2)(d)3, (2)(f), (2)(i)(intro.), (2)(i)1.(intro.), (2)(i)2.(intro.), and (2)(k)2 are amended to update language. Tax 11.87(3)(a) is amended, as follows, to update language and to reflect the amendment of sec. 77.54(20)(c)4, Wis. Stats., by 1991 Wisconsin Act 39:

11.87(3)(a) *Health care facilities.* Meals, food, food products or beverages sold on their premises by hospitals, sanatoriums, nursing homes, retirement homes or day care centers registered under ch. 48, Stats. However, if an affiliated organization sells the items, the exemption ~~shall~~ does not apply.

Tax 11.87(3)(b) and (3)(d) are amended to update language. Tax 11.87(3)(e) is created, as follows, to reflect the department's position regarding supervised boarding facilities:

11.87(3)(e) *Supervised boarding facilities.* The portion of the monthly fee charged by a supervised boarding facility for low income adults who are receiving or are eligible for social security, supplemental social security, veterans administration or other disability and retirement benefits reflecting the value of meals provided.

Tax 11.925 Sales and use tax security deposits. Tax 11.925(1) and (2)(b) are amended to update language. Tax 11.925(3)(a)3 is repealed to reflect the department's position with respect to third party guarantees. Tax 11.925(3)(b)1, (5)(c), (5)(d)4, and (5)(d)5 are amended to update language. □