

Wisconsin TAX BULLETIN



Topical/Court Case Index

See page 3.

New Tax Laws Pending

The Governor's Budget Bill and other bills affecting Wisconsin taxes were still pending 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. □

Use Tax Self-Audit of Tax Preparers

More than 7,000 tax preparers will be sent a letter asking them to complete a self-audit for Wisconsin use tax purposes. These letters will be sent by the Audit Bureau's Discovery Unit between June 15 and August 31, 1993. The 7,000 names, which were obtained from the IRS, are persons who signed their names as paid preparers on 1990 or 1991 federal individual income tax returns. This is the second phase of the use tax self-audit of professionals.

The letter that was sent to CPAs in Phase 1 in November 1992 has been modified. It will now include a state-

ment explaining why the individual is receiving the letter. This should reduce the need for telephone calls questioning, "Why did I get this letter?" Another change is that an application for seller's permit or consumer's use tax registration will not be included with the letter.

Phase 1 of the professional project relating to CPAs was worthwhile. Information was provided to many CPAs with use tax questions. In addition, \$187,000 of previously unreported use tax, interest, and late filing fees were collected, and 107 taxpayers (primarily CPA firms) became registered for sales and use taxes. The registration of these taxpayers should result in greater use tax compliance in the future. □



Department Moves Toward the Future

The Wisconsin Department of Revenue is constantly looking for ways to improve its efficiency and give customers (practitioners and taxpayers) the best possible service. To accomplish these goals, the department has begun using or planning electronic filing and payment programs. These programs increase the accuracy of tax returns and provide other benefits to taxpayers and the department.

Electronic Filing

The first step of doing business electronically was the Wisconsin Federal/State Electronic Filing (ELF) Pilot Project for the 1993 filing season (1992 income tax returns). In this program, the Wisconsin tax return information was sent to the Internal Revenue Service (IRS) Austin Texas Service Center in the federal return transmission. The department then retrieved the Wisconsin return electronically from the IRS.

This year's pilot project included 277 practitioners from all areas of the state, 18 software companies, and 6 electronic filing service bureaus. More than 38,000 electronic individual income tax returns were filed, which included 2,800 balance due returns and 7,600 direct deposited refunds. Advantages to taxpayers of filing electronically include:

1. Returns filed electronically are acknowledged by the department when they are received. Taxpayers have proof of filing.
2. Balance due returns can be filed early, but the net tax does not have to be paid until April 15.
3. Direct deposits of refunds into taxpayers' bank accounts provide convenience and safety. There are no paper checks to be lost in the mail or stolen.
4. Refunds from electronic returns are quicker. The average time to

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process an electronic return and mail the refund check is about 7 days. Direct deposit refunds can be in the taxpayer's account in 4 to 7 days.

5. Taxpayers who would not qualify for a quick refund because of no label or a changed label are able to participate in the electronic filing program and receive their refunds more quickly.
6. Unlike quick refund participants, all electronic returns are completely processed before a refund is issued. Taxpayers will not receive a billing with interest added for corrected math errors in the summer, as is possible with quick refunds.

Advantages to the department include the elimination of manual processing and storage of paper for these 38,000 returns, improved accuracy, and postage and check writing cost savings for the direct deposits.

In 1994 this program will be expanded to allow all practitioners in the state who file federal returns electronically to participate. All federal electronic filers in Wisconsin who are registered with the IRS and who are not already in the program will be contacted this summer and furnished with information on how to become a part of this exciting and beneficial program. If you are interested in participating but are not currently included in the IRS list of Wisconsin electronic filers, please contact the Wisconsin Electronic Filing Coordinator at the address or phone number shown at the end of this article.

Electronic Funds Transfers

A second initiative, electronic funds transfers (EFT) for employers' withholding tax deposits, is in the planning stages. The target date for beginning this program is October 1993. In

this program, a transmission of data through the Automated Clearinghouse (ACH) which contains information on the amount withheld and the actual transfer of funds to pay the amount due will replace the paper coupon and check currently mailed to the state's bank. Two types of EFT's will be allowed:

Debits:

The employer will call an EFT data collection service at a toll free number, report the amount of tax withheld, any interest or penalty it wants to pay, and the amount to be paid by 4:00 p.m. CST at least one business day before its deposit report and payment are due. The EFT data collection service will prepare the ACH transaction, including the return data, provide the employer with a reference number as proof of filing, and initiate an ACH transfer of funds for the amount paid from the employer's bank to the state's bank on the next business day.

Credits:

The employer, with approval from its bank, will initiate its own ACH transfer.

After a brief initial testing period, EFT reporting/paying will likely be expanded to include corporation/franchise estimated tax payments and certain trust estimated tax payments.

If you are interested in participating in the withholding tax EFT test, please contact the Electronic Filing Coordinator.

Electronic Data Interchange

Future plans include EDI (Electronic Data Interchange). With this process, corporate, sales tax, motor fuel, and other large data file returns can be transmitted with a separate record attached to pay the tax liability — a

combination of electronic filing and EFT. While this activity is a few years away, the experience gained in electronic filing of individual income tax returns and electronic funds transfers are the first steps in that direction.

Want More Information?

For more information, please write to Wisconsin Department of Revenue, Electronic Filing Coordinator, P.O. Box 8903, Madison, WI 53708; call (608) 264-6886; or fax your request to (608) 264-6884. □

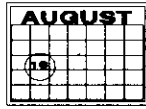
Information or Inquiries?

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



Automatic 4-Month Extension

Expires August 16

If your 1992 Wisconsin and federal individual income tax returns were due April 15, 1993, but you filed an application for an automatic 4-month extension for filing your federal return with the Internal Revenue Service (IRS), both your federal and Wisconsin returns are due August 16, 1993. When you file your Wisconsin return, be sure to attach to it a copy of the federal extension application, Form 4868.

Any filing extension available under federal law may be used for Wisconsin purposes, even if you are not using that extension of time to file your federal return. If you did not file a federal extension application but needed a 4-month extension for Wisconsin only, your 1992 Wisconsin return, ordinarily due April 15, 1993, must be filed by August 16, 1993. In this situation, you should attach a statement to the 1992 Wisconsin return you file, indicating that you are filing under the federal automatic 4-month extension provision, or attach a copy of federal Form 4868 with only the name, address, and signature areas completed.

(Note: The requirement to pay your 1992 federal taxes by April 15, 1993, as a condition for receiving an extension of time to file your federal tax return, was eliminated as the result of an April 7, 1993, announcement by the IRS. This change also applies for Wisconsin purposes. The payment requirement described in the instructions on page 2 of the 1992 Wisconsin individual income tax booklets may be disregarded.) □

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 a supplement published in May.

To order your copy, complete the order blank that appears on page 59 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 8933, Madison, WI 53708-8933, or call (608) 266-1911. □

Annual Bulletin Index Included

Once each year the *Wisconsin Tax Bulletin* includes an index of articles, tax releases, court cases, private letter rulings, and other materials that have appeared in past Bulletins. The index for issues 1 (October 1976) to 80 (January 1993) can be found on pages 36 to 58 of this Bulletin. □

Error in 1991-92 Statutes

An error in the official certified volumes of the 1991-92 Wisconsin Statutes, in sec. 71.83(3), was

reported in *Wisconsin Tax Bulletin* 81 (April 1993), on page 8. The official Wisconsin Statutes also contain another error, in sec. 71.03(7), Extension of Time to File. The correct text of sec. 71.03(7), Wis. Stats. (1991-92), is reproduced below.

Section 71.03(7) EXTENSION OF TIME TO FILE. Returns of natural persons and fiduciaries that require a statement of amounts or information contained or entered on a corresponding return under the internal revenue code shall be filed within the time fixed under that code for filing of the corresponding federal return. Any extension of time granted by law or by the internal revenue service for the filing of that corresponding federal return extends the time for filing under this chapter if a copy of the taxpayer's application to the internal revenue service requesting the extension is filed with the return under this chapter or if a copy of any request for an extension required by the internal revenue service is filed with the return under this chapter or at an earlier date that the department prescribes by rule and if the taxpayer pays the Wisconsin tax in the manner applicable to federal income taxes under the internal revenue code. Taxes payable upon the filing of the return do not become delinquent during the period of an extension but are subject to interest at the rate of 12% per year during such period, except, for taxable years beginning after December 31, 1989, and before January 1, 1991, for persons who served in support of Operation Desert Shield, Operation Desert Storm or an operation that is a successor to Operation Desert Shield or Operation Desert Storm in the United States, or for persons who served in Egypt, Israel, Diego Garcia or Germany, or for persons who qualify for a federal extension of time to file under 26 USC 7508, who served outside the United States

because of their participation in Operation Desert Shield, Operation Desert Storm or an operation that is a successor to Operation Desert Shield or Operation Desert Storm in the Desert Shield or Desert Storm theater of operations. □

Three Years in Prison for Income Tax Fraud

In February 1993, Mark A. Gerhard, 4858 S. 19th Street, Milwaukee, pled guilty to drug and income tax evasion charges. In April 1993 he was sentenced to prison for eight years by Milwaukee County Circuit Court Judge John A. Franke, for delivery of marijuana. Gerhard also received a three year concurrent sentence for the income tax fraud, and an additional three year concurrent sentence for delivery of cocaine.

In March 1993, Attorney James J. Caldwell, 119 Windsor Drive, Waukesha, was charged in Waukesha County Circuit Court with failure to file state income tax returns for 1989 and 1990, while earning over \$30,000 in each year.

According to the complaint, between 1970 and 1988, Caldwell filed seven returns late and failed to file returns for seven other years. In addition, Department of Revenue records indicate Caldwell owed the state over \$19,000 in unpaid income taxes for the years between 1980 and 1990.

Alan G. Hembd of Eau Claire pled guilty in March 1993, to one count of filing a false and fraudulent income tax return, and one count of welfare fraud. Eau Claire County Circuit Court Judge Gregory Peterson accepted the guilty pleas of Hembd, 835 Revere Street, Eau Claire.

According to the criminal complaint, Hembd failed to report on his 1991 Wisconsin tax return \$9,495 he received from the installation and repair of swimming pools. He also failed to report this income to the Eau Claire County Department of Human Services, resulting in his fraudulently receiving \$1,584 of food stamps.

Arrested in April 1993 was Donald G. Wiechmann, 64, of 10515 W. Appleton Avenue, Milwaukee. He was charged with failing to file Wisconsin income tax returns.

Wiechmann, a motel operator, was charged with three counts of failure to file state income tax returns for 1989, 1990, and 1991. The criminal complaint alleges that he had income in excess of \$23,000 in 1989, \$20,000 in 1990, and \$17,000 in 1991.

Insurance agent Wilbur S. Ashman, 73, 2015 Hickory Court, Appleton, was charged in April 1993, with three counts of failure to file Wisconsin income tax returns.

Ashman allegedly failed to file income tax returns for 1989, 1990, and 1991. The criminal complaint also alleges that Ashman had gross income in excess of \$27,000 in 1989, \$27,000 in 1990, and \$19,000 in 1991.

In addition to the income tax charges, Ashman was charged with filing a false application for title/registration in connection with the registration of a motor home he purchased. According to the criminal complaint, he understated the purchase price of the vehicle by \$30,000, which reduced his sales tax liability by more than \$1,500.

In May 1993, David L. Comey, 46, of 705 Sunnyslope Road, Elm Grove, a former candidate for the Elm Grove Village Board, was convicted by a jury in Dane County Circuit Court on tax charges. He was ordered to serve four months in jail.

The jury found Comey guilty of failure to file Wisconsin income tax returns for 1989 and 1990. He received over \$50,000 in interest and dividends on various investments that he owned during the two years, and in recent years he has transferred over \$950,000 to foreign bank accounts.

The jury also found Comey guilty of evading the sales taxes due on the purchase of two Mercedes Benz autos. At the time he titled the vehicles in 1989 and 1991, he falsified Wisconsin motor vehicle registration forms claiming he purchased them for \$100 each.

In addition to four months in the county jail, Judge Robert A. De Chambeau ordered Comey to pay a \$2,000 fine and all court costs. He was also placed on probation for 24 months, and he must file all state and federal income tax returns from 1978 to the present, pay all income taxes due, file amended motor vehicle registration forms, and pay the additional sales tax.

Also in May 1993, Roy O. Dobbs, 37, of Prairie du Chien (and formerly of Kenosha), was ordered to serve 90 days in the Dane County jail for tax violations. A Dane County Circuit Court jury found Dobbs guilty of failure to file income tax returns for the years 1988, 1989, and 1990.

Judge Michael Torphy, Jr. withheld sentence on the three counts and placed Dobbs on probation for three years. Dobbs was ordered to file Wisconsin income tax returns for

1988 through 1992, pay all tax, penalties, and interest, serve 90 days in jail, and pay fines and court costs of \$2,530.

During the trial, the prosecution established that Dobbs had earned more than \$100,000 during the three years, including \$6,216 in unemployment compensation, as a boiler maker in Milwaukee.

In June 1993, Ronald T. Buttchen, 48, 32 Cemetery Street Evansville, was sentenced to 60 days in jail by Judge Michael Torphy, and ordered to pay a fine of \$5,000. Buttchen was also required to make restitution to the State of Wisconsin for back taxes, penalties, and interest totalling over \$16,000.

Buttchen, a self-employed electrician, entered a guilty plea for filing a false and fraudulent state income tax return for 1986. He had also been charged with filing fraudulent 1987 and 1988 returns, and intentionally understating his taxable income by over \$107,000 during the three year period.

Also in June 1993, Walter E. Boyd, 54, 2538 North 124th Street, Wauwatosa, was convicted and sentenced in Milwaukee County Circuit Court for tax violations.

Boyd, an independent insurance agent, entered a guilty plea for failing to file a state income tax return for the year 1989. Two additional counts of failure to file state income tax returns for the years 1990 and 1991 were dismissed under the plea agreement. Judge Timothy G. Dugan sentenced Boyd to 45 days in jail, stayed execution of the sentence, and placed Boyd on probation for 18 months. □