



# Wisconsin TAX BULLETIN



## Surrendering Seller's Permit

See page 2.

## Some Taxpayers Will Receive a Postcard Instead of Forms

Certain taxpayers will not receive 1993 Wisconsin income tax booklets. Instead, they will receive a postcard which contains a removable name and address label.

After studying methods used by the Internal Revenue Service and other states to cut waste in the distribution of tax forms, the department decided to send postcards to certain individuals. The postcard recipients will be the approximately 250,000 individuals who used a paid preparer in filing a 1992 return which contained a federal Schedule C and/or F. These are the same individuals to whom the Internal Revenue Service sends postcards.

The postcard will include a tear-off order blank which can be mailed back to the department to request a booklet, if the recipient needs a tax booklet.

Use of the postcard is expected to reduce the number of tax booklets printed and decrease mailing costs. □

## Forms Changes for 1993

Following is a brief description of the major changes to the Wisconsin individual income tax forms for 1993.

- Check boxes are added to Form WI-Z to indicate whether filing status is "Single" or "Married filing joint return." Prior to 1993, only single persons could file Form WI-Z. Because married persons can now file Form WI-Z, the filing status check boxes are needed.
- A line is added to Form WI-Z (line 5) for claiming the married couple credit. A schedule for computing the credit is added to page 2 of Form WI-Z. These changes are needed because married persons can now file Form WI-Z.
- Line 2 of Schedule 3 of Form 1 (also Schedule 1 of Form 1NPR) is revised to reflect the Wisconsin law change which eliminated the \$1,200 limitation on the amount of "other interest" which can be used in computing the Wisconsin itemized deduction credit.

Proof copies of the 1993 Forms WI-Z, 1A, 1, and 1NPR, as well as the homestead credit and farmland preservation credit claim forms, Schedule H and Schedule FC, are on pages 35 to 48 of this Bulletin. The copies are subject to further revision. □

## Law Firms May Owe Use Tax

Although there is no sales tax on legal services provided by law firms, many purchases by law firms may be subject to use tax.

Use tax, which is often overlooked, applies to purchases of taxable tangible personal property and taxable services, upon which no sales or use tax is paid to the seller.

Examples of purchases which may be subject to use tax include:

- Computers and related equipment such as printers, modems, etc.
- Software (excluding custom software)
- Office furniture and equipment, including built-in bookcases, cabinets, and counters
- Research materials and reference books
- Paper and other office supplies
- Gifts and promotional items

If the law firm holds a seller's permit, it should report use tax owed on its sales and use tax return, Form ST-12. If the firm is not required to hold a seller's permit and regularly makes purchases subject to use tax, it should apply for a consumer use tax registration certificate. If a law firm is not required to have such a permit or certificate, but makes infrequent purchases subject to use tax, the use tax may be reported on a consumer's use tax return, Form UT-5.

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Consumer's use tax returns and applications for seller's permits and use tax registration certificates are available from any Department of Revenue office.

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## Adams County Adopts County Sales Tax

Effective January 1, 1994, the county sales and use tax will be adopted by Adams County. This brings to 44 the number of counties that have adopted the ½% county tax.

The December 1992 *Sales and Use Tax Report*, a copy of which appeared in *Wisconsin Tax Bulletin* 80 (January 1993), pages 45 to 48, explains how the county tax applies to retailers and other persons. It includes a listing of the counties that currently have the county tax.

## Requirement to Surrender Seller's Permit Eliminated

The sale of tangible personal property (other than inventory held for sale) previously used by a seller to conduct its business at a location, is exempt from Wisconsin sales and use tax as an occasional sale if it meets the following condition:

- The sale of tangible personal property occurs after the seller ceases actively operating as a seller of tangible personal property or taxable services at that location.

This exemption applies to sales of tangible personal property meeting the above condition if the last sale of that property occurs after August 12, 1993, regardless of whether the seller ceased actively operating the business before or after August 12, 1993.

Under prior law, the seller was also required to deliver its seller's permit to the department for cancellation within 10 days after the last sale of tangible personal property at that location to qualify for the occasional sale exemption.

## New Sales and Use Tax Laws Explained

The Wisconsin Legislature enacted many changes to Wisconsin tax laws in 1993, as described in *Wisconsin Tax Bulletin* 83, dated August 1993. The September *Sales and Use Tax Report* gives explanations of the major changes to the sales and use tax laws. See pages 51 to 54 of this Bulletin for a copy of the Report, which was sent in September to all active sales and use tax registrants.

## Focus on Forms: Married Couples May File Form WI-Z for 1993

Married couples who file their 1993 federal income tax return on federal Form 1040EZ may file their Wisconsin income tax return on Form WI-Z.

1993 is the first year in which married persons may file federal Form 1040EZ. Several changes have been made to Wisconsin Form WI-Z so that these same persons may file on Form WI-Z.

A check box has been added to Form WI-Z to indicate whether filing status is "Single" or "Married

filing joint return." (See Form WI-Z inserts below.)

In addition, line 5 has been added to Form WI-Z for claiming the married couple credit. A schedule for computing the married couple credit is included on page 2 of Form WI-Z.

These changes will allow more than 24,000 married couples to use the Form WI-Z rather than the more complex Form 1 or 1A. A complete copy of the 1993 Form WI-Z is included on pages 35 and 36 of this Bulletin.

### WI-Z Wisconsin income tax

# 1993

Filing status (check only one box)  Single  Married filing joint return (even if only one had income)

5 Married couple credit. Complete schedule on reverse side .....5 \_\_\_\_\_

SCHEDULE - MARRIED COUPLE CREDIT WHEN BOTH SPOUSES ARE EMPLOYED	
	Yourself                      Your Spouse
1. Wages* .....	1a _____ 1b _____
2. Fill in smaller of line 1a or 1b. If more than \$15,000, fill in \$15,000 .....	2 _____
3. Rate of credit is .02 (2%) .....	3 _____ x .02
4. Multiply line 2 by line 3. Do not fill in more than \$300 .....	4 _____

\* Include wages, salaries, and tips from line 2 of federal Form 1040EZ. Do not include taxable scholarships and fellowships (unless they were reported on your W-2) or interest income.

## Educational Assistance Payments May Be Taxable Wages

### Wisconsin Doesn't Follow IRC Section 127

For the tax year 1993, Wisconsin's individual income tax law prohibits the use of Internal Revenue Code (IRC) section 127. This IRC section provides an exclusion from 1993

federal taxable income for up to \$5,250 of benefits an employee receives under an employer's educational assistance program.

### Effect of Not Following Federal Law

For Wisconsin, educational assistance payments do not qualify for the \$5,250 exclusion under IRC section 127. As a result, for Wisconsin purposes employers must treat educa-

tional assistance payments made in the tax year 1993 as additional wages to the employee, unless the payment qualifies as a "working condition fringe benefit," as explained below.

Employees who receive educational assistance benefits treated as wages must include the amount of the benefit in taxable income on their 1993 Wisconsin income tax returns.

### Working Condition Fringe Benefit Not Treated as Wages

IRC section 132(d) defines a "working condition fringe benefit" as property or services provided to an employee which, if paid for by the employer, would be deductible by the employer as a trade or business expense. Educational expenses of employees are generally deductible as trade or business expenses if they (1) maintain or improve skills required in the employee's current employment, or (2) are required by the employer or by law as a condition of retaining the employee's job, status, or salary. However, educational expenses are not deductible if they are for education that (1) is needed to meet the minimum requirements for the job, or (2) are part of a program of study which leads to a new trade or business.

For example, payments for review courses to prepare for the bar examination or the certified public accountant (CPA) examination, and courses required as part of an apprenticeship program, do not qualify as a "working condition fringe benefit." Expenses for these courses are not deductible as a trade or business expense because the courses qualify the person for a new profession (in the case of the bar and CPA examination courses), or are needed to meet the minimum requirements for the job (in the case of the apprenticeship program).

Employer-provided educational assistance benefits which qualify as a "working condition fringe benefit" are *not* treated as wages to employees. This applies regardless of whether the employer pays the expenses directly to the educational organization or reimburses the expenses to the employee.

### Notify Employee On W-2 Wage Statements

Employer educational assistance payments made during 1993, which represent additional wages to an employee for Wisconsin purposes, can be reported to employees by either (1) including the amount which is taxable for Wisconsin purposes (but not taxable for federal purposes) in Box 17 of Form W-2, or (2) providing employees with a supplemental "Wisconsin only" W-2 with the taxable educational assistance benefits shown in Box 17.

The employee is required to include taxable educational assistance payments in taxable income on his or her 1993 Wisconsin income tax return. If the employee receives such payments and the taxable amount is different for Wisconsin and federal, the employee should use Wisconsin Schedule I (titled "Adjustments To Convert 1993 Federal Adjusted Gross Income And Itemized Deductions To The Amounts Allowable Under The December 31, 1992 Internal Revenue Code").

Employees may have questions as to why educational assistance benefits are taxable for Wisconsin and not for federal. It may be helpful to provide additional information (e.g., a flyer) with the W-2 to explain the difference between the Wisconsin and federal treatment of educational assistance benefits during 1993.

## 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 Available

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* 82 (July 1993), pages 36 to 58, and includes information for issues 1 (October 1976) to 80 (January 1993).

## 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 55 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. □

## Department Does Business Electronically

The Wisconsin Department of Revenue (WDOR) is moving to the future in the way it receives and processes returns and payments. January 1993 marked the start of the department's expanded Wisconsin federal/state electronic filing program, while October 1993 marks the beginning of the electronic funds transfer program for withholding tax. Both of these applications offer the ease and accuracy of doing business electronically.

### Electronic Filing of Income Tax Returns

In a pilot project last filing season, electronic filing was expanded to include 277 preparers, to accept balance due returns, and to add direct deposit of Wisconsin electronic return refunds. Wisconsin's electronic filing program is piggy-backed on the federal program.

In the 1994 filing season (1993 returns), the department will accept an unlimited number of returns from participants. All interested federal electronic filers will be eligible. Wisconsin returns with extensions of time to file through August 15, 1994, will also be able to be filed electronically.

The process of filing electronically is:

1. You prepare the return and obtain the taxpayer's signature(s) on both federal and state signature documents.
2. You transmit both returns to the IRS Service Center in Austin, Texas.
3. IRS checks the federal return data to see if the return is acceptable and performs consistency checks between the state and federal returns (e.g. to make sure the two returns are for the same name, social security number, etc.)
4. When the IRS gives you an acknowledgement that the federal return is accepted, they also make the Wisconsin return file available for WDOR to retrieve.
5. After WDOR retrieves the Wisconsin return, it is edited to determine if there are entries for all necessary data fields. WDOR furnishes to the transmitter an acknowledgment of acceptance or rejection (including the reason for rejection) for each Wisconsin electronic return retrieved.
6. WDOR processes the return and either direct deposits or mails refund checks, if applicable, in about 4 to 10 days after retrieval from the IRS.
7. When you receive the Wisconsin acknowledgement of acceptance, you mail in the Wisconsin signa-

ture document and its attachments. Attachments may include Forms W-2, 1099R, or a copy of the taxpayer's extension of time to file.

Advantages to participating in the Wisconsin federal/state electronic filing program include the elimination of paper copying and sorting, speedier refunds for your customers (4-6 days for direct deposits and 7-10 days for paper checks), and improved accuracy.

### Electronic Funds Transfers

Beginning with withholding tax deposit reports, Forms WT-6, due after October 1, 1993, employers may voluntarily pay withholding tax by electronic funds transfer (EFT). All employers who file Forms WT-6 are eligible to use EFT. Employers who would like more information or who wish to participate in EFT should contact Carolyn Larson at the address or telephone number shown at the end of this article. A request to participate should be made at least 30 days before the deposit report is due.

EFT is a commonly accepted method of paying business obligations by an electronic transaction which flows through the automated clearing house (ACH) system. EFT is a simple process used instead of completing Form WT-6, writing a check for the amount due, and mailing them to the state's depository bank.

There are two types of EFT transactions:

1. **Credit** transactions are usually initiated by large employers using personal computers, modems, and software that can initiate ACH credits. The employer sends all the necessary reporting and payment information to its financial institution. The employer's bank account is charged for the amount

of payment and those funds, along with the return information, are routed electronically to the state's depository bank.

2. **Debit** transactions are initiated by contacting the state's data collection service and providing the return and payment information. The contact can be made by personal computer and modem, by touch tone telephone, or by calling a toll-free number and speaking to a data collection center operator. The data collection service sends a transaction through the ACH system to take the funds out of (debit) the employer's bank account. The funds and the reporting information are passed back through the ACH system to the state's depository bank.

You must initiate EFT transactions one banking day before the due date of a withholding tax deposit report. The funds transfer always occurs on the next banking day. You don't have to worry about slow mail delivery causing late charges to be assessed.

Other advantages of EFT include immediate proof of filing, no manual process of producing a paper check and entering it into your computer system, no physical handling of paper, and fewer errors.

In the future, corporation estimated tax, motor fuel, and other business taxes will be included in Wisconsin's EFT program.

#### For Additional Information

Find out how doing business electronically can streamline your business operations, provide proof of filing, and reduce your cost of doing business. For more information, or to participate in either electronic filing or electronic funds transfers, contact:

Carolyn Larson  
Wisconsin Department of Revenue  
PO Box 8903  
Madison WI 53708

Phone: (608) 264-6886  
FAX: (608) 264-6884

□

### 1993 Package WI-X Will Be Available

The department will again be offering Package WI-X, which will contain actual size copies of most 1993 Wisconsin individual and fiduciary income tax, corporation franchise and income tax, partnership, estate tax, motor fuel tax, sales and use tax, and withholding tax forms.

Package WI-X should be available by January 31, 1994. The cost is \$7.00 per copy. It may be ordered on the bulk order blank (Form P-744). The bulk order blank is being mailed in October. See the following article for more information on bulk orders.

If you do not receive an order blank and you wish to purchase copies of 1993 Package WI-X, mail your request indicating the number of copies, along with the amount due, to Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. □

### Bulk Order of Tax Forms

During October, the department is mailing the order blank (Form P-744) which tax preparers should use to request bulk orders of 1993 Wisconsin income tax forms. There is a handling charge on these orders.

The department is also mailing order blanks (Forms P-744b and P-744L) which banks, post offices, and libraries should use to request bulk orders of 1993 Wisconsin income tax forms.

No charge is made for forms used for distribution to the general public (for example, in a bank, library, or post office).

This year's mailing list for bulk order blanks contains the names of all persons and organizations who placed orders for 1992 forms. If you are not on this mailing list and do not receive a Form P-744, P-744b, or P-744L, you may request the bulk order blank by contacting any department office or by writing to Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. You may also phone the Shipping and Mailing Section at (608) 267-2025.

You should place your order as early as possible after you receive the order blank. Orders are expected to be filled in late December and early January. Package WI-X will be mailed separately in late January. □

### Tax Publications Available

The Department of Revenue publishes over 35 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

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