



# Wisconsin TAX BULLETIN



## Filing Tax Returns

See articles on pages 2 — 10.

## Dodge County Adopts County Tax

Effective April 1, 1994, the county sales and use tax will be adopted by Dodge County. This brings to 45 the number of counties that have adopted the ½% county tax. Adams County adopted the tax effective January 1, 1994.

The December 1993 *Sales and Use Tax Report*, a copy of which appears on pages 37 to 40 of this Bulletin, explains how the county tax applies to retailers and other persons. It includes a listing of the counties that have adopted the county tax. □

## Don't Forget Use Tax

Make sure use tax is correctly reported on your sales and use tax return. Failure to report use tax may result in penalties as much as 50% of the use tax not reported.

Use tax is imposed on the purchase price of tangible personal property or taxable services that are used, stored, or consumed within Wisconsin, upon which a sales tax is not imposed or paid. Common examples include:

- Property used in Wisconsin is purchased outside Wisconsin without tax.

**Example:** A Wisconsin company purchases a computer from an Illinois seller without tax. The computer is used in Wisconsin. The Wisconsin company owes Wisconsin use tax on the purchase price of the computer.

- Property is purchased without tax for resale or for a nontaxable use and then is used by the purchaser in a taxable manner.

**Example:** A furniture store buys desks to resell to customers without tax by giving the seller a "resale certificate." A desk is then taken from the furniture store's inventory and used by the store bookkeeper. The store owes use tax on the desk.

- Property is purchased outside Wisconsin without tax and is then brought into Wisconsin and given away free. □

## Package WI-X Available for 1993

Package WI-X contains 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.

If you have not yet ordered your 1993 Package WI-X, send your request and \$7 per copy to Shipping and Mailing Section, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. □

## Include Temporary Recycling Surcharge When Calculating Estimated Payments

For taxable years beginning on or after January 1, 1994, businesses are required to make quarterly payments to prepay the temporary recycling surcharge if the sum of their franchise or income tax and temporary recycling surcharge is expected to exceed the minimum amounts listed below. The requirement to include the temporary recycling surcharge in the estimated tax calculation is new for 1994.

The due dates for quarterly installments of partnerships, individuals, estates, and trusts filing on a calendar year basis are April 15, June 15, September 15, and January 15. For corporations and exempt organizations filing on a calendar year basis, the due dates for quarterly installment payments are March 15, June 15, September 15, and December 15. In most cases, the amount that must be prepaid is the smaller of 100% of the tax and surcharge shown on the prior year's return, or 90% of the tax and surcharge shown on the current year's return.

(continued on page 2, column 2)

## In This Issue

	Page		Page
Dodge County Adopts County Tax	1	Distributions May Be Taxable to Nonresidents	8
Don't Forget Use Tax	1	Department Offers Taxpayer Assistance	8
Package WI-X Available for 1993	1	Tax Publications Available	9
Include Temporary Recycling Surcharge When Calculating Estimated Payments	1	Need a Speaker?	9
Most Federal Tax Laws Enacted in 1993 Do Not Apply for Wisconsin for 1993	2	Topical and Court Case Index Available	9
Electronic Filing is Fast	3	Look for the Loon	10
Focus on Forms: Using Schedule I	3	Tax Kit Sent to Wisconsin High Schools	10
Annual Bulletin Index Available	4	Ceasing Business? What About Your Seller's Permit?	10
Reminder: Educational Assistance Payments May Be Taxable Wages	4	Oshkosh Gambling Kingpin Sentenced	11
Reminder: Certain Information Returns Are Due January 31	4	How to Obtain Wisconsin Tax Forms	11
Reminder: Use Your Label	4	How to Obtain Copies of Your Tax Returns	11
Did You Receive a Postcard? Information or Inquiries?	4	Forms 1099-G and 1099-INT Mailed to Taxpayers	12
Reminder: Quick Refunds Available for Individuals	4	Withholding Update Sent to Businesses	13
Tips to Speed Refund Processing	5	Administrative Rules in Process	13
Incomplete Returns Sent Back to Taxpayers	5	Recently Adopted Rules Summarized	14
Avoid Errors on Tax Returns	6	Report on Litigation	16
Extensions for Filing Tax Returns	7	Tax Releases	21
Remember: Nonqualified Plan		Private Letter Rulings	34
		Sales/Use Tax Report	37
		Schedule I and Instructions	41
		Publication 117	47
		Withholding Tax Update	49
		Order Blank	51

income tax (including the alternative minimum tax) and temporary recycling surcharge must make quarterly estimated payments using Form 1-ES.

Contact any department office if you need forms or have any questions. □

## Most Federal Tax Laws Enacted in 1993 Do Not Apply for Wisconsin for 1993

As a result of the Omnibus Budget Reconciliation Act of 1993 (OBRA, Public Law 103-66), changes have been made to the Internal Revenue Code for 1993 which may result in a difference between certain income and deduction items for Wisconsin and federal purposes for 1993.

With the exception of depreciation and amortization provisions, federal tax laws enacted during 1993 do not apply for Wisconsin purposes for 1993 unless subsequently adopted by the Wisconsin Legislature.

### Accounting for Differences

*Individuals* — Differences between Wisconsin and federal income and deduction items resulting from federal tax law changes not applying for Wisconsin should be reported on Wisconsin Schedule I for individuals. A copy of Schedule I and its instructions appears on pages 41 to 46 of this Bulletin.

*Other taxpayers* — For other taxpayers, refer to the 1993 forms and instructions for information on how to account for these differences.

### Depreciation and Amortization Changes May Be Used

Wisconsin law (secs. 71.01(7r), 71.26(3)(v), 71.365(1m), and 71.45(2)(a)13, Wis. Stats. (1991-92)) allows depreciation or amortization to be computed under either the Internal

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**Corporations and Exempt Organizations** that expect to owe at least \$500 of franchise or income tax and temporary recycling surcharge must make quarterly estimated payments using Form 4-ES.

**Partnerships** that expect to owe at least \$200 of temporary recycling surcharge must make quarterly estimated surcharge payments using Form 3S-ES.

**Individuals, Estates, and Trusts** that expect to owe at least \$200 of net

Revenue Code in effect for the taxable year for which the return is filed or the Internal Revenue Code as amended to a specified date, at a taxpayer's option. For example, for property placed in service during taxable years beginning on or after January 1, 1993, depreciation or amortization may be computed under either the Internal Revenue Code in effect for the taxable year 1993, or the Internal Revenue Code as amended to December 31, 1992.

This option is available to individuals, fiduciaries, partnerships, corporations (except nonprofit organizations, RICs, REITs, and REMICs), tax-option (S) corporations, and insurance companies.

**NOTE:** Depreciation or amortization changes which apply retroactively for federal purposes also apply retroactively for Wisconsin purposes. For example, the OBRA change relating to amortization of goodwill and other purchased intangibles applies for federal purposes (at a taxpayer's option) to all such property acquired after July 25, 1991. This change may also be used to determine amortization for the same property for Wisconsin purposes. Taxpayers electing to use the OBRA amortization provision for Wisconsin for taxable year 1991 or 1992 would be required to file amended returns.



**Electronic Filing is Fast**

Wisconsin individual income tax returns that are filed electronically result in faster refunds than paper-filed returns (even faster than "quick refund" returns). The Department of Revenue can process electronically filed returns more efficiently and at a cost savings to Wisconsin taxpayers. In addition, the department acknowledges receipt of each electronically filed tax return.

**Focus on Forms: Using Schedule I**

Individuals should use Schedule I to report certain differences between Wisconsin and federal tax law. Differences affecting the computation of federal adjusted gross income should be reported in Part I, on line 5 (see line 5 insert below). One of the more common differences reported in Part I may result from the change in federal law which increased the maximum section 179 deduction to \$17,500

for 1993. For Wisconsin, the maximum deduction remains at \$10,000. Differences affecting the computation of federal itemized deductions and the Wisconsin itemized deduction credit should be reported in Part II, on line 7 (see line 7 insert below).

A complete copy of Schedule I and the related instructions can be found on pages 41 to 46 of this Bulletin.

<b>SCHEDULE I</b>	<b>ADJUSTMENTS TO CONVERT 1993 FEDERAL ADJUSTED GROSS INCOME AND ITEMIZED DEDUCTIONS TO THE AMOUNTS ALLOWABLE UNDER THE DECEMBER 31, 1992 INTERNAL REVENUE CODE</b>	<b>1993</b>
Wisconsin Department of Revenue	Attach to Wisconsin Form 1 or Form 1NPR	

5. Other adjustments:

Description	COL. I Amount per 1993 federal return	COL. II Amount determined under 12/31/92 IRC	COL. III Difference (Col. II - Col. I)
a.			
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i. Total difference (combine amounts in Col. III)			

7. Adjustments:

Description	COL. I Amount per 1993 federal return	COL. II Amount determined under 12/31/92 IRC
a. Medical expense		
b. Contributions		
c. Job expenses and miscellaneous deductions subject to the 2% of federal adjusted gross income limitation		
d. Other (specify)		
e.		
f.		
g.		
h.		

The amounts in Col. II should be used to compute the Wisconsin itemized deduction credit (Schedule 3 of Form 1 or Schedule 1 of Form 1NPR).

Wisconsin's electronic filing program is piggy-backed on the Internal Revenue Service's (IRS) program. Any electronic return originator authorized by the IRS to file federal electronic returns can also submit Wisconsin tax returns electronically.

Tax returns with either a refund, a balance due, or no net tax can be filed electronically. Electronic filing is permitted for both timely filed tax returns and returns with an extension of time to file through August 15, 1994.

For more information about electronic filing, contact the Department's electronic filing coordinator at the following address or telephone number:

Carolyn Larson  
Wisconsin Department of Revenue  
P.O. Box 8903  
Madison, WI 53708-8903

Phone: (608) 264-6886

FAX: (608) 264-6884

## 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).

## Reminder: Educational Assistance Payments May Be Taxable Wages

The federal exclusion from gross income for up to \$5,250 of employer-provided educational assistance benefits under Internal Revenue Code sec. 127 does not apply for Wisconsin. As a result, for Wisconsin purposes employers must treat educational assistance payments made in the 1993 tax year as additional wages to the employee, unless the payment qualifies as a "working condition fringe benefit."

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 (using Wisconsin Schedule I).

For further information, see the article titled "Educational Assistance Payments May Be Taxable Wages" in *Wisconsin Tax Bulletin* 84 (October 1993), page 3.

## Reminder: Certain Information Returns Are Due January 31

Various information returns are required to be filed by January 31 with the Wisconsin Department of Revenue.

For further information on the required information returns, see the copy of Publication 117, *Guide to Wisconsin Information Returns*, on pages 47 and 48 of this Bulletin.

## Reminder: Use Your Label

Computers do a great job of preparing Wisconsin tax returns. However, a computer cannot apply the preprinted address label to the completed return.

Preparers and taxpayers, remember to use the address label, even if preparing or filing a computerized return. If you or your client received a postcard with an address label instead of an income tax booklet, be sure to transfer the label to the tax return.

Taxpayers who use the preprinted label receive their Wisconsin refund checks faster than those who do not use the label. Corrections to incorrect information on the label may be made directly on the label.

## Did You Receive a Postcard?

Approximately 250,000 individuals recently received a postcard instead of a 1993 Wisconsin income tax booklet. The postcards were sent to those individuals who used a paid preparer in filing their 1992 return which included a federal Schedule C and/or F. The postcard includes a removable name and address label.

If any of your clients received a postcard, make sure you apply the name and address label to the 1993 Wisconsin return you prepare for your client.

## 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

## Reminder: Quick Refunds Available for Individuals

The Department of Revenue will continue its Quick Refund Program for 1993 individual income tax returns processed in 1994. 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 1993 Form WI-Z, Form 1A, or Form 1, including all attachments, on or before April 1, 1994.
- 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 1994 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 1993, and over 467,000 of those were quick refunds.

### Tips to Speed Refund Processing

You can avoid delays in the processing of a 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 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 1993 processing season (1992 returns and claims) the department sent back 11,000 individual income tax returns, 4,000 corporation franchise and income tax returns, 300 partnership returns, 41,000 homestead credit claims, and 3,400 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.

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

- Federal employer identification number not filled in.
- Federal form 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.