



# Wisconsin TAX BULLETIN



## FOCUS ON . . .

### Tax Season Gear-Up

See articles on pages 1 to 6.

## Forms Changes for 1994

Following are brief descriptions of the major changes to the Wisconsin individual income tax forms for 1994.

- Check boxes are added to Forms 1A, 1, and 1NPR for the new "head of household" filing status which is available for Wisconsin for 1994. Persons who qualify to file as "head of household" for federal tax purposes may now also use that filing status for Wisconsin.
- Spaces for providing information on qualifying children and the amount of federal earned income credit have been deleted from the earned income credit line on Forms 1A, 1, and 1NPR. The Wisconsin earned income credit for 1994 will be computed on a new form, Wisconsin Schedule EICW.
- Capital gain distribution line has been deleted from Form 1NPR. Also, a line has been added for reporting moving expenses. These changes are made to conform the Form 1NPR to the 1994 federal Form 1040.

- It is no longer necessary to fill in the preparer's address on Form 1. The space marked "For Department Use Only" at the bottom of Form 1 has been increased. The department enters a validation number in this area; therefore it is very important that you leave this area blank.

Preliminary copies of the 1994 Forms WI-Z, 1A, 1, and 1NPR, the new earned income credit Schedule EICW, and the homestead credit and farmland preservation credit claim forms, Schedule H and Schedule FC, are reproduced on pages 20 to 34 of this Bulletin. The copies are subject to further revisions. □

## 1994 Income Tax Law Changes

Following are brief descriptions of some of the Wisconsin law changes which affect individuals in completing 1994 Wisconsin income tax returns.

- **Head of household filing status** Persons who qualify to file their federal income tax returns using the head of household filing status may also file their Wisconsin returns using that filing status.
- **Educational assistance benefits** The exclusion provided by federal law for up to \$5,250 of educational assistance benefits received by an employee applies for Wisconsin for the 1994 taxable year.
- **Taxable social security** For federal tax purposes up to 85% of

social security benefits may be taxable. The maximum amount of social security benefits taxable for Wisconsin remains at 50%.

- **Medical care insurance deduction** The deduction for medical care insurance costs paid by a self-employed person or by an employee whose employer does not contribute toward the cost of such insurance is 50% of the medical care insurance costs. For 1993 returns, the percentage was 25%.
- **Earned income credit** In prior years, the Wisconsin earned income credit was equal to a percentage of the federal earned income credit. The Wisconsin credit is no longer tied to the federal credit. A new form, Schedule EICW, is used to compute the Wisconsin earned income credit.
- **Alternative minimum tax** The exemption amounts for alternative minimum tax purposes are increased to conform to the federal exemption amounts. The new exemption amounts are: \$45,000 if married filing jointly; \$33,750 if single or head of household; or \$22,500 if married filing separately. □

## Milwaukee Exposition District Taxes Begin January 1

The City of Milwaukee has created an exposition center tax district, to help fund a new exposition center in Mil-

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administers the 0.5% county sales tax).

Following is information about the different types of local exposition district taxes.

### • Food and Beverage Tax

The District's food and beverage tax will be 0.25% on sales in Milwaukee County. Generally, if sales of food and beverages are subject to the 5% state sales tax, they are also subject to this 0.25% food and beverage tax.

### • Room Tax

The District's basic room tax will be 2% on the furnishing of rooms or lodging to any person residing for a continuous period of less than one month in a hotel, motel, or other furnished accommodations available to the public.

The District has also adopted an additional room tax of 7%. This additional room tax applies **only to room rentals described above located within the City of Milwaukee**. This additional 7% District tax replaces the City of Milwaukee room tax, effective January 1, 1995.

### • Rental Car Tax

The District's rental car tax will be 3% on the receipts from the rental, for 30 days or less, of Type 1 automobiles without drivers within the District's jurisdiction. The renter shall collect the rental car tax from the person to whom the Type 1 automobile is rented.

A "Type 1 automobile" is defined as a motor vehicle designed and used primarily for carrying persons but which does not come within the definition of motor bus, motorcycle, moped, or motor bicycle. For purposes of imposing the rental car tax, the lease or rental of a Type 1

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waukee (the Wisconsin Center). The District has the authority to impose a food and beverage tax, a room tax, and a rental car tax to fund the exposition center. The District adopted resolutions which provide that these taxes become effective January 1, 1995.

The District is made up of all municipalities located wholly or partially in Milwaukee County. Although these taxes are locally imposed, the law directs the Department of Revenue to administer them on behalf of local authorities (much as the department

automobile is considered to take place at the location where the automobile comes into the lessee's possession.

During November 1994 the department will contact businesses located within Milwaukee County. These businesses will be provided with information regarding the local exposition district taxes. They will also be asked to complete and return a questionnaire, to provide information the department needs to administer these taxes.

If you have questions regarding these local exposition district taxes, please call the department in Madison at (608) 266-2776 or Milwaukee at (414) 227-4600, or write to Wisconsin Department of Revenue, P.O. Box 8902, Madison, WI 53708-8902. □

## Postcards Save Over \$4,000

In December of 1993, the Department of Revenue mailed 257,000 postcards with a mailing label to taxpayers, in place of a 1993 Form 1 tax booklet. The postcard recipients were taxpayers whom the Internal Revenue Service identified as having used a tax preparer to complete their return in prior years.

Instructions on the postcard advised taxpayers to take the postcard to their tax preparer so the preparer could transfer the mailing label to the tax return filed. For taxpayers who still wanted a tax booklet, the postcard included a detachable order blank which could be completed and mailed to the department to request a booklet.

Comments from the public indicated that the postcard mailing was well received by taxpayers. The use of postcards produced a cost savings of \$4,000.

An improvement will be made to the postcard for 1994, with respect to taxpayers who have moved. Last year 12,000 taxpayers did not receive their postcard because they no longer lived at the address to which it was mailed.

This year the postal endorsement "FORWARDING AND RETURN POSTAGE GUARANTEED" will be added to the postcard. With the addition of this endorsement, most taxpayers who have moved will still receive a postcard. Use of the postcard label on the returns these taxpayers file will reduce the department's cost of processing these returns, even though the address on the label has been corrected. □

## Electronic Filing — It's Not Just for Refunds

Over 800 Wisconsin tax preparers participated in the Wisconsin Federal/State Electronic Filing Program for 1993 tax returns. The vast majority of 1993 returns filed electronically were refund returns. When tax preparers are asked why they aren't participating, the most common answer is "Most of my returns are complex and have a balance due."

While the fast turnaround for receiving refunds is a major benefit of filing refund returns electronically, there are also many advantages to filing those complex, balance due returns electronically. These advantages include the following:

- Both the IRS and the Department of Revenue provide proof of filing, with quick acknowledgment. This is not possible with paper returns.
- The error rate for electronic returns is much lower than paper returns (1.5% vs. 7% for 1993 returns).
- Electronic filing is more efficient than copying, sorting, labeling,

mailing, and keeping track of paper returns.

- The return can be filed early, and no payment is necessary until the due date. If an adjustment is made, your client will be notified of the correct amount due.
- Most Wisconsin full-year resident returns may be filed electronically, including (for 1994 returns) forms with Schedules EICW, I, MT, U, WD, and 2440W.
- Returns with extensions may be filed electronically through August 15.

With electronic filing, you can give your customers the best possible service, reduce your overall preparation and mailing costs, save paper, and get high quality results. To participate, follow these easy steps:

1. File the federal application, Form 8633, with the IRS. Contact Gerri Ness at the IRS Milwaukee office, (414) 297-3385, for forms.
2. After you are issued a federal Electronic Filer Identification Number (EFIN) by the IRS, make a photocopy of your Form 8633, enter you EFIN on the top of the application, and mail it to:  
  
Wisconsin Electronic Filing  
P.O. Box 8903  
Madison, WI 53708-8903  
  
or FAX it to (608) 264-6884.
3. Watch your IRS electronic filing newsletters for dates, times, and places of IRS/Wisconsin free electronic filing seminars.

If you're interested in more information, write to the Electronic Filing Coordinator at the above address, or call (608) 264-6886. If you're interested in participating, welcome. □

## Guidelines for Substitute Tax Forms

Tax returns may generally be filed on forms that have been reproduced or on substitute forms that have been approved by the department. However, certain guidelines must be followed to ensure that the reproduced or substitute forms are compatible with the department's processing system and present information in a uniform manner.

A copy of the "Guidelines for Reproduced and Substitute Tax Forms" appears on pages 35 and 36 of this Bulletin. □

### 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

## Focus on Publications: Magnetic Media Filing Required for Some Forms

Persons who are required to file federal wage statements and information returns on magnetic media with the Internal Revenue Service or Social Security Administration may also be required to file those forms on magnetic media with the Wisconsin Department of Revenue. Wisconsin Publication 509, "Filing Wage Statements and Information Returns on Magnetic Media," describes what forms must be filed on magnetic media for Wisconsin, the magnetic media requirements, and when and where to file on magnetic media. A copy of Publication 509 is reproduced on pages 37 and 38 of this Bulletin. □

## IRS 1994 Mileage Rates Apply for Wisconsin

The 1994 optional standard mileage rates specified by the IRS for computing automobile expenses for business, charitable, medical, and moving expense purposes also apply for Wisconsin.

For 1994 the IRS increased the business standard mileage rate from 28¢ per mile to 29¢ per mile for all business miles driven. The 29¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 29¢ per mile is used, depreciation is considered to be allowed at 12¢ per mile for 1994, up from 11.5¢ per mile for 1993. However, no portion of the 29¢ per mile rate is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 1994 the mileage rate allowed for calculating automobile expenses for charitable deduction purposes remains

at 12¢ per mile, and the rate allowed for medical expense deductions and moving expense deductions remains at 9¢ per mile. These are the same rates that were allowed for 1993. □

## 1994 Package WI-X Available

The 1994 edition of Wisconsin's Package WI-X will be available by January 31, 1995. The Package WI-X will contain actual size copies of most 1994 Wisconsin individual and fiduciary income tax, corporation franchise and income tax, partnership, estate tax, motor vehicle fuel tax, sales and use tax, and withholding tax forms.

The cost of the 1994 Package WI-X is \$7.00 per copy, which includes sales tax. 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 1994 Package WI-X, mail your request indicating the number of copies, along with the amount due, to Wisconsin Department of Revenue, Shipping and Mailing Section, P.O. Box 8903, Madison, WI 53708-8903. □

## Tax Form Order Blanks Mailed

During October, the department is mailing order blanks (Form P-744) to 8,500 tax preparers. Use these original order blanks (not copies) to request bulk orders of 1994 Wisconsin tax forms.

Two changes have been made to the order blank. A space is provided for your telephone number, in the event there is a problem or question regarding your order. Also, the Wisconsin