

## Information or Inquiries?

Listed below are telephone numbers to call if you wish to contact the Department of Revenue about any of the taxes administered by the Income, Sales, and Excise Tax Division.

### Madison — Main Office

Area Code (608)

Appeals . . . . .	266-0185
Audit of Returns: Corporation, Individual, Homestead . . . . .	266-2772
Beverage . . . . .	266-6701
Cigarette, Tobacco Products . . . . .	266-8970
Copies of Returns: Homestead . . . . .	266-2890
Individual . . . . .	266-1266
All Others . . . . .	266-0678
Corporation Franchise and Income . . . . .	266-1143
Delinquent Taxes . . . . .	266-7879
Estimated Taxes . . . . .	266-9940
Fiduciary, Estate . . . . .	266-2772
Forms Request: Taxpayers . . . . .	266-1961
Practitioners . . . . .	267-2025
Homestead Credit . . . . .	266-8641
Individual Income . . . . .	266-2486
Motor Vehicle Fuel . . . . .	266-3223
Refunds . . . . .	266-8100
Sales, Use, Withholding . . . . .	266-2776
TDD . . . . .	267-1049

### District Offices

Appleton . . . . .	(414) 832-2727
Eau Claire . . . . .	(715) 836-2811
Milwaukee: General . . . . .	(414) 227-4000
Refunds . . . . .	(414) 227-4907
TDD . . . . .	(414) 227-4147

paid on their federal retirement income for tax years 1984 through 1988. Refunds to these individuals are being made in six installment payments. Two installment payments were made in 1995.

Form 1099-G will be used to report refunds of Wisconsin income tax. Form 1099-INT will be used to report payments of interest.

### Form 1099-INT

Form 1099-INT will be sent to all federal retirees who received payments of interest from the department in 1995. The interest shown on the Form 1099-INT is includable in both federal and Wisconsin taxable income.

### Form 1099-G

Form 1099-G will be sent to federal retirees who meet both of the following conditions:

- (1) Received a refund of Wisconsin income tax in 1995, and
- (2) Claimed state income tax payments as an itemized deduction on their federal tax return for the year to which the refund applies.

(Note: A Form 1099-G will not be sent to a federal retiree who received a refund of income tax in 1995 but did not itemize deductions on his/her federal return for the year to which the refund applies.)

The tax year to which the refund applies is identified on the Form 1099-G.

### Example:

- Federal retiree received refund installments totalling \$1,200 during 1995. Of this amount, \$200 was payment of interest, \$600 was a refund of 1985 tax, and \$400 was a refund of 1986 tax.

- Retiree claimed state income tax payments as an itemized deduction on his/her 1985 federal income tax return, but claimed the standard deduction on the 1986 federal income tax return.

- Department will send retiree a Form 1099-G showing the \$600 refund of tax for 1985. Form 1099-G will not be sent for the refund of 1986 tax because retiree did not itemize deductions on the 1986 federal income tax return.

- Department will also send retiree a Form 1099-INT showing the \$200 of interest paid by the department in 1995.

### Taxability of State Income Tax Refund Shown on Form 1099-G

Wisconsin — The state income tax refund should not be included in Wisconsin taxable income.

Federal — All or a portion of a state income tax refund from Form 1099-G may be includable in 1995 federal taxable income. The Internal Revenue Service (IRS) has developed special worksheets for each of the tax years 1984 to 1988, which may be used to help determine whether a state income tax refund must be included in federal taxable income. These special worksheets for computing the taxable portion may be obtained from the IRS.

### Information Return Differences

There are three reasons why the total amount received by a federal retiree may differ from the total amount shown on the Forms 1099-G and 1099-INT. These reasons are:

- (1) The federal retiree did not itemize deductions on the federal return for one or more tax years; therefore, a Form 1099-G was not sent to the retiree for that year(s).

## Information Returns to Be Sent to Federal Retirees

During January 1996, Form 1099-G and/or Form 1099-INT information returns will be mailed by the Wisconsin Department of Revenue to federal retirees who received in 1995, refunds of Wisconsin income tax they

(2) The federal retiree is participating in the class action in *Department of Revenue v. Hogan, et al.* The department is required to put a portion of the refund into an escrow account for attorney fees.

The amount that was put into an escrow account is considered income constructively received by the retiree and is included in the information return amounts.

(3) All or a portion of the refund was offset against delinquent taxes, delinquent child support, or debts owed to other state agencies, municipalities, or counties. ☐

## Question and Answer

**Q** Why should I use the mailing label that came with my Wisconsin tax form booklet?

**A** The mailing label is designed to speed processing of your tax return and prevent common errors that delay refund checks. The mailing label is on the front of the income tax form booklet which is sent to taxpayers. Apply the label to the completed tax return you submit to the department. If you received a postcard with a mailing label instead of an income tax booklet, be sure to transfer the label from the postcard to your tax return.

**Q** May I still use the label if some of the preprinted information on the label is incorrect?

**A** Yes. However, you should cross out any incorrect information on the label and print the correct information. For example, if the preprinted address on your mailing label is not your current address, cross out your old address and print your new address.

**Q** What should I do if I don't have a label?

**A** If you didn't receive or don't have a label, print or type the information in the spaces provided on the tax form.

**Q** A business friend recently showed me several tax booklets she received from your department. How can I find out more about your free publications?

**A** Call the department's Forms Request Office in Madison at (608) 266-1961 and request Publication 502, *Do You Have Wisconsin Tax Questions?* It includes a list of over 40 publications the Department of Revenue provides free of charge. If you prefer, you may mail your request to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903, or you may order it by fax, by calling the department's Fax-a-form number, (608) 261-6229, from a fax telephone.

**Q** As the operators of a restaurant, we employ persons as waiters and waitresses. For federal corporation income tax purposes, we can claim a tax credit for a portion of the employer social security taxes on employee cash tips. If we take the credit, we may not claim a deduction on our federal income tax return for the amount used in determining the employer social security credit. Since Wisconsin does not have an employer social security credit, may we claim a deduction for the employer social security taxes on our Wisconsin franchise or income tax return?

**A** Yes. Federal law gives you the option of claiming either (1) a deduction for the employer social security taxes, or (2) a tax credit based on those expenses. Therefore, you may take a deduction on your Wisconsin return for the employer social security taxes that would have been deductible federally, if you had not claimed the tax credit.

**Q** My husband and I have been separated for two years. In October 1995 we went to court, and the judge ordered him to pay me \$200 per month beginning November 1, to help support our child, who lives with me. Prior to the court order, he was already giving me \$150 per month, even though he was not required to do so. In 1995 the total amount of child support I received was \$1,900 (10 months at \$150 and 2 months at \$200). Is the \$1,900 includable in household income on my 1995 homestead credit claim?

**A** Only a portion of the \$1,900 is includable. Court ordered support payments must be included in household income (on Schedule H, line 11g). However, voluntary payments are considered gifts and are not includable. Therefore, the \$1,500 of voluntary payments you received before you went to court ( $10 \times \$150 = \$1,500$ ) is not includable in household income, but the \$400 paid as a result of the court order must be included. ☐

## Form 1099-Gs and 1099-INTs Mailed to Taxpayers

Federal law requires that the Department of Revenue provide 1995 information returns (Form 1099-Gs) to persons who received a Wisconsin income tax refund in 1995 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 (Form 1099-INTs) be provided to persons who received \$600 or more of interest on refunds issued by the Department of Revenue.

The department is mailing approximately 18,000 Form 1099-INTs and 580,000 Form 1099-Gs during December of 1995 and January of 1996. (See a related article titled "Information Returns to Be Sent to Federal Retirees" on page 7 of this Bulletin.)

Regardless of whether a taxpayer is sent a Form 1099-INT, the taxpayer must report all interest received in 1995 as income on his or her 1995 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.

Form 1099-G explains how the refund reported to the Internal Revenue Service (IRS) was determined. The first line shows the amount of the refund. Subsequent lines show 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 other adjustments. The last line shows the refund reported to the IRS. ☐

## New Business Tax Registration

### New Law:

Persons applying on or after January 1, 1996, for certain permits or certificates issued by the Department of Revenue may be required to pay a Business Tax Registration (BTR) fee of \$20, as explained below. Applications postmarked or received in department offices before January 1, 1996, are not subject to the BTR fee.

The \$20 BTR fee applies only to the first permit or certificate a person applies for on or after January 1, 1996. Subsequent registrations for other permits or certificates do not require additional BTR fees.

All types of entities, including federal, state, and local government agencies, are subject to the BTR fee.

### Permits/Certificates Covered by BTR:

The BTR fee applies to most permits or certificates relating to the following taxes:

- withholding (i.e., employer identification number)
- sales and use (e.g., seller's permit or use tax registration certificate)
- motor vehicle fuel
- alternate fuel
- general aviation fuel
- alcohol beverage
- cigarette
- tobacco products.

See "Exceptions" below for a listing of permits and certificates to which the BTR fee does not apply.

A person applying for a temporary seller's permit is subject to the \$20 BTR fee if the person does not hold any other active registration (permit or certificate) that is subject to the

fee. No additional BTR fee will apply for subsequent temporary permits issued within a two-year period following the initial application.

### Exceptions:

The \$20 BTR fee is not required for:

- sales and use tax certificates of exempt status
- consumer's use tax registration certificates
- local exposition district tax permits
- medicinal alcohol permits
- sacramental wine permits
- tobacco products salesperson permits
- fuel transporter permits.

Also, there is no BTR fee requirement for out-of-state employers who are not required to withhold tax, but who apply for a Wisconsin employer identification number for the convenience of their employees. Such employers must attach a letter to the application, explaining the situation, so that the BTR fee will not be charged.

### Persons Who Held Permits or Certificates on December 31, 1995:

Persons who held any active permit or certificate on December 31, 1995, that is covered by the BTR provisions, do not have to pay the \$20 BTR fee.

Example: Employer ABC has been in business for several years and had a Wisconsin employer identification number on December 31, 1995. ABC does not have to pay the \$20 BTR fee.

Persons who held any active permit or certificate on December 31, 1995, that is covered by the BTR provisions, may apply for additional permits or certificates without paying the \$20 BTR fee.

Example: Employer ABC in the previous example applies for a seller's permit in 1996. ABC does not have to pay the \$20 BTR fee.

Persons who held only permits or certificates on December 31, 1995, that are not covered by the BTR provisions, must pay the \$20 BTR fee if they apply for a permit or certificate that is subject to the BTR fee.

Example: XYZ Youth Hockey Team, which holds a sales and use tax certificate of exempt status issued in 1994, hires two employees and applies for a Wisconsin employer identification number in 1996. XYZ is required to pay the \$20 BTR fee.

### Completing a New Application:

Persons applying for a permit or certificate should indicate on the application whether they hold (or held on December 31, 1995) an active permit or certificate with the department. The \$20 BTR fee will not apply if the person has a registration covered by BTR, that is currently active or was active on December 31, 1995.

The information regarding prior registration should be entered on the application as follows:

#### *Sales, use, or withholding tax —*

Enter the type and number of each registration covered by BTR that is currently active or was active on December 31, 1995, on line 8 of Form A-101, *Application for Permit/Certificate*.

#### *Excise taxes —*

Enter the type and number of each registration covered by BTR that is currently active or was active on December 31, 1995, at the top of the excise permit application (near the department name and address area).

### Renewals:

The initial \$20 BTR fee covers a period of two years. At the end of that period, a \$10 BTR renewal fee applies. The renewal fee applies to all persons holding permits or certificates subject to BTR provisions, including those who paid the initial \$20 BTR fee and those who were not required to pay the initial \$20 fee because they held an active registration on December 31, 1995.

The first renewals will occur in 1998. The Department of Revenue will send a renewal notice.

Example: Repairman DEF holds a seller's permit issued in 1986, so he was not required to pay the initial \$20 BTR fee. Even though he didn't have to pay the \$20 fee, he *will* be required to pay the \$10 renewal fee in 1998.

### Expedited Fee:

Persons may receive immediate service on their applications for permits or certificates covered by the BTR provisions. This service is available only at the following department offices:

- 4638 University Avenue, Madison
- 819 North 6th Street, Milwaukee.

A \$10 "expedited fee" will be charged for this service. The fee will be charged for each entity applying.

### Alcohol Beverage Fees:

In addition to the initial \$20 BTR fee and the \$10 BTR renewal fee, other BTR fees apply to persons obtaining or renewing certain alcohol beverage permits. The permits for which additional fees are required, and the amounts of the additional fees (for a two-year period), are as follows:

- Wisconsin Liquor/Wine —
  - Manufacturer, \$1,000
  - Wholesaler, \$1,000

- Rectifier, \$1,000
- Winery, \$200
- Sports Club, \$600
- Vessel, \$600
- Airport/Public Facility, \$600
- Distilled Spirits/Wine —
  - Public Warehouse Alcohol Beverages, \$200
  - Out-of-State Shipper of Liquor, Wine, \$500.

These additional BTR fees replace the annual fees that were in effect prior to enactment of the BTR provisions.

### Questions and Answers:

Q: I applied for a Wisconsin employer identification number in mid-January, 1996, and enclosed a check for the \$20 BTR fee. I later realized that I didn't owe the fee because I obtained a seller's permit in 1994, which is still active. What should I do?

A: Write to the department and explain the situation. Provide copies of the front and back of the check, along with the seller's permit number. Once the information has been verified, a refund will be issued to you.

Q: Our church holds a sales and use tax certificate of exempt status with the department. We have no other permit or certificate. We have just hired a full-time custodian as an employee and must apply for a Wisconsin employer identification number. Do we have to pay the \$20 BTR fee?

A: Yes. The certificate of exempt status which you hold is not covered by the provisions for BTR, so the \$20 fee must be paid when you apply for the Wisconsin employer identification number.

Q: I am starting a business and am registering for seller's permits for 10 locations in Wisconsin, as well as a Wisconsin employer identification number. What is the amount of the fee that I owe for these permits?

A: The BTR fee is \$20, regardless of the number of different types of permits or certificates you need, or the number of locations for which you need seller's permits.

Q: I ceased operating my business in November 1995 and mailed my seller's permit to the Department of Revenue at that time. This was the only permit or certificate that I ever held with the department. If I resume operating my business in 1996 and wish to have my seller's permit reactivated, will I owe the \$20 BTR fee?

A: Yes. The \$20 BTR fee is due because you held no active permit or certificate covered by the BTR provisions on December 31, 1995. ☐

## Incomplete Returns Sent Back to Taxpayers

Many tax returns and credit claims are sent back to taxpayers each year because of missing schedules or information. In the 1995 processing season (1994 returns and claims) the department sent back 12,000 individual income tax returns, 4,000 corporation franchise and income tax returns, 400 partnership returns, 36,000 homestead credit claims, and 2,000 farmland preservation credit claims. Common reasons for sending back returns and claims 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 (Forms W-2, W-2G, and 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 credit for 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.
- Rent certificate altered or not filled in completely.
- Number of occupants not filled in on rent certificate.
- Rent certificate shows more than one occupant, but claimant claims all rent and does not explain why.
- More than or less than 12 months rent/taxes claimed, with no explanation.

- Lottery credit claimed but not shown on property tax bill.
- Tax bill(s) shows owner(s) other than claimant, or different address.
- Wisconsin tax return, federal copy, schedules, wage statements, or signature missing.
- Special instructions for separated spouses not followed.

*Farmland Preservation Credit* (Schedule FC)

- Copies of all property tax bills or correct year's tax bills not attached.
- Ownership not verified when other owners listed on tax bill.
- Zoning certificate incorrect, incomplete, or not attached.
- Copy of **executed** farmland preservation agreement not attached.
- Closing agreement for sale or purchase of land not attached.
- Prior year's property tax payment not verified when tax bill indicates delinquent taxes.
- Farmland preservation agreement expired and extension agreement not attached.

*Partnership* (Form 3)

- Federal employer identification number not filled in.
- Copies of federal Form 1065 or Wisconsin Schedule 3K-1 not attached.
- Federal Form 1065 and Schedule K-1 filed without Wisconsin Form 3 and Schedule 3K-1. ☐