



Wisconsin TAX BULLETIN



Tax Season Gear-Up



See articles on pages 1 to 6.

New Tax Laws to Be Described in Special Issue

What Wisconsin tax laws will be enacted in 1997? Because of delays in passing the 1997-99 Budget Bill, this was unknown at the time this Bulletin went to press. New tax laws enacted in 1997 will be described in a special issue of the *Wisconsin Tax Bulletin* later this year.

The *Sales and Use Tax Report* will also explain the major changes to the sales and use tax laws. The Report is sent to all active sales and use tax registrants. In addition, a copy of the Report will likely be included in the January 1998 issue of the *Wisconsin Tax Bulletin*.

TeleFile to Start for WI-Z Filers

Wisconsin will offer "TeleFile" for filing state individual income tax returns, beginning January 1998. Participation will be limit-



ed to invited taxpayers. The department will "invite" single taxpayers who filed Form WI-Z for 1996 by sending them a new 1997 TeleFile booklet. The booklet contains instructions on how to use a touch-tone phone to file their 1997 Wisconsin income tax returns.

Using TeleFile, taxpayers complete a worksheet and file their returns by dialing a designated phone number. A personal identification number (PIN) is provided for security. Using the telephone keypad, the taxpayers enter income, withholding, and other return information as prompted by a voice response system. The TeleFile system does all the calculations.

In the 1997 filing season (1996 returns), over 3 million federal returns were filed using this TeleFile technology, including 125,000 federal returns from Wisconsin taxpayers. Twelve states already have TeleFile programs, and those states collected over 1 million TeleFile returns in 1997. The Wisconsin Department of Revenue expects that TeleFile will simplify the filing process for many taxpayers and result in faster refunds for a large majority of these filers.

Do You Owe Use Tax on Mail-Order Purchases?

If you buy items from mail-order companies who do not charge Wisconsin sales or use tax, you may owe Wisconsin use tax.

Office supplies, computer equipment, paper, and furniture are common examples of mail-order purchases which result in the buyer owing use tax.

Seller's permit, use tax registration certificate, and consumers use tax registration certificate holders: Report use tax owed on your sales and use tax return, Form ST-12.

Others: Report use tax on a consumer use tax return, Form UT-5. Individuals may report use tax on their individual income tax return instead of Form UT-5.

Form Changes for 1997

Following are brief descriptions of the major changes to the Wisconsin individual income tax forms for 1997.

- Mailing address for a Form WI-Z which has a tax balance due is changed to P.O. Box 268, Madison, WI 53790-0001.
- Changes are made to the entry area on Form 1A, and a bar code for scanning is added. This will allow the form to be electronically scanned by the department.
- W-2 forms (wage and tax statements) must be stapled to the back of Form 1A, instead of the front.
- Unemployment compensation worksheet previously located on

In This Issue

	Page		Page		Page
Articles —		Tax Form Order Blanks	5	Endangered Resources	10
New Tax Laws in Special Issue	1	Magnetic Media Filing	5	Election Campaign Fund	10
TeleFile to Start	1	IRS Mileage Rates	6	1.8 Million Refunds	10
Use Tax on Mail-Order	1	Wisconsin/Minnesota Seminar	6	Administrative Rules	10
Form Changes	1	Focus on Publications:		Recently Adopted Rule	11
Business Tax Registration	2	Compromises	6	Report on Litigation	12
Vehicle Dealers' Use Tax	3	Question and Answer	6	Tax Releases	22
Electronic Funds Transfer	3	Homestead Credit Fraud	7	Private Letter Rulings	46
Faxed Permit Applications	3	Wanted: Your Comments	7	Attachments —	
Substitute Tax Forms	4	Make Research Easier	8	Proof Copies of Forms	51
Information or Inquiries?	4	Need a Speaker?	8	Guidelines/Substitute Forms	65
Forms Available by Fax	4	Bulletin Index Available	8	Order Blank	67
Package WI-X Available	5	Publications Available	8		

back of Form 1A has been moved to instructions.

- Lines on Form 1NPR for taxpayer's and spouse's IRA deductions are combined on one line to conform with changes made on federal Form 1040.
- Line added to Form 1NPR to correspond with new line on federal Form 1040 for medical savings account deduction.

- Entry line is provided on Forms 1 and 1NPR for penalties on medical savings accounts.

- Separate mailing address is no longer used for Forms 1 and 1NPR returns which include a Schedule FC.

Preliminary copies of the 1997 Forms 1, 1A, WI-Z, and 1NPR and the homestead credit and farmland preservation credit claim forms, Schedule H and Schedule FC, are reproduced on pages 51 to 64 of this Bulletin. The copies are subject to further revision.

Business Tax Registration Changes Being Made

The Department of Revenue is in the process of combining business name, address, and registration information into a centralized file. A new computer system is being developed to register new business tax customers, and to maintain their account infor-

mation. One of the benefits to the customer will be a single location to notify the department of any changes to business account information.

The development of the single registration system is a large undertaking that will occur over several years. The first visible step in the process is the issuance of a renewal Business Tax Registration (BTR) Certificate. Wisconsin law requires the renewal of the BTR Certificate every two years, beginning in 1998.

A renewal BTR Certificate will list all permits, licenses, and certificates currently in effect, and the expiration date for the renewal certificate will apply to all of the items listed. Customers will be asked to review the BTR Certificate closely to ensure the accuracy of the information provided, and to identify any additional permits, licenses, or certificates they hold with the department. The BTR Certificate should be retained as proof of registration with the department and should be easily accessible.

Wisconsin Tax Bulletin

Published quarterly by
Wisconsin Department of Revenue
Income, Sales, and
Excise Tax Division
P.O. Box 8933
Madison, WI 53708-8933

Subscriptions available from
Wisconsin Department of
Administration
Document Sales
P.O. Box 7840
Madison, WI 53707-7840
Annual cost \$7.00

During the development period, customers may identify discrepancies in the name and address information provided on the BTR Certificate and the information printed on various reporting forms or adjustment notices. The new system will be developed to allow for a longer name and address field but must be shortened when used by existing tax systems. These discrepancies will need correction only if the name or address information is incorrect or causes difficulty in delivery. □

Motor Vehicle Dealers' Measure of Use Tax Increased to \$102



Wisconsin licensed motor vehicle dealers are permitted to report use tax on a certain dollar amount per plate per month for the use of motor vehicles assigned to certain employees.

Effective January 1, 1998, the amount subject to use tax is increased from \$99 to \$102 per plate per month. (Note: The use tax per plate per month is not \$102. Rather, \$102 is multiplied by the use tax rate (5%, 5.1%, 5.5%, or 5.6%) to arrive at the use tax due per plate per month.)

The reason for the increase to \$102 per plate is that sec. 77.53(1m)(a), Wis. Stats. (1995-96), requires that the Department of Revenue annually adjust the amount subject to use tax to reflect the annual percentage change in the U.S. Consumer Price Index for All Urban Customers, U.S. City Average, as determined by the U.S. Department of Labor for the 12 month period ending June 30. The percentage change for the period July 1996 to June 1997 was 2.9% ($\$99 \times 1.029 = \102 rounded to the nearest whole dollar). □

Paying Taxes by Electronic Funds Transfer

The Department of Revenue requires electronic funds transfers (EFTs) for payments of motor vehicle fuel tax and petroleum inspection fees. Although not required, EFT is also available for payments of withholding tax; estimated tax (including corporation and individual extension payments and temporary recycling surcharge for partnerships); excise taxes (beer, liquor/wine, cigarette, tobacco products); and general aviation and alternate fuels taxes.

EFT is a safe, fast, and efficient automated process for transferring tax payments to the department. It eliminates the need for writing paper checks and filling out payment vouchers. The funds and tax payment information are transferred electronically through the Automated Clearing House (ACH) network.

Wisconsin Publication 118, *Electronic Funds Transfer Guide*, provides information and instructions regarding electronic funds transfers, and a request form for EFT authorization. For a copy of Publication 118, or if you have further questions about EFT, you may call the department's EFT Information Line in Madison at (608) 264-9918, or you may write to:

Revenue Accounting — EFT Unit
Wisconsin Department of Revenue
P.O. Box 8912
Madison, WI 53708-8912.

Publication 118 can also be received via your fax machine by using the department's Fax-A-Form system. Call (608) 261-6229 from a fax telephone and enter retrieval code 10118. □

Some Permit Applications Can Be Faxed

The Department of Revenue now accepts certain registration applications by fax. These registrations include sales, use, and withholding permits/certificates that can be applied for by using the Application for Permit/Certificate (Form A-101).

The fax number to use when faxing a completed Application for Permit/Certificate (Form A-101) to the department is (608) 267-1030.

When faxing a Form A-101, provide a cover sheet with the contact person's name and fax or phone number. Also, when preparing the Form A-101, be sure to:

- Use blue or black ink.
- Type or print clearly.
- Fill in the estimates at question 11 and/or 12.
- Complete both pages of the application.

An applicant may choose from two options when faxing the Form A-101 to the department:

OPTION 1 — Regular Processing: Applicants who are not in immediate need for the permits(s) and/or certificates(s), but would like to save one to three days' processing time (the number of days it would take the department to receive a mailed application), may fax the application to the department. Faxed applications will be processed with the applications received in the mail that day. Applications are ordinarily processed within 10 business days of receipt. The department will send a letter informing the registrant if the \$20 BTR fee is due.

OPTION 2 — Expedited Processing: Applicants who prefer to have *next day service* for the issuance of the permit(s) and/or certificate(s) may fax the Form A-101 to the department and must write “Expedited” in the upper left-hand corner of the application. The contact person listed on the cover sheet will be notified the next business day, by phone or fax, of the permit/certificate number(s) issued.

An additional \$10 fee is charged for expedited processing. The department will send a letter informing the registrant of the correct fee(s) due (the “Expedited” fee and the BTR fee), if applicable.

If an applicant has previously mailed a Form A-101 and now wishes to fax one for expedited processing, the applicant should write both “Expedited” and “Second Request” in the upper left-hand corner of the application. The applicant should contact the department at (608) 266-2776 if duplicate registrations are issued because of processing both applications.

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 65 and 66 of this Bulletin.

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. A comprehensive listing of telephone numbers and addresses appears in *Wisconsin Tax Bulletin* 101 (April 1997), pages 35 to 38.

Madison — Main Office

Area Code (608)

Appeals	266-0185
Audit of Returns: Corporation, Individual, Homestead	266-2772
Beverage	266-6702
Cigarette, Tobacco Products	266-8970
Copies of Returns	267-1266
Corporation Franchise and Income	266-1143
Delinquent Taxes	266-7879
Electronic Filing	264-9959
Estimated Taxes	266-9940
Fiduciary, Estate	266-2772
Forms Request:	
Taxpayers	266-1961
Practitioners	267-2025
Fax-A-Form	261-6229
Homestead Credit	266-8641
Individual Income	266-2486
Motor Vehicle Fuel	266-3223
Refunds	266-8100
Sales, Use, Withholding	266-2776
TTY	267-1049

District Offices

Appleton	(920) 832-2727
Eau Claire	(715) 836-2811
Milwaukee:	
General	(414) 227-4000
Refunds	(414) 227-4907
TTY	(414) 227-4147

Forms Available by Fax

The Wisconsin Department of Revenue offers a Fax-A-Form document retrieval system. This retrieval system enables taxpayers

and tax practitioners to obtain tax forms and publications via their facsimile machine or fax modem.

What is Available Via Fax-A-Form?

Wisconsin individual income, homestead credit, partnership, corporation, estate, fiduciary income, withholding tax, and sales and use tax forms are available, along with the instructions for the forms. In January 1998, 1995, 1996, and 1997 forms and instructions will be available.

Publications published by the department are also available. See the article titled “Tax Publications Available” on page 8 of this Bulletin for a list of the publications.

The catalog of retrieval codes for the forms and publications is updated throughout the year as forms and publications are added and revised. For updated information, order the current catalog using Fax-A-Form.

How Does it Work?

- From the handset on your fax machine or the touch-tone keypad of your fax modem call the Fax-A-Form telephone number (608)261-6229 (at this point do not enter “start” on your fax machine).
- If you have a newer model fax machine without a handset, you may use the keypad if tones are transmitted; if tones are not transmitted you must connect a touch-tone telephone to your fax machine to retrieve a document.

- Follow the voice prompts, then use the touch-tone keypad on your fax machine or telephone to enter the proper retrieval codes for the items desired.

- Receive the items you select, via your fax machine, by pushing the start, send, or copy button of your fax machine (**on most fax machines use the start button**). Fax modem users will need to click on manual receive. The handset of your system must stay **off** the hook the entire time the forms are being faxed to you.

When Can Fax-A-Form Be Used?

The Fax-A-Form retrieval system is available 24 hours a day, 7 days a week.

How Much Does it Cost?

The Department of Revenue does not charge a fee for using the Fax-A-Form service. Your only costs are the normal telephone charges, plus fax machine operating costs, if applicable.

Questions?

If you have questions about Fax-A-Form, you may call Mary Diaz, the department's Fax-A-Form coordinator, at (608)267-2025. □

1997 Package WI-X Available in January

Wisconsin's Package WI-X will be available by January 31, 1998. Package WI-X will contain actual size copies of most 1997 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 1997 Package WI-X is \$7.00 plus 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 titled "Tax Form Order Blanks Mailed," for more information on bulk orders.

If you do not receive an order blank and want to purchase copies of 1997 Package WI-X, mail your request indicating the number of copies, along with the amount due, to Wisconsin Department of Revenue, Forms Request Office, 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 9,000 tax preparers. Use these original order blanks (not copies) to request bulk orders of 1997 Wisconsin tax forms that require payment. Forms that do not require payment are not listed on the order blank.

Some of the forms you order will be accompanied by additional information. For example, your order will include instructions for the forms you request; Schedules 2K-1 and WD for Form 2 will be included with fiduciary Form 2 orders; and Schedules 3K-1 will be included with partnership Form 3 orders.

The department is also mailing order blanks (Forms P-744b and P-744L) to banks, post offices, and libraries for their use in requesting bulk orders of 1997 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).

If you do not receive an order blank by October 31, 1997, you may request one by: contacting any department office; writing to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903; or calling (608) 267-2025.

Place your order as early as possible after receiving 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. Most forms in Package WI-X may be reproduced (see the "Guidelines for Reproduced and Substitute Tax Forms" on page 65 of this Bulletin for a listing of forms that may **not** be reproduced). □

Magnetic Media Filing Required for Some Forms

Employers and payors may be required to file wage statements and information returns on magnetic media with the Wisconsin Department of Revenue. Wisconsin magnetic media filing is required if all of the following apply:

- Comparable wage statements or information returns are required to be filed on magnetic media with the Internal Revenue Service or Social Security Administration.
- The income on the form is required to be reported to Wisconsin.
- The number of any one type of form required to be filed with Wisconsin is 250 or more.
- The Combined Federal/State Filing Program is not being used.
- No waiver has been granted by the department.

Wisconsin Publication 509, "Filing Wage Statements and Information Returns on Magnetic Media," provides more information about magnetic media filing. You can order Publication 509 by: writing to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903; calling (608) 266-1961; using the department's "Fax-A-Form" system by calling (608) 261-6229 from a fax telephone and entering retrieval

code 10509; or accessing the department's World Wide Web Internet site at <http://www.dor.state.wi.us>.

IRS 1997 Mileage Rates Apply for Wisconsin

The 1997 optional standard mileage rates specified by the Internal Revenue Service (IRS) for computing automobile expenses for business, charitable, medical, and moving expense purposes also apply for Wisconsin.

For 1997 the IRS increased the business standard mileage rate from 31¢ per mile to 31.5¢ per mile for all business miles driven. The 31.5¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 31.5¢ per mile is used, depreciation is considered to be allowed at 12¢ per mile for 1997, the same rate as for 1996. However, no portion of the

31.5¢ per mile rate is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 1997 the mileage rate allowed for calculating automobile expenses for charitable deduction purposes remains at 12¢ per mile, and the rate for medical expense and moving expense deductions remains at 10¢ per mile.

Wisconsin/Minnesota Tax Seminar

The Wisconsin and Minnesota Departments of Revenue are presenting a joint sales and use tax seminar for contractors, which includes information on differences between the two state's laws. The seminar, which is open to the public without charge, is being held on November 25, 1997, in St. Paul, Minnesota.

To register or for more information, call the Minnesota Department of Revenue at 1-800-888-6231.

Focus on Publications: Tax Compromises

What can taxpayers do if they owe more delinquent taxes than they can ever pay?

The Wisconsin Department of Revenue's Publication 124, *Petition For Compromise Of Delinquent Taxes*, explains how taxpayers in this situation may file a petition for compromise, to settle the delinquency for a lesser amount. It explains who may qualify, how to file a petition for compromise, and how the department reviews the petition.

To obtain a copy of Publication 124 by mail, you may call (608) 266-1961, fax a request to (608) 261-6239, or write to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903. To receive a copy via your fax machine, call the department's Fax-A-Form number, (608) 261-6229, from a fax telephone and enter retrieval code 10124.

Question and Answer

Q I am retired and receiving a federal civil service retirement benefit. May I have Wisconsin income tax withheld from my federal retirement benefit?

A Yes, you may have Wisconsin income tax withheld from your federal retirement benefit. Wisconsin is participating in a new program which allows federal retirees to have Wisconsin income tax withheld from their federal retirement benefits.

Q Who do I contact to arrange to have Wisconsin income tax withheld from my federal retirement benefits?

A Arrangements to have Wisconsin income tax withheld from your federal retirement benefits must be made through the United States Office of Personnel Management. A toll-free automated system is available for use with a touch-tone telephone. Just dial 1-800-409-6528 and follow the directions given. Before calling, be

sure you have available your CSA or CSF retirement claim number, your social security number, and the two letter abbreviation and dial pad equivalent for your state (for example, the two letter abbreviation for Wisconsin is WI which has a dial pad equivalent of 94).

If you do not have a touch-tone telephone, call (202) 606-0500 Monday through Friday from 7:30 a.m. to 5:30 p.m., Eastern Standard Time.