



## Tax Releases

*"Tax releases" are designed to provide answers to the specific tax questions covered, based on the facts indicated. In situations where the facts vary from those given herein, the answers may not apply. Unless otherwise indicated, tax releases apply for all periods open to adjustment. All references to section numbers are to the Wisconsin Statutes unless otherwise noted.*

The following tax releases are included:

### Individual Income Taxes

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## INDIVIDUAL INCOME TAXES

### 1 Computing Taxable Social Security Benefits for Lump-Sum Payments

**Statutes:** Section 71.05(6)(b)21, Wis. Stats. (1995-96)

**Note:** For illustration purposes, references are made in this tax release to the 1996 forms and federal worksheets available to compute taxable social security for 1996. However, this tax release applies to all periods open to adjustment. Line references may change when using the worksheets for other years.

**Background:** Generally, for purposes of computing taxable social security benefits, a lump-sum (or retroactive) payment of social security benefits is included in total benefits for the year in which it is received.

However, for federal tax purposes a taxpayer who received a lump-sum payment of benefits in 1996 that included retroactive benefits for one or more earlier years can figure whether any part of these earlier year benefits are taxable based on the earlier year's income. If it will lower the amount of taxable benefits, the taxpayer may elect to treat the earlier year benefits as received in the earlier year. In that case, any part of the earlier year benefits that is taxable is then added to the taxable benefits for 1996 and the total is included in 1996 income. No adjustment is made to the earlier year's return.

When this election is made for federal tax purposes, the taxpayer must complete separate worksheets for each earlier year for which benefits were received and for 1996 to determine the amount of taxable social security benefits includable in federal adjusted gross income for 1996. These worksheets are found in federal Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*.

**Wisconsin Treatment:** The maximum portion of an individual's social security benefits which is taxable for Wisconsin income tax purposes is 50%. For taxable years beginning after 1993, for federal income tax purposes up to 85% of social security benefits are taxable. When federal adjusted gross income (the starting point for calculating Wisconsin taxable income) includes more than 50% of an individual's social security benefits, a subtraction adjustment may be made for Wisconsin purposes.

**Note:** A subtraction adjustment will be available only if the taxpayer received a lump-sum payment of social security benefits for 1994 or a subsequent year and line 8 of the taxpayer's federal Worksheet 2 for 1994 or 1995 (or line 7 of Worksheet 4 for 1996) is more than \$34,000 (\$44,000 if married filing jointly or \$0 if married filing a separate return and the taxpayer lived with his or her spouse at any time during the year). Worksheets 2 and 4 are from federal Publication 915. Worksheet 2 is used to determine the taxable portion of a lump-sum payment for 1994 or 1995 received in 1996 (see Exhibit E of the example). Worksheet 4 is used to compute federal taxable social security for 1996 using

the lump-sum election method (see Exhibit K of the example).

**Calculating the Wisconsin Subtraction:** The following four steps are used to determine any Wisconsin subtraction adjustment available for the difference between the amount of social security benefits taxable for Wisconsin and federal tax purposes.

**Step 1:** Determine the additional amount of social security benefits taxable to Wisconsin for each prior year for which a lump-sum payment was received.

A. *For 1986 through 1993* — The additional amount of social security benefits which is taxable for federal tax purposes is also taxable for Wisconsin. This is the amount from line 14 of federal Worksheet 3 for a lump-sum payment for 1993 or an earlier year, as determined for each year for which a lump-sum payment was received. (See Exhibit B of the example).

B. *For 1994 and 1995* — The following worksheet may be used to determine what portion of the lump-sum payment for 1994 and 1995 is taxable to Wisconsin. Complete a separate worksheet for each year for which a lump-sum payment was received.

1. One-half of the total social security benefits received for the year (line 2 of federal Worksheet 2 - see Exhibit E) . . . 1. \_\_\_\_\_
2. Adjusted income after subtraction of exemption amount (line 10 of federal Worksheet 2 - see Exhibit E) . . . . . 2. \_\_\_\_\_
3. Fill in one-half of line 2 above . . . 3. \_\_\_\_\_
4. Compare line 1 and line 3. Fill in the smaller amount . . . . . 4. \_\_\_\_\_
5. Social security benefits previously taxed by Wisconsin . . . 5. \_\_\_\_\_
6. Subtract line 5 from line 4. This is the additional amount taxable by Wisconsin . . . . . 6. \_\_\_\_\_

**Step 2:** Determine the amount of social security benefits taxable to Wisconsin for the current year without considering the lump-sum payment for prior years (see Exhibit L).

**Step 3:** Add the amounts determined in Step 1 to the amount determined in Step 2 (see lines 2 through 6 of Exhibit M).

**Step 4:** Subtract the total social security benefits taxable to Wisconsin (as determined in Step 3) from the total social security benefits taxable for federal tax purposes for the current year. If the taxpayer is filing Form 1, the result should be entered on Schedule 2 of Form 1 as a subtraction for nontaxable social security benefits. If the taxpayer is filing Form 1A, the result should be entered on line 5 (nontaxable retirement benefits) of the Retirement Benefit Worksheet in the Form 1A instructions. (See Exhibit M)

**Example:** The taxpayer was single for 1993 through 1996. The taxpayer had the following income for the year indicated.

	1993	1994	1995	1996
Pension	\$30,000	\$30,000	\$30,000	\$30,000
Interest income	2,000	2,200	2,500	3,000
IRA distribution	-0-	10,000	15,000	12,000
Social security	12,000	12,600	13,000	18,000

The social security benefits received in 1996 included a lump-sum payment of \$1,000 for 1993, \$1,000 for 1994, and \$1,000 for 1995. For federal tax purposes, the taxpayer has elected to treat these amounts as received in the earlier year.

See Exhibits A through M for worksheets showing computation of the Wisconsin adjustment for nontaxable social security benefits.

**Exhibit A:** Taxable social security benefits as originally determined for federal tax purposes for 1993.**Social Security Benefits Worksheet—Lines 21a and 21b (keep for your records)**

If you are married filing separately and you **lived apart** from your spouse for all of 1993, enter "D" to the left of line 21a.

- |   |     |               |
|---|-----|---------------|
| 1. Enter the total amount from <b>box 5</b> of all your <b>Forms SSA-1099</b> and <b>Forms RRB-1099</b> (if applicable) . . . . .   | 1.  | <u>12,000</u> |
| <b>Note:</b> If line 1 is zero or less, stop here; none of your social security benefits are taxable. Otherwise, go to line 2.  |     |               |
| 2. Divide line 1 above by 2 . . . . .   | 2.  | <u>6,000</u>  |
| 3. Add the amounts on Form 1040, lines 7, 8a, 9 through 15, 16b, 17b, 18 through 20, and line 22. Do not include here any amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . .  | 3.  | <u>32,000</u> |
| 4. Enter the amount from Form 1040, line 8b . . . . .   | 4.  | <u>- 0 -</u>  |
| 5. Add lines 2, 3, and 4 . . . . .  | 5.  | <u>38,000</u> |
| 6. Enter the total adjustments from Form 1040, line 30 . . . . .  | 6.  | <u>- 0 -</u>  |
| 7. Subtract line 6 from line 5 . . . . .  | 7.  | <u>38,000</u> |
| 8. Enter on line 8 the amount shown below for your filing status:   |     |               |
| • Single, Head of household, or Qualifying widow(er), enter \$25,000  |     |               |
| • Married filing jointly, enter \$32,000  |     |               |
| • Married filing separately, enter -0- (\$25,000 if you <b>lived apart</b> from your spouse for all of 1993)  | 8.  | <u>25,000</u> |
| 9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . .  | 9.  | <u>13,000</u> |
| • If line 9 is zero, stop here. None of your social security benefits are taxable. Do not enter any amounts on lines 21a or 21b. <b>But</b> if you are married filing separately and you <b>lived apart</b> from your spouse for all of 1993, enter -0- on line 21b. Be sure you entered "D" to the left of line 21a. |     |               |
| • If line 9 is more than zero, go to line 10.   |     |               |
| 10. Divide line 9 above by 2 . . . . .  | 10. | <u>6,500</u>  |
| 11. <b>Taxable social security benefits.</b>  |     |               |
| • First, enter on Form 1040, line 21a, the amount from line 1.  |     |               |
| • Then, enter the <b>smaller</b> of line 2 or line 10 here and on Form 1040, line 21b . . . . .   | 11. | <u>6,000</u>  |

**Note:** If part of your benefits are taxable for 1993 **and** they include benefits paid in 1993 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. Get Pub. 915 for details.

**Exhibit B:** Federal worksheet (from Publication 915) for computing the taxable portion of the lump-sum payment received in 1996 for 1993.

**Worksheet 3. Lump-Sum Payment for 1993 or Earlier Year Received in 1996**  
(For Use with Worksheet 4)

Enter earlier year 1993

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment for the earlier year received after that year ....	1. <u>13,000</u>
<i>Note: If line 1 is zero or less, skip lines 2 through 13 and enter -0- on line 14. Otherwise, go on to line 2.</i>	
2. Enter one-half of line 1 .....	2. <u>6,500</u>
3. Enter the adjusted gross income reported on your return for the earlier year .....	3. <u>38,000</u>
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for Series EE U.S. savings bond interest (Form 8815), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico .....	4. <u>- 0 -</u>
5. Enter any tax-exempt interest received in the earlier year .....	5. <u>- 0 -</u>
6. Add lines 2, 3, 4, and 5. ....	6. <u>44,500</u>
7. Enter the taxable benefits reported on your return for the earlier year .....	7. <u>6,000</u>
8. Subtract line 7 from line 6 .....	8. <u>38,500</u>
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) .....	9. <u>25,000</u>
10. Subtract line 9 from line 8. ....	10. <u>13,500</u>
<i>Note: If line 10 is zero or less, skip lines 11 through 13 and enter -0- on line 14. Otherwise, go on to line 11.</i>	
11. Enter one-half of line 10 .....	11. <u>6,750</u>
12. <b>Refigured taxable benefits.</b> Enter the <b>smaller</b> of line 2 or line 11 .....	12. <u>6,500</u>
13. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) .....	13. <u>6,000</u>
14. <b>Additional taxable benefits.</b> Subtract line 13 from line 12. Also enter this amount on line 19 of Worksheet 4 .....	14. <u>500</u>

*Note: Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 1996.*

**Note:** The portion of the lump-sum payment (\$500) which is taxable for federal tax purposes is also taxable for Wisconsin.

**Exhibit C:** Taxable social security benefits as originally determined for federal tax purposes for 1994.**Social Security Benefits Worksheet—Lines 20a and 20b (keep for your records)**

If you are married filing separately and you **lived apart** from your spouse for all of 1994, enter "D" to the left of line 20a.

- |   |                   |
|---|-------------------|
| 1. Enter the total amount from <b>box 5</b> of all your <b>Forms SSA-1099</b> and <b>RRB-1099</b> . . . . .   | 1. <u>12,600</u>  |
| <b>Note:</b> If line 1 is zero or less, stop; none of your social security benefits are taxable. Otherwise, go to line 2.   |                   |
| 2. Enter one-half of line 1 . . . . .   | 2. <u>6,300</u>   |
| 3. Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . .  | 3. <u>42,200</u>  |
| 4. Enter the amount, if any, from Form 1040, line 8b . . . . .  | 4. <u>- 0 -</u>   |
| 5. Add lines 2, 3, and 4 . . . . .  | 5. <u>48,500</u>  |
| 6. Enter the amount from Form 1040, line 30 . . . . .   | 6. <u>- 0 -</u>   |
| 7. Subtract line 6 from line 5 . . . . .  | 7. <u>48,500</u>  |
| 8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1994) . . . . .   | 8. <u>25,000</u>  |
| 9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . .  | 9. <u>23,500</u>  |
| <b>Is line 9 more than zero?</b>  |                   |
| <b>No.</b> Stop; none of your social security benefits are taxable. Do not enter any amounts on lines 20a or 20b. <b>But</b> if you are married filing separately and you <b>lived apart</b> from your spouse for all of 1994, enter -0- on line 20b. Be sure to enter "D" to the left of line 20a. |                   |
| <b>Yes.</b> Go to line 10.  |                   |
| 10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1994) . . . . .   | 10. <u>9,000</u>  |
| 11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . .  | 11. <u>14,500</u> |
| 12. Enter the <b>smaller</b> of line 9 or line 10 . . . . .   | 12. <u>9,000</u>  |
| 13. Enter one-half of line 12 . . . . .   | 13. <u>4,500</u>  |
| 14. Enter the <b>smaller</b> of line 2 or line 13 . . . . .   | 14. <u>4,500</u>  |
| 15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .  | 15. <u>12,325</u> |
| 16. Add lines 14 and 15 . . . . .   | 16. <u>16,825</u> |
| 17. Multiply line 1 by 85% (.85) . . . . .  | 17. <u>10,710</u> |
| 18. <b>Taxable social security benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .   | 18. <u>10,710</u> |
| <ul style="list-style-type: none"> <li>• Enter the amount from line 1 on Form 1040, line 20a.</li> <li>• Enter the amount from line 18 on Form 1040, line 20b.</li> </ul>   |                   |

**Note:** If part of your benefits are taxable for 1994 and they include benefits paid in 1994 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. Get Pub. 915 for details.

**Exhibit D:** Taxable social security benefits as originally determined for Wisconsin tax purposes for 1994.

**Wisconsin Social Security  
Benefits Worksheet (Keep for  
your records)**

1. Amount from line 3 of  
Retirement Benefit  
Worksheet above ..... 1. 10,710.
2. Amount from line 2 of  
your federal Social  
Security Benefits  
Worksheet ..... 2. 6,300.
3. Amount from line 9 of  
your federal Social  
Security Benefits  
Worksheet ..... 3. 23,500.
4. Fill in 1/2 of line 3 ..... 4. 11,750.
5. Compare line 2 and  
line 4. Fill in the  
smaller amount ..... 5. 6,300.

**Note:** The social security benefits taxable to Wisconsin is the amount on line 5 of the above worksheet. This worksheet is from the 1994 Form 1A instructions (line 6 of this worksheet has been omitted because the amount which appears on that line is not relevant in this computation). If the taxpayer filed Form 1 for 1994, the taxable amount would be the amount on line 4 of the Wisconsin Social Security Benefits Worksheet included in the 1994 Schedule I instructions.

**Exhibit E:** Federal worksheet (from Publication 915) for computing the taxable portion of the lump-sum payment received in 1996 for 1994.

**Worksheet 2. Lump-Sum Payment for 1994 or 1995 Received in 1996**  
(For use with Worksheet 4)

Enter earlier year 1994

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment received for the earlier year received after that year.....	1.	<u>13,600</u>
<i>Note: If line 1 is zero or less, skip lines 2 through 20 and enter -0- on line 21. Otherwise, go on to line 2.</i>		
2. Enter one-half of line 1.....	2.	<u>6,800</u>
3. Enter the adjusted gross income reported on your return for the earlier year.....	3.	<u>52,910</u>
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for Series EE U.S. savings bond interest (Form 8815), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico.....	4.	<u>- 0 -</u>
5. Enter any tax-exempt interest received in the earlier year.....	5.	<u>- 0 -</u>
6. Add lines 2, 3, 4, and 5.....	6.	<u>59,710</u>
7. Enter taxable benefits reported on your return for the earlier year.....	7.	<u>10,710</u>
8. Subtract line 7 from line 6.....	8.	<u>49,000</u>
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year).....	9.	<u>25,000</u>
10. Subtract line 9 from line 8.....	10.	<u>24,000</u>
<i>Note: If line 10 is zero or less, skip lines 11 through 20 and enter -0- on line 21. Otherwise, go on to line 11.</i>		
11. Enter \$9,000 (\$12,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year).....	11.	<u>9,000</u>
12. Subtract line 11 from line 10. If zero or less, enter -0-.....	12.	<u>15,000</u>
13. Enter the smaller of line 10 or line 11.....	13.	<u>9,000</u>
14. Enter one-half of line 13.....	14.	<u>4,500</u>
15. Enter the smaller of line 2 or line 14.....	15.	<u>4,500</u>
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0-.....	16.	<u>12,750</u>
17. Add lines 15 and 16.....	17.	<u>17,250</u>
18. Multiply line 1 by 85% (.85).....	18.	<u>11,560</u>
19. <b>Refigured taxable benefits.</b> Enter the smaller of line 17 or line 18.....	19.	<u>11,560</u>
20. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year).....	20.	<u>10,710</u>
21. <b>Additional taxable benefits.</b> Subtract line 20 from line 19. Also enter this amount on line 19 of Worksheet 4.....	21.	<u>850</u>

**Note:** Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 1996.

**Exhibit F:** Worksheet for determining the Wisconsin taxable portion of the lump-sum payment received in 1996 for 1994.

1. One-half of the total social security benefits received for the year (line 2 of federal Worksheet 2 - see Exhibit E) . . . . .	1. <u>6,800.</u>
2. Adjusted income after subtraction for exemption amount (line 10 of federal Worksheet 2) . . . . .	2. <u>24,000.</u>
3. Fill in one-half of line 2 above . . . . .	3. <u>12,000.</u>
4. Compare line 1 and line 3. Fill in the smaller amount . . . . .	4. <u>6,800.</u>
5. Social security benefits previously taxed (see Exhibit D) . . . . .	5. <u>6,300.</u>
6. Subtract line 5 from line 4. This is the additional amount taxable by Wisconsin . . . . .	6. <u>500.</u>



**Exhibit G:** Taxable social security benefits as originally determined for federal tax purposes for 1995.**Social Security Benefits Worksheet—Lines 20a and 20b**  
(keep for your records)

If you are married filing separately and you **lived apart** from your spouse for all of 1995, enter "D" to the left of line 20a.

- |  |                   |
|--|-------------------|
| 1. Enter the total amount from <b>box 5</b> of all your <b>Forms SSA-1099</b> and <b>RRB-1099</b> . . . . .  | 1. <u>13,000</u>  |
| <b>Note:</b> If line 1 is zero or less, stop; none of your social security benefits are taxable. Otherwise, go to line 2.  |                   |
| 2. Enter one-half of line 1 . . . . .  | 2. <u>6,500</u>   |
| 3. Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . .   | 3. <u>47,500</u>  |
| 4. Enter the amount, if any, from Form 1040, line 8b . . . . .   | 4. <u>- 0 -</u>   |
| 5. Add lines 2, 3, and 4 . . . . .   | 5. <u>54,000</u>  |
| 6. Enter the amount from Form 1040, line 30 . . . . .  | 6. <u>- 0 -</u>   |
| 7. Subtract line 6 from line 5 . . . . .   | 7. <u>54,000</u>  |
| 8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) . . . . .  | 8. <u>25,000</u>  |
| 9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . .   | 9. <u>29,000</u>  |
| <b>Is line 9 more than zero?</b>   |                   |
| <b>No.</b> Stop; none of your social security benefits are taxable. Do not enter any amounts on lines 20a or 20b of Form 1040. <b>But</b> if you are married filing separately and you <b>lived apart</b> from your spouse for all of 1995, enter -0- on line 20b. Be sure to enter "D" to the left of line 20a. |                   |
| <b>Yes.</b> Go to line 10.   |                   |
| 10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 1995) . . . . .  | 10. <u>9,000</u>  |
| 11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . .   | 11. <u>20,000</u> |
| 12. Enter the <b>smaller</b> of line 9 or line 10 . . . . .  | 12. <u>9,000</u>  |
| 13. Enter one-half of line 12 . . . . .  | 13. <u>4,500</u>  |
| 14. Enter the <b>smaller</b> of line 2 or line 13 . . . . .  | 14. <u>4,500</u>  |
| 15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . .   | 15. <u>17,000</u> |
| 16. Add lines 14 and 15 . . . . .  | 16. <u>21,500</u> |
| 17. Multiply line 1 by 85% (.85) . . . . .   | 17. <u>11,050</u> |
| 18. <b>Taxable social security benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . .  | 18. <u>11,050</u> |

• Enter the amount from line 1 on Form 1040, line 20a.

• Enter the amount from line 18 on Form 1040, line 20b.

**TIP**

If part of your benefits are taxable for 1995 and they include benefits paid in 1995 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. Get Pub. 915 for details.

**Exhibit H:** Taxable social security benefits as originally determined for Wisconsin tax purposes for 1995.

**Wisconsin Social Security  
Benefits Worksheet (Keep for  
your records)**

1. Amount from line 3 of  
Retirement Benefit  
Worksheet above ..... 1. 11,050 .
2. Amount from line 2 of  
your federal Social  
Security Benefits  
Worksheet ..... 2. 6,500 .
3. Amount from line 9 of  
your federal Social  
Security Benefits  
Worksheet ..... 3. 29,000 .
4. Fill in 1/2 of line 3 ..... 4. 14,500 .
5. Compare line 2 and  
line 4. Fill in the  
smaller amount ..... 5. 6,500 .

**Note:** The social security benefits taxable to Wisconsin is the amount on line 5 of the above worksheet. This worksheet is from the 1995 Form 1A instructions (line 6 of this worksheet has been omitted because the amount which appears on that line is not relevant in this computation). If the taxpayer filed Form 1 for 1995, the taxable amount would be the amount on line 5 of the Wisconsin Social Security Benefits Worksheet included in the 1995 Form 1 instructions.

**Exhibit I:** Federal worksheet (from Publication 915) for computing the taxable portion of the lump-sum payment received in 1996 for 1995.

**Worksheet 2. Lump-Sum Payment for 1994 or 1995 Received in 1996**  
(For use with Worksheet 4)

Enter earlier year 1995

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 for the earlier year, plus the lump-sum payment received for the earlier year received after that year .....	1.	<u>14,000</u>
<i>Note: If line 1 is zero or less, skip lines 2 through 20 and enter -0- on line 21. Otherwise, go on to line 2.</i>		
2. Enter one-half of line 1 .....	2.	<u>7,000</u>
3. Enter the adjusted gross income reported on your return for the earlier year .....	3.	<u>58,550</u>
4. Enter the total of any exclusions/adjustments you claimed in the earlier year for Series EE U.S. savings bond interest (Form 8815), foreign earned income or housing (Form 2555 or Form 2555-EZ), and certain income of bona fide residents of American Samoa (Form 4563) or Puerto Rico .....	4.	<u>- 0 -</u>
5. Enter any tax-exempt interest received in the earlier year .....	5.	<u>- 0 -</u>
6. Add lines 2, 3, 4, and 5. ....	6.	<u>65,550</u>
7. Enter taxable benefits reported on your return for the earlier year .....	7.	<u>11,050</u>
8. Subtract line 7 from line 6 .....	8.	<u>54,500</u>
9. Enter \$25,000 (\$32,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) .....	9.	<u>25,000</u>
10. Subtract line 9 from line 8. ....	10.	<u>29,500</u>
<i>Note: If line 10 is zero or less, skip lines 11 through 20 and enter -0- on line 21. Otherwise, go on to line 11.</i>		
11. Enter \$9,000 (\$12,000 if married filing jointly for the earlier year; \$0 if married filing separately for the earlier year and you lived with your spouse at any time during the year) .....	11.	<u>9,000</u>
12. Subtract line 11 from line 10. If zero or less, enter -0- .....	12.	<u>20,500</u>
13. Enter the smaller of line 10 or line 11 .....	13.	<u>9,000</u>
14. Enter one-half of line 13 .....	14.	<u>4,500</u>
15. Enter the smaller of line 2 or line 14 .....	15.	<u>4,500</u>
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0- .....	16.	<u>17,425</u>
17. Add lines 15 and 16 .....	17.	<u>21,925</u>
18. Multiply line 1 by 85% (.85) .....	18.	<u>11,900</u>
19. <b>Refigured taxable benefits.</b> Enter the smaller of line 17 or line 18 .....	19.	<u>11,900</u>
20. Enter taxable benefits reported on your return for the earlier year (or as refigured due to a previous lump-sum payment for the year) .....	20.	<u>11,050</u>
21. <b>Additional taxable benefits.</b> Subtract line 20 from line 19. Also enter this amount on line 19 of Worksheet 4 .....	21.	<u>850</u>

**Note:** Do not file an amended return for this earlier year. Complete a separate Worksheet 2 or Worksheet 3 for each earlier year for which you received a lump-sum payment in 1996.

**Exhibit J:** Worksheet for determining the Wisconsin taxable portion of the lump-sum payment received in 1996 for 1995.

1. One-half of the total social security benefits received for the year (line 2 of federal Worksheet 2 - see Exhibit I) . . . . .	1. <u>7,000.</u>
2. Adjusted income after subtraction for exemption amount (line 10 of federal Worksheet 2) . . . . .	2. <u>29,500.</u>
3. Fill in one-half of line 2 above . . . . .	3. <u>14,750.</u>
4. Compare line 1 and line 3. Fill in the smaller amount . . . . .	4. <u>7,000.</u>
5. Social security benefits previously taxed (see Exhibit H) . . . . .	5. <u>6,500.</u>
6. Subtract line 5 from line 4. This is the additional amount taxable by Wisconsin . . . . .	6. <u>500.</u>

**Exhibit K:** Federal worksheet (from Publication 915) for computing taxable social security for persons who received a lump-sum payment in 1996.

**Worksheet 4. Lump-Sum Election Method**

Complete Worksheet 1 and Worksheets 2 and 3 as appropriate before completing this worksheet.	
1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099, minus the lump sum payment for years before 1996.....	1. <u>15,000</u>
<i>Note: If line 1 is zero or less, enter zero on lines 2 and 11 and skip lines 3 through 10. Otherwise, go on to line 2.</i>	
2. Enter one-half of line 1 .....	2. <u>7,500</u>
3. Enter the amount from line 3 of Worksheet 1 .....	3. <u>45,000</u>
4. Enter the amount from line 4 of Worksheet 1 .....	4. <u>- 0 -</u>
5. Add lines 2, 3, and 4 .....	5. <u>52,500</u>
6. Enter the amount from line 6 of Worksheet 1 .....	6. <u>- 0 -</u>
7. Subtract line 6 from line 5 .....	7. <u>52,500</u>
8. Enter the amount from line 8 of Worksheet 1 .....	8. <u>25,000</u>
9. Subtract line 8 from line 7. If zero or less, enter -0- .....	9. <u>27,500</u>
<i>Note: If line 9 is zero or less, skip lines 10 through 17 and enter -0- on line 18. Otherwise, go on to line 10.</i>	
10. Enter the amount from line 10 of Worksheet 1 .....	10. <u>9,000</u>
11. Subtract line 10 from line 9. If zero or less, enter -0- .....	11. <u>18,500</u>
12. Enter the smaller of line 9 or line 10 .....	12. <u>9,000</u>
13. Enter one-half of line 12 .....	13. <u>4,500</u>
14. Enter the smaller of line 2 or line 13 .....	14. <u>4,500</u>
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- .....	15. <u>15,725</u>
16. Add lines 14 and 15 .....	16. <u>20,225</u>
17. Multiply line 1 by 85% (.85) .....	17. <u>12,750</u>
18. Enter the smaller of line 16 or line 17 .....	18. <u>12,750</u>
19. Enter the total of the amounts from line 21 of Worksheet 2 and line 14 of Worksheet 3 for all earlier years for which the lump-sum payment was received .....	19. <u>2,200</u>
20. Taxable benefits under lump-sum election method. Add lines 18 and 19 .....	20. <u>14,950</u>
<i>Note: If line 20 above is not smaller than line 18 of Worksheet 1, you cannot use this method to figure your taxable benefits. Instead, follow the instructions on Worksheet 1 to report your benefits.</i>	
You can choose to report your taxable benefits under this method if line 20 above is smaller than line 18 of Worksheet 1. To elect this method:	
<ul style="list-style-type: none"> <li>Make the following entries on your return: On Form 1040, enter "LSE" to the left of line 20a. On Form 1040A, enter "LSE" to the left of line 13a.</li> <li>Enter the amount from line 1 of Worksheet 1 on Form 1040, line 20a or on Form 1040A, line 13a. If you are married filing separately and you lived apart from your spouse for all of 1996, also make the entries described at the top of Worksheet 1.</li> <li>If line 20 above is zero, follow the instructions below line 9 on Worksheet 1. Otherwise, enter the amount from line 20 above on Form 1040, line 20b or on 1040A, line 13b.</li> </ul>	

**Note:** When using the lump-sum election method, federal Worksheet 1 must be completed before completing Worksheet 4. Worksheet 1 is shown on the following page.

**Exhibit K: (Cont'd.)****Worksheet 1. Social Security and Equivalent Railroad Retirement Benefits**

*If you are married filing separately and you lived apart from your spouse for all of 1996, make the following entries on your return.*

- On Form 1040, enter "D" to the left of line 20a.
- On Form 1040A, enter "D" to the left of line 13a.

1. Enter the total amount from box 5 of ALL your Forms SSA-1099 and RRB-1099 ....	1.	18,000
<i>Note: If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.</i>		
2. Enter one-half of line 1 .....	2.	9,000
3. Enter the total of the amounts from:		
<i>Form 1040:</i> Lines 7, 8a, 8b, 9-14, 15b, 16b, 17-19, and 21.		
<i>Form 1040A:</i> Lines 7, 8a, 8b, 9, 10b, 11b, and 12. ....	3.	45,000
4. <i>Form 1040A filers:</i> Enter any exclusion for Series EE U.S. savings bond interest (Form 8815, line 14.)		
<i>Form 1040 filers:</i> Enter the total of any exclusions/adjustments for:		
• Series EE U.S. savings bond interest (Form 8815, line 14),		
• Foreign earned income or housing (Form 2555, lines 43 and 48, or Form 2555-EZ, line 18), and		
• Certain income of bona fide residents of American Samoa (Form 4563, line 15) or Puerto Rico .....	4.	- 0 -
5. Add lines 2, 3, and 4 .....	5.	54,000
6. Enter the amount from Form 1040, line 30 or from Form 1040A, line 15c .....	6.	- 0 -
7. Subtract line 6 from line 5 .....	7.	54,000
8. Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 1996) .....	8.	25,000
9. Subtract line 8 from line 7. If zero or less, enter -0- .....	9.	29,000
<i>Note: If line 9 is zero or less, stop here; none of your benefits are taxable. (Do not enter any amounts on Form 1040, line 20a or 20b or on Form 1040A, line 13a or line 13b. But if you are married filing separately and you lived apart from your spouse for all of 1996, enter -0- on Form 1040, line 20b or on Form 1040A, line 13b.) Otherwise, go on to line 10.</i>		
10. Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time during 1996) .....	10.	9,000
11. Subtract line 10 from line 9. If zero or less, enter -0- .....	11.	20,000
12. Enter the <b>smaller</b> of line 9 or line 10 .....	12.	9,000
13. Enter one-half of line 12 .....	13.	4,500
14. Enter the <b>smaller</b> of line 2 or line 13 .....	14.	4,500
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- .....	15.	17,000
16. Add lines 14 and 15 .....	16.	21,500
17. Multiply line 1 by 85% (.85) .....	17.	15,300
18. <b>Taxable benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 .....	18.	15,300

- Enter the amount from line 1 above on Form 1040, line 20a or on Form 1040A, line 13a.
  - Enter the amount from line 18 above on Form 1040, line 20b or on Form 1040A, line 13b.
- Note: If you received a lump-sum payment in this year that was for an earlier year, also complete Worksheet 2 or 3 and Worksheet 4 to see whether you can report a lower taxable benefit.*

**Exhibit L:** Worksheet for determining the Wisconsin taxable portion of social security benefits received in 1996 for 1996.

1. One-half of the total social security benefits (line 2 of federal Worksheet 4 - see Exhibit K) . . . . .	1. <u>7,500.</u>
2. Adjusted income after exemption amount (line 9 of federal Worksheet 4) . . . . .	2. <u>27,500.</u>
3. Fill in one-half of line 2 above . . . . .	3. <u>13,750.</u>
4. Compare line 1 and line 3. Fill in the smaller amount. This is the amount taxable to Wisconsin . . . . .	4. <u>7,500.</u>

**Exhibit M:** Worksheet for determining the portion of the social security benefits which are taxable for federal purposes but not for Wisconsin for 1996.

1. Amount of benefits taxable for federal purposes (line 20 of federal Worksheet 4 - see Exhibit K) . . . . .	1. <u>14,950.</u>
2. Amount of lump-sum payment taxable by Wisconsin for 1993 (line 14 of federal Worksheet 3 - see Exhibit B) . . . . .	2. <u>500.</u>
3. Amount of lump-sum payment taxable by Wisconsin for 1994 (line 6 of Exhibit F worksheet) . . . . .	3. <u>500.</u>
4. Amount of lump-sum payment taxable by Wisconsin for 1995 (line 6 of Exhibit J worksheet) . . . . .	4. <u>500.</u>
5. Amount of benefits received for 1996 which are taxable by Wisconsin (line 4 of Exhibit L worksheet) . . . . .	5. <u>7,500.</u>
6. Add lines 2, 3, 4, and 5 . . . . .	6. <u>9,000.</u>
7. Subtract line 6 from line 1. This is the portion of the social security benefits which are taxable for federal purposes but not for Wisconsin . . . . .	7. <u>5,950.</u>

**Note:** The amount on line 7 should be entered on Schedule 2 of Form 1 as a subtraction for nontaxable social security benefits. If the taxpayer is filing Form 1A this amount should be entered on line 5 (nontaxable retirement benefits) of the Retirement Benefit Worksheet in the Form 1A instructions. ☐