

# Wisconsin TAX BULLETIN


[www.dor.state.wi.us](http://www.dor.state.wi.us)

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October 2000

## Form Changes for 2000

Listed on page 4 of this Bulletin are brief descriptions of the major changes to the Wisconsin individual income tax forms (including Schedule H, the homestead credit form) for 2000. There are no major changes to Schedule FC, the farmland preservation credit form.

Preliminary copies of the 2000 Forms 1, 1A, and WI-Z, and Schedules H and FC, are reproduced on pages 49 to 60 of this Bulletin. The copies are subject to further revision. Draft copies of these and other Wisconsin income tax forms are also available on the department's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us). 



## Football Stadium Sales and Use Tax Effective November 1, 2000

On September 12, 2000, Brown County voters approved a referendum adopting a resolution to impose a 0.5% football stadium sales and use tax in Brown County. The football stadium sales and use tax will become effective November 1, 2000. The taxes collected will be used in the development of professional football stadium facilities in Wisconsin.

The Department of Revenue will administer the football stadium sales and use tax on behalf of the Professional Football Stadium District. Lines 7d and 11d have been added to the sales and use tax return (Form ST-12) for taxpayers to report the football stadium sales and use tax. The revised forms will be mailed to registrants beginning in October. (continued on page 2)

## DOR Moves to New Madison Headquarters in November



See article on page 4.

## Sales and Use Tax Filers Can File Electronically

Are you tired of filing sales tax returns on paper using the long ST-12 form? Do you wish you could file directly from your computer – or you could pay your taxes without writing a check? Would you like immediate confirmation that the Wisconsin Department of Revenue (DOR) has received your return and your payment?

The Wisconsin Department of Revenue proudly introduces the Sales Internet Process (SIP). SIP is a secure web-based Internet process that combines the convenience of electronic filing with the speed and flexibility of electronic funds transfer payments (EFT). Now you can file your sales and use tax return and pay your taxes from your computer desktop. Once you are registered, SIP is a paperless process.

Here is how SIP works:

- You register to use SIP
- You enter necessary data onto the computer screens
- You electronically submit your return and payment
- You receive a confirmation that DOR has received your return
- You are done until next time

(continued on page 2)

**2000  
Tax  
Filing**

Season at a Glance

**Number of returns**  
2,681,188 - down 3.4%

**Number of refunds**  
1.9 million - same

**Electronic filing**

Preparer	487,514 - up 40.7%
TeleFile	126,850 - up 26.6%
Internet	57,123 - up 240%
Total*	671,487 - up 44.9%

\* = 25% of all returns filed 

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The new SIP electronic process has several benefits not available to paper filers:

- Provides a faster, more efficient way to file and pay sales and use tax
- Offers an option of EFT or paper check payment
- Deducts payments on a specified date through EFT
- Uses Secure Socket Layer technology to protect transactions
- Confirms date of filing
- Reduces paper handling and postage
- Increases accuracy because the system performs calculations
- Eliminates potential for checks or returns to be lost in the mail


Here's how you can register to use SIP:

- You must apply for a logon ID and password
- Download and print the application form by using the APPLY link at [www.salestax.dor.state.wi.us](http://www.salestax.dor.state.wi.us), or

call DOR's Inquiry and Technical Assistance unit at (608) 261-6261

- Complete and mail the SIP application form (S-002) to  
Wisconsin Department of Revenue  
PO Box 8902  
Madison WI 53708-8902
- Once you receive your logon ID and Password, logon to SIP at [www.salestax.dor.state.wi.us](http://www.salestax.dor.state.wi.us)
- SIP will automatically test your Internet browser
- Once you reach the SIP logon page, follow the on-line instructions for using the system

SIP has over 600 registrants and has successfully processed thousands of sales and use tax returns. Taxpayer feedback has been very positive, and the program continues to grow. DOR is extending an invitation to all sales and use taxpayers to participate in the program. There is no cost, it's simple to register, and it's easy to use SIP.

For more information, call (608) 261-6261 or e-mail DOR at [sales10@dor.state.wi.us](mailto:sales10@dor.state.wi.us). 

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**Football Stadium Sales and Use Tax  
Effective November 1, 2000**

(Continued from page 1)

The 0.5% football stadium sales and use tax law is identical to the baseball stadium tax except for the rate and jurisdiction.

The September 2000 *Sales and Use tax Report* explaining the football stadium tax was sent in late September and early October, to all persons registered for Wisconsin sales and use tax purposes. A copy of the Report appears on pages 43 to 48 of this Bulletin. 



## Integrated Tax System Progressing

The Department of Revenue (DOR) is in the second year of a five-year project to integrate its computer systems and business processes. The project was called the Integrated Tax System Project (ITS), and it now has a new name – Open DOR. Working with employees from the Departments of Administration and Workforce Development, DOR issued a Request for Proposal in 1998, to enable selecting a vendor (or vendors) to partner with to develop this system.

DOR has contracted with American Management Systems (AMS) to implement Open DOR. AMS has computerized tax systems for the states of Kansas, Virginia, and Hawaii. AMS, with 9,000 employees, is headquartered in Fairfax, Virginia. With over 25 years of experience in the state and local public sector market, the company brings deep expertise in tax and revenue management. It's one of the 20 largest business and information-technology consulting firms, worldwide.

Phase 1 of the project involved planning the entire project and the successful introduction of three pilots in sales tax Internet filing, data warehousing, and scanning. IBM worked with DOR on the planning piece of that phase. Phase 2 of Open DOR will complete sales and use tax registration, taxpayer accounting, form processing, revenue accounting, refunds, system administration, exception case management, customer service, and correspondence. The target date to flip the switch on the new system is early in 2002.

DOR's goals are to:

- Increase voluntary compliance
- Improve efficiency and fairness in collecting and distributing taxes
- Increase external customer satisfaction
- Improve effectiveness of DOR employees and the quality of their working environment
- Continue to provide policymakers and citizens with information to make tax and lottery policy decisions
- Increase participation in developing tax and lottery policies
- Generate additional revenue.

At DOR, AMS will employ state-of-the-art, object-oriented computer language, "JavaBeans," to construct

reusable software, including graphical user interfaces, that can be easily modified to meet specific needs.

### WHAT IS AN INTEGRATED TAX SYSTEM?

Tax information is currently stored in 30 separate tax-specific "silo" systems. The integrated tax system will merge all information into one efficient system, organized by function. Tax Integration is a framework of people, processes, and technology, functionally organized to administer taxes. This system will work in tandem with technology, to offer around-the-clock customer service and Internet filing.

### WHY DOES WISCONSIN NEED AN INTEGRATED TAX SYSTEM?

Integration will dramatically improve customer service, increase revenue for the state, reduce processing time, speed up refunds, and make the overall tax system more efficient.

### WHAT ARE OTHER STATES DOING?

Twenty-eight other states have implemented an integrated tax system. Wisconsin will deploy Internet technology with Open DOR. This will make DOR a national leader among revenue agencies in the use of technology.

### HOW LONG WILL THE PROJECT TAKE?

Full development and implementation will take up to five years. The first software release supporting sales and use tax is to be implemented in early 2002. Individual income tax will be integrated into Open DOR after that.

### HOW MUCH WILL IT COST?

Based on DOR estimates and other states' experience, the total cost will be approximately \$50 million. The project should easily pay for itself with the increased revenue it generates. Funds have been authorized by the Governor and the Legislature.

### ANY QUESTIONS?

Comments and questions about tax integration should be directed to Cheryl Sullivan, Project Director, via e-mail at [csullivan@dor.state.wi.us](mailto:csullivan@dor.state.wi.us), or by telephone at (608) 261-7687. [☎](#)

### Form Changes for 2000 (see article on page 1)

- Lines are added to Forms 1, 1A, and WI-Z for entering the standard deduction. All taxpayers will have to look up their allowable standard deduction in a table in the tax booklet. In prior years, for most taxpayers the standard deduction was built into the tax table.
- Lines are added to all of the income tax forms for entering the amount of deduction for exemptions.
- Boxes are added to Forms 1, 1A, and 1NPR for checking whether the taxpayer was 65 years of age or over during the taxable year.
- Lines are provided on Forms 1, 1A, and 1NPR for the new armed forces member credit.
- Lines are provided on all of the income tax forms for the school property tax/rent credit. The maximum credit that may be claimed is \$300.
- Lines are added to Forms 1 and 1NPR for the recycling surcharge.
- A line is added to Form 1A for reporting capital gain distributions.
- A line is added to Forms 1, 1A, and 1NPR for entering the amount of underpayment interest.
- The amount of qualified earned income used to compute the married couple credit on all of the income tax forms, and the rate of credit, have changed. A maximum credit of \$440 is available for 2000.
- The percentage rate for computing the farmland tax relief credit on Forms 1 and 1NPR is changed from 13% to 11%. The maximum allowable credit is \$1,100.
- The itemized deduction credit schedule on Forms 1 and 1NPR is revised. Miscellaneous itemized deductions can no longer be used in the computation of the credit.
- The tax computation schedule on Form 1NPR is revised to reflect lower tax rates and the addition of another tax bracket.
- On Schedule 4 on the back of Schedule H, “caretaker of newborn child payments” are included as part of “Wisconsin Works payments” on line 1 rather than on line 2. This reflects a law change to require the one-twelfth reduction of property taxes or rent for months those payments were received.
- A “stop sign” graphic and message are added at the bottom of Schedule H, to emphasize the requirement to attach a rent certificate or property tax bill to the claim. [☞](#)

### DOR Moves to New Madison Headquarters in November

The Department of Revenue (DOR) is planning a move to its new Madison headquarters at 2135 Rimrock Road in November. The move will encompass several weeks, to accommodate the computer hookups, the relocation of the large central files collection, and the integration of staff from five separate locations into one site for the first time. The move will not affect most existing telephone numbers or post office box mailing addresses.

The new building is located near the Dane County Coliseum/Alliant Energy Center, and near the Rimrock Road intersection with the West Beltline Highway. The six-story, 240,000 square foot building will allow consolidation of DOR offices currently located at 4622 and 4638 University Avenue, the Pyare Square Building at

4610 University Avenue, the GEF 3 Building at 125 South Webster Street, the Lottery headquarters at 1802 West Beltline Highway, and the PSC Building at 610 North Whitney Way.

The divisions of Administrative Services; Lottery; Income, Sales and Excise Tax (IS&E); State and Local Finance (SLF); and Research and Analysis, as well as the Secretary’s Office, will take part in the move. There will still be district and branch offices for SLF and IS&E across the state, including a Madison district office at 5005 University Avenue.

The consolidation should lead to greater operational efficiency for the department and will eliminate duplication of various services in the different locations, such as mailing. In addition, coordination of customer service across all the department’s divisions will be more efficient. [☞](#)



### Motor Vehicle Dealers' Measure of Use Tax Increased to \$110

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 and dealership owners.

**Effective January 1, 2001, the amount subject to use tax is increased from \$106 to \$110 per plate per month.** (Note: The use tax per plate per month is not \$110. Rather, \$110 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 \$110 per plate is that sec. 77.53(1m)(a), Wis. Stats. (1997-98), 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 Consumers, 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 1999 to June 2000 was 3.67% ( $\$106 \times 1.0367 = \$110$  rounded to the nearest whole dollar). [↗](#)

### Installment Payments Permitted for Delinquent Tax Compromises

As the result of recent legislation (1999 Wisconsin Act 189, effective June 2, 2000), the Department of Revenue has been authorized to accept installment payments to satisfy the amount agreed to in a Petition for Compromise of Delinquent Taxes. Previously, the amount agreed to in a compromise had to be paid in full within 10 days of the department's acceptance of the offer.

The new legislation affords greater flexibility to both taxpayers and the department. Accepting installment

payments to satisfy a compromise, however, is at the department's discretion. The best interest of the state will always be the determining factor in the department's deliberations and decision.

Publication 124, *Petition for Compromise of Delinquent Taxes*, has been revised to reflect this change. A copy of Publication 124 appears on pages 63 to 65 of this Bulletin. Also, see that article titled "Tax Publications Available," on page 11, for information about how to obtain additional copies. [↗](#)

### Tobacco Agreement Emergency Rule Adopted

Under the terms of the "Master Settlement Agreement" of November 23, 1998, between Wisconsin and other states and participating U.S. tobacco product manufacturers, each state, in order to receive funds under the agreement, was required to enact a "qualifying statute" that would prevent the participating manufacturers from losing market share. The Wisconsin Legislature enacted 1999 Wisconsin Act 122, a "qualifying statute," effective May 23, 2000. Every tobacco product manufacturer that sells cigarettes in Wisconsin is required to either become a participating manufacturer under the terms of the Master Settlement Agreement or place funds into a qualified escrow fund.

Under a nonstatutory provision in Act 122, the Department of Revenue was authorized to promulgate an emergency rule, for the purpose of ascertaining the amount of Wisconsin excise tax paid each year on the cigarettes of each tobacco product manufacturer that elects to place funds into a qualified escrow fund. The

department was also required to submit a proposed permanent rule to the Legislative Council for its review by September 1, 2000. The emergency rule, which creates section Tax 9.69, *Master settlement agreement with tobacco product manufacturers*, has been adopted, effective August 17, 2000, and is applicable to sales of cigarettes on or after May 23, 2000. In addition, the proposed permanent rule creating Tax 9.69 was submitted as required, on August 14, 2000. The department held a public hearing on both the emergency rule and the proposed permanent rule on September 18, 2000.

The text of the emergency rule is as follows:

**Tax 9.69 Master settlement agreement with tobacco product manufacturers.** (1) PURPOSE. This section describes requirements and methods relating to collecting, maintaining and reporting data regarding the number of Wisconsin state cigarette excise tax stamps affixed to packages of cigarettes, and the amount of "roll-your-own" cigarette tobacco, sold in Wisconsin each year.

**Note:** The data collected, maintained and reported under this section shall be used to ascertain the amount of Wisconsin excise tax paid on the cigarettes of each tobacco

product manufacturer that elects to place funds in a qualified escrow fund under s. 895.10, Stats., for each year, or, if the department deems it appropriate, is a participating manufacturer under the master settlement agreement between the state and tobacco product manufacturers, pursuant to 1999 Wis. Act 122.

(2) DEFINITIONS. In this section:

- (a) “Cigarette” has the same meaning as in s. 895.10(1)(d), Stats., and includes “roll-your-own” cigarette tobacco.
- (b) “Master settlement agreement” has the same meaning as in s. 895.10(1)(e), Stats.
- (c) “Qualified escrow fund” has the same meaning as in s. 895.10(1)(f), Stats.
- (d) “Sell” or “sale” has the same meaning as in s. 139.30(12), Stats.
- (e) “Tobacco product manufacturer” has the same meaning as in s. 895.10(1)(i), Stats., and includes both a cigarette manufacturer under subch. II of ch. 139, Stats., and a tobacco products manufacturer under subch. III of ch. 139, Stats., that sells “roll-your-own” cigarette tobacco.
- (f) “Wisconsin consumer” means a consumer within this state, including a direct consumer, distributor, retailer or similar intermediary.

(3) REPORTING REQUIREMENT. (a) Every tobacco product manufacturer that elects to sell cigarettes to Wisconsin consumers shall, by the 15<sup>th</sup> day of each month, file a schedule with the department that reconciles the number of Wisconsin state cigarette excise tax stamps affixed to packages of cigarettes sold to Wisconsin consumers and the amount of “roll-your-own” cigarette tobacco sold to Wisconsin consumers in the previous calendar month.

(b) The schedule required under par. (a) shall contain all of the following information that is applicable:

1. A listing of each sale of cigarettes other than “roll-your-own” cigarette tobacco manufactured, or the name of the manufacturer of the cigarettes that were delivered to Wisconsin consumers, onto which state cigarette excise tax stamps were affixed.
2. A listing of each sale of “roll-your-own” cigarette tobacco manufactured, or the name of the manufacturer of the “roll-your-own” cigarette tobacco, that was delivered to Wisconsin consumers.
3. For each manufacturer listed pursuant to subd. 1., a listing of all brands of cigarettes sold and the number of Wisconsin state cigarette excise tax stamps affixed to cigarette packages with respect to each brand.
4. For each brand of cigarettes listed for each manufacturer pursuant to subd. 3., the following additional information, if known:
  - a. The name of the manufacturer of the cigarettes.
  - b. The name of the person or entity first responsible for the cigarettes being designated or identified for sale in the United States.

5. For each sale of “roll-your-own” cigarette tobacco listed for each manufacturer pursuant to subd. 2., the following additional information, if known:

- a. The name of the manufacturer of the “roll-your-own” cigarette tobacco.

b. The name of the person or entity first responsible for the “roll-your-own” cigarette tobacco being designated or identified for sale in the United States, by brand.

6. Any other information the department may deem necessary to administer the provisions of this section.

(4) ESCROW FUND CERTIFICATION REQUIREMENTS. (a) Every tobacco product manufacturer that is not a participating manufacturer under the master settlement agreement shall by April 15 of each year certify to the department and to the attorney general that the amounts required under s. 895.10(2)(b), Stats., have been placed into a qualified escrow account that is designated for Wisconsin judgments or release payments.

(b) The certification required under par. (a) shall include all of the following:

1. The name of the qualified financial institution where the escrow account is maintained.
2. The amount of funds placed into the escrow account since the last reporting period, based on Wisconsin sales.
3. The amounts, if any, paid out of the escrow account in judgments or release payments and the purpose of the disbursements.
4. The balance in the escrow account as of March 31 of each year.
5. A copy of the escrow account balance statement as of March 31 of each year.

(5) RECORDKEEPING REQUIREMENTS. Every tobacco product manufacturer required to file a schedule under sub. (3) shall maintain complete and accurate records to support the information reported on the required schedule. These records shall be maintained for a period of 4 years from the date of sale into Wisconsin and shall include the following:

(a) Purchase records indicating the tobacco product manufacturer of the cigarettes, the date of purchase and the number of cigarettes by brand or amount of “roll-your-own” cigarette tobacco purchased, by brand.


(b) Sales records indicating to whom the sale was made, the tobacco product manufacturer of the cigarettes, the date of sale and the number of cigarettes by brand or amount of “roll-your-own” cigarette tobacco sold.

(c) The number of Wisconsin cigarette tax stamps placed on packages of cigarettes for sale in the state of Wisconsin.

(d) Any additional records deemed necessary by the secretary.

(6) REMEDIES FOR NONCOMPLIANCE. The failure of a tobacco product manufacturer to either become a participating manufacturer under the terms of the master settlement agreement or place funds into a qualified escrow fund, as provided in s. 895.10(2)(b)1., Stats., shall be subject to civil action and penalties under s. 895.10(2)(b)3., Stats.

(7) APPLICABILITY. This section applies to sales of cigarettes on or after May 23, 2000, pursuant to s. 895.10(2)(intro.), Stats.

**Note:** Section Tax 9.69 interprets subchs. II and III of ch. 139, Stats., and s. 895.10, Stats. 

**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* 119 (April 2000), pages 33 to 36.

**Madison — Main Office**  
Area Code (608)

Appeals .....	266-0185
Audit of Returns: Corporation, Individual, Homestead .....	266-2772
Beverage Tax.....	266-6702
Cigarette, Tobacco Products Taxes .....	266-8970
Copies of Returns .....	267-1266
Corporation Franchise and Income Taxes.....	266-1143
Delinquent Taxes.....	266-7879
Electronic Filing:	
Individual Income Tax.....	264-9959
Sales Tax .....	261-6261
Electronic Funds Transfer .....	264-9918
Estimated Taxes.....	266-9940
Fiduciary, Estate Taxes .....	266-2772
Forms Request:	
Taxpayers .....	266-1961
Practitioners.....	267-2025
Fax-A-Form.....	261-6229
Homestead Credit .....	266-8641
Individual Income Tax.....	266-2486
Motor Vehicle Fuel Tax .....	266-3223
Refunds.....	266-8100
Sales, Use, Withholding Taxes.....	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



**Guidelines for Reproduced and 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.

A copy of the “Guidelines for Reproduced and Substitute Tax Forms” appears on pages 61 and 62 of this Bulletin. The guidelines are also on the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us). Click on “Forms” and then see “Tax Return Guidelines.” [☞](#)



**Wisconsin Tax Bulletin Annual Index Available**

Once each year the *Wisconsin Tax Bulletin* includes an index of materials that have appeared in past Bulletins. The latest index available appears in *Wisconsin Tax Bulletin* 118 (January 2000), pages 51 to 79. It includes information for issues 1 to 115 (through October 1999). [☞](#)

**2000 Package WI-X Available in January**

Wisconsin’s Package WI-X will be available by January 31, 2001. Package WI-X will contain actual size copies of most 2000 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 2000 Package WI-X is \$7.00 plus sales tax. It may be ordered on the tax form order blank (Form P-744). This order blank was mailed in September. See the following article titled “Tax Form Order Blanks Mailed,” for more information.

If you did not receive an order blank and want to purchase copies of the 2000 Package WI-X, mail your request indicating the number of copies you require, along with your remittance for the amount due, to Wisconsin Department of Revenue, Forms Request Office, PO Box 8951, Madison WI 53708-8951. [☞](#)



## Tax Form Order Blanks Mailed

During September, the department mailed order blanks (Form P-744) to 9,000 tax preparers. Use these original order blanks (not copies) to request bulk orders of 2000 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 2000

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 have not received an order blank, you may request one by: contacting any department office; writing to Wisconsin Department of Revenue, Forms Request Office, PO Box 8951, Madison WI 53708-8951; 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.

As an alternative to ordering forms, most forms in Package WI-X may be reproduced. Package WI-X will be mailed separately in late January. [☞](#)

## Question and Answer



**Q** I inherited \$25,000 from my aunt's estate. Is this amount taxable on my income tax return?

**A** No. You do not have to report money or property that you inherited. However, any earnings on inherited money or property are taxable. For example, if you deposited the \$25,000 in a savings account, interest earned on the account is taxable.

**Q** I paid \$70 of Wisconsin sales tax on a purchase I made, and I have discovered that the purchase should have been exempt from sales tax. Am I required to go to the seller for a refund of the sales tax I paid in error?

**A** No. A buyer may file a claim for refund with the Department of Revenue for sales or use tax paid to a seller in error, if the claim for refund is \$50 or more of tax. Use Form S-220, *Buyer's Claim for Refund of Wisconsin State, County and Stadium Sales Taxes*.

**Caution:** A claim for refund may generally be filed within four years after the due date of your Wisconsin income or franchise tax return, with certain exceptions. For more information, refer to Wisconsin Publication 216, *Filing Claims for Refund of Sales or Use Tax*.

**Q** Are charges for towing a disabled vehicle from the site of a breakdown to a repair shop subject to Wisconsin sales or use tax?

**A** Yes. The charge to a customer for towing a vehicle to a repair facility is taxable.

**Q** I purchased a sweatshirt from the Wisconsin Department of Natural Resources (DNR). The DNR charged me sales tax on the price of the sweatshirt. Aren't sales by the state government exempt from sales tax?

**A** No. Although state government agencies may **purchase** items without sales tax, **sales** made by state government agencies are subject to sales tax. [☞](#)

## Magnetic Media Filing Required for Some Forms

Employers and payers 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. For information about how to obtain this publication, see the article titled “Tax Publications Available” on page 11 of this Bulletin. [☞](#)

## Reminder: IRS Mileage Rates for 2000 Apply for Wisconsin



The Internal Revenue Service (IRS) optional standard mileage rates for 2000, for computing automobile expenses for business, charitable, medical, and moving expense purposes, also apply for Wisconsin. For 2000 the business standard mileage rate is 32.5¢ per mile for all business miles driven, without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 32.5¢ per mile is used, depreciation is considered to be allowed at 14¢ per mile. However, no portion of the 32.5¢ per mile is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 2000 the mileage rate allowed for calculating automobile expenses for charitable deduction purposes is 14¢ per mile, and the rate for medical expense and moving expense deductions is 10¢ per mile. [☞](#)

## Former UW Professor Charged with Income Tax Evasion

Retired UW Professor Edward S. Oplinger, 57, of Madison, was charged in August 2000, with 12 counts of theft and 4 counts of Wisconsin state income tax evasion. The charges were filed in Dane County Circuit Court following a joint investigation by the UW Police Department and the Department of Revenue’s Fraud Unit.

According to the criminal complaint, Oplinger was a UW Madison professor in the Department of Agricultural and Life Sciences. The UW conducted studies for seed companies, which paid fees to the UW Agronomy Department. The fees were then supposed to be sent to the UW’s Wisconsin Soybean Evaluation Program. Instead, during the period from May 1992 through May 1999, Oplinger diverted over \$485,000 to his personal bank account. He failed to report more than \$188,000 of those funds on his 1995 through 1998 Wisconsin income tax returns, thereby evading Wisconsin income tax of \$12,928.

If convicted on all 16 counts, Oplinger faces a maximum penalty of up to 140 years in prison and \$160,000 in fines. In addition to the criminal penalties, Wisconsin law provides for substantial civil penalties on the civil tax liability. Assessment and collection of the taxes, penalty, and interest due follows a conviction for criminal violations.

In September 2000, Ronald E. Campbell, Sr., 43, Walworth, pled no contest to criminal charges that he filed a false income tax return for 1996 and that he failed to file a 1997 income tax return. Charges that he filed false income tax returns for 1993 to 1995 were dismissed and read in as part of a plea negotiation.

Walworth County Circuit Court Judge Michael Gibbs imposed and stayed a nine month jail sentence on each count and placed Campbell on probation for two years. He also ordered Campbell to spend two days in jail, without Huber privileges, and to comply with the Department of Revenue in filing tax returns and paying state taxes due.

According to the criminal complaint filed in April 2000, in December 1995 the Department of Revenue requested Campbell to file income tax returns for 1990 to 1994. After he failed to respond to the request, the department issued estimated assessments for those years. The assessments later resulted in liens against Campbell, after he failed to respond to the assessments.

In October 1997, Campbell filed income tax returns for 1993 to 1996. In each return he listed his income as zero. When a department agent asked Campbell how he could live on zero income, he stated that income tax was illegal under federal law. Upon the department’s request to file accurate returns, Campbell contended that the tax returns were correct and only debated the constitutionality of tax returns.

The Department of Revenue's Fraud Unit determined that Campbell actually received payments of \$13,506 in 1993, \$29,738 in 1994, \$34,308 in 1995, \$73,866 in 1996, and \$63,972 in 1997. During that time Campbell worked for six different trucking companies. In 1995 he also received unemployment compensation benefits.

Clothing retailer Carmen A. Chuquin, 51, of Madison, was charged in Dane County Circuit Court in July 2000, with 21 counts of felony theft of state sales taxes.

According to the criminal complaint, Chuquin collected nearly \$56,000 in Wisconsin sales taxes from July 1994 through December 1996, which she failed to pay over to the state. Through a partnership with her husband, Chuquin operated eight stores under the names "Indian Weavings" or "World Imports" with locations in Madison, Eau Claire, Janesville, La Crosse, Sheboygan, Fond du Lac, and Wisconsin Dells. She also allegedly spent about \$400,000 in funds from business accounts for personal items during 1993 to 1995.

In addition to operating the clothing stores, Chuquin, a native of Ecuador who holds a doctorate degree in education policy, has been a visiting lecturer at the University of Wisconsin since 1985. She has also been a part-time lecturer there in Latin American and Iberian studies since 1996.

If convicted on all 21 felony theft counts, Chuquin faces a maximum penalty of up to 122 years in prison and up to \$210,000 in fines.

In June 2000, Michael J. Quinn, 36, was charged in Eau Claire County Circuit Court with 31 felony counts, in-

cluding three counts of filing false income tax returns and one count of theft by an employe. Quinn, who lives in Altoona, is the former general manager of Grizzly's Grill 'N' Saloon in Eau Claire.

According to the criminal complaint, Quinn embezzled over \$143,000 between January 1997 and January 2000. Discrepancies in Grizzly's cash register receipts occurred almost daily during that time period. The false income tax return charges relate to Quinn's admission to taking the money and not reporting it on his 1997, 1998, and 1999 state income tax returns.

Quinn could be sentenced to up to 165 years in prison if convicted on all 31 felony charges.

In August 2000, Kenneth J. Allington, 49, of Prairie du Chien, was convicted of federal tax evasion in U. S. District Court in Madison. The conviction resulted from a joint investigation between the federal Internal Revenue Service (IRS) and the Wisconsin Department of Revenue's Fraud Unit.

Allington, who claimed he did not have to pay state and federal taxes because Wisconsin is not part of the United States, faces a maximum of 15 years in prison and a fine of \$750,000. Prosecutors alleged that the self-employed bark chipper generated gross revenue of more than \$800,000 from 1991 to 1995, and that he owed \$98,000 in taxes for those years. Instead of depositing the money into his account to be recorded as income by his accountant, Allington cashed customers' checks and retained large amounts of currency.

As part of the joint investigation with the IRS, Wisconsin income tax charges were not filed. Instead, the investigation concentrated on the federal charges. [☞](#)



### **Wanted: Your Comments About the Wisconsin Tax Bulletin**

The *Wisconsin Tax Bulletin* (WTB) is published to provide tax information to **YOU**, the readers. To make the WTB more useful, the department is seeking suggestions for items that may be of interest to you, and ways to make the WTB more valuable to you.

How could the department improve on the information it publishes? What topics do you want covered or expanded? Do you have particular likes or dislikes about

the WTB? Do you have ideas, comments, or suggestions you'd like to share?

Please take a few moments to give us your comments or ideas, and be a part of improving *your* WTB. Send your comments or ideas to Mark Wipperfurth, Wisconsin Department of Revenue, Administration Technical Services, PO Box 8933, Madison WI 53708-8933. If you prefer, you may fax your comments to him at (608) 261-6240, or you may e-mail or call him at [mwipperf@dor.state.wi.us](mailto:mwipperf@dor.state.wi.us) or (608) 266-8253. We'd like to hear from you! [☞](#)

## Tax Publications Available

Listed below are more than 60 publications that are available, free of charge, from the Department of Revenue. Copies are available at any department office, or by mail, e-mail, fax, or the Internet.

### By Mail

Write to Wisconsin Department of Revenue, Forms Request Office, PO Box 8951, Madison WI 53708-8951; call (608) 266-1961; or fax a request to (608) 261-6239.

### By E-Mail

You may e-mail your request to [forms@dor.state.wi.us](mailto:forms@dor.state.wi.us).

### Via Your Fax Machine

Use the department's Fax-A-Form system by calling (608) 261-6229 from a fax telephone and entering the retrieval code "10" plus the publication number.

### Via the Internet

Access the department's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us), and click on "Publications."

**Note:** The numbers of some publications are followed by an asterisk. These are publications that are new or have been revised since the last issue of the *Wisconsin Tax Bulletin*.

### Income and Franchise Taxes

- 102 Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (12/99)
- 103 Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts (11/99)
- 104\* Wisconsin Taxation of Military Personnel (9/00)
- 106 Wisconsin Tax Information for Retirees (10/99)
- 109 Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1999 (11/99)
- 112 Wisconsin Estimated Tax and Estimated Surcharge for Individual, Estates, Trusts, Corporations, Partnerships (1/99)
- 113 Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (2/00)
- 116 Income Tax Payments Are Due Throughout the Year (12/95)
- 119 Limited Liability Companies (LLCs) (12/99)

- 120 Net Operating Losses for Individuals, Estates, and Trusts (11/99)
- 121 Reciprocity (5/99)
- 122 Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 1999 (11/99)
- 123 Business Tax Credits for 1999 (12/99)
- 125 Credit for Tax Paid to Another State (11/99)
- 126 How Your Retirement Benefits Are Taxed (11/99)
- 600 Wisconsin Taxation of Lottery Winnings (10/97)
- 601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (10/97)

### Sales and Use Taxes

- 200 Electrical Contractors - How Do Wisconsin Sales and Use Taxes Affect Your Business? (3/98)
- 201 Wisconsin Sales and Use Tax Information (12/99)
- 202 Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (9/98)
- 203\* Sales and Use Tax Information for Manufacturers (7/00)
- 205 Use Tax Information for Individuals (1/99)
- 206 Sales Tax Exemption for Nonprofit Organizations (6/00)
- 207 Sales and Use Tax Information for Contractors (9/98)
- 210 Sales and Use Tax Treatment of Landscaping (12/99)
- 211 Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (6/00)
- 212 Businesses: Do You Owe Use Tax on Imported Goods? (1/99)
- 213 Travelers: Don't Forget About Use Tax (4/99)
- 214 Businesses: Do You Owe Use Tax? (4/99)
- 216 Filing Claims for Refund of Sales or Use Tax (3/99)
- 217 Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (1/00)
- 219 Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (4/99)

- 220 Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (10/98)
- 221 Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)
- 222 Motor Vehicle Fuel Users: Do You Owe Use Tax? (3/00)
- 223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)
- 224 Veterinarians - How Do Wisconsin Sales and Use Taxes Affect Your Business? (6/99)
- 225 Barber and Beauty Shops – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (12/99)
- 226 Golf Courses - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/00)

#### Other Taxes and Credits

- 127 Wisconsin Homestead Credit Situations and Solutions (11/99)
- 128 Wisconsin Farmland Preservation Credit Situations and Solutions (11/99)
- 400 Wisconsin's Temporary Recycling Surcharge (12/98)
- 403 Premier Resort Area Tax (2/98)
- 410 Local Exposition Taxes (2/99)
- 503 Wisconsin Farmland Preservation Credit (11/99)
- 508\* Wisconsin Tax Requirements Relating to Nonresident Entertainers (6/00)
- W-166 Wisconsin Employer's Withholding Tax Guide (4/00)

#### Audits and Appeals

- 501 Field Audit of Wisconsin Tax Returns (9/99)
- 505 Taxpayers' Appeal Rights of Office Audit Adjustments (12/99)
- 506 Taxpayers' Appeal Rights of Field Audit Adjustments (9/99)
- 507 How to Appeal to the Tax Appeals Commission (7/98)

#### Other Topics

- 111 How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (2/00)
- 114 Your Wisconsin Taxpayer Bill of Rights (2/00)
- 115 Handbook for Federal/State Electronic Filing (12/99)
- 117 Guide to Wisconsin Information Returns (10/99)
- 124\* Petition for Compromise of Delinquent Taxes (5/00)
- 130 Fax A Form (9/99)
- 140 Wisconsin E-File – A Tax Practitioner's Guide (6/00)
- 401 Extensions of Time to File (1/99)
- 500 Tax Guide for Wisconsin Political Organizations and Candidates (2/00)
- 502 Directory of Wisconsin Tax Publications (4/00)
- 504 Directory for Wisconsin Department of Revenue (2/00)
- 509 Filing Wage Statements and Information Returns on Magnetic Media (3/00)
- 700 Speakers Bureau presenting . . . (6/00) [🔗](#)



### Take Advantage of the Speakers Bureau

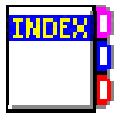
Are you planning a meeting, workshop, conference, or training program? The Department of Revenue's Speakers Bureau provides speakers, free of charge, who can provide information to business, community, and educational organizations.

Department representatives are available to speak on a variety of topics that can be targeted to your group's particular areas of interest, including:

- New sales/use, income, and corporate tax laws.
- How sales tax affects contractors, manufacturers, nonprofit organizations, or businesses in general.
- Homestead credit.

- Audit and appeal procedures.
- Common errors discovered in audits.
- Recordkeeping requirements.
- Tax delinquencies and petitions for compromise.
- Manufacturing property assessment.
- Electronic filing of individual income tax returns.

To arrange for a speaker, you may write to Wisconsin Department of Revenue, Speakers Bureau, PO Box 8933, Madison WI 53708-8933; fax your request to (608) 261-6240; call (608) 266-1911; or fill out the on-line request form by accessing the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us), and clicking on “Events/Training.” [↗](#)



**Index of Reference Material Available**

Are you looking for an easy way to locate reference material to research a Wisconsin tax question? The *Wisconsin Topical and Court Case Index* may be just what you need.

This two-part index will help you find reference material relating to income, franchise, withholding, sales/use, estate, and excise taxes.

The “Topical Index” portion lists by tax type, alphabetically by subject, references to Wisconsin statutes, administrative rules, tax releases, private letter rulings,

Wisconsin tax publications, *Sales and Use Tax Reports*, Attorney General opinions, and *Wisconsin Tax Bulletin* articles.

The “Court Case Index” lists by tax type, alphabetically by subject, decisions of the Wisconsin Tax Appeals Commission, Circuit Court, Court of Appeals, and Wisconsin Supreme Court.

The *Wisconsin Topical and Court Case Index* is available by subscription for \$18 per year, plus sales tax. This includes a volume published in January and an addendum published in June. To order your copy, complete the order blank on page 67 of this Bulletin. [↗](#)



**Nearly 1.9 Million Refunds Issued**

More than 1,875,000 income tax refunds were issued to taxpayers during January through July 2000 (primarily 1999 returns), for an average refund of \$337. The average refund for 1998 returns was \$425; the decrease is due primarily to the one-year elimination of the school property tax/rent credit.

Here are some more comparisons:

	2000	1999
Number of individual income tax returns	2,681,188	2,776,779
Itemized deduction credit		
% of taxpayers claiming	33%	23%
Average credit	\$557	\$465

Homestead credit		
# of claimants	167,024	165,367
Average credit	\$447	\$500
Age 65 or older	47%	47%
Renters	55%	52%
Homeowners	45%	48%
Farmland preservation credit		
# of claimants	20,600	21,900
Average credit	\$838	\$827
Earned income credit		
# of claimants	187,000	188,040
Average credit	\$318	\$317
Sales/use tax payments		
Amount collected	\$1,207,996	\$1,019,647
# of payers	22,600	21,950

**State Election Campaign Fund Checkoffs Increase for 2000**

Wisconsin income tax returns include checkboxes for taxpayers and spouses to designate \$1 to the State Election Campaign Fund.

During July 1999 through June 2000 (primarily 1999 tax returns), taxpayers designated \$339,033 to the election campaign fund on their Wisconsin tax returns. This compares to \$329,014 for the prior year, representing a 3% increase. [↗](#)



## Endangered Resources Contributions Lower in 2000

The 1999 Wisconsin income tax returns included a line for taxpayers to designate a contribution to the Wisconsin Endangered Resources Fund. These contributions help protect and care for Wisconsin's endangered species, nongame wildlife, and rare plant and animal habitats.

Donations to the Endangered Resources Fund can be made on both paper filed tax returns and electronically filed returns.

During July 1999 through June 2000 (primarily 1999 returns), 43,334 taxpayers contributed \$603,395 to the Endangered Resources Fund. This compares with 1998 income tax returns, where 44,304 taxpayers contributed \$639,530. [↗](#)

## Administrative Rules in Process

Listed below are proposed new administrative rules and changes to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of October 1, 2000, or at the stage in which action occurred during the period from July 2 to October 1, 2000.

The listing includes rule numbers and names, and whether a rule is amended (A), repealed and recreated (R&R), or a new rule (NR).

To receive up-to-date administrative rules of the Department of Revenue, you can use the order blank on page 67 of this Bulletin to order the Tax section of the Wisconsin Administrative Code.

### Scope Statement Published

- 2.03 Corporation returns–A (published 7/31/00)
- 2.04 Information returns and wage statements–A (published 7/31/00)
- 2.08 Returns of persons other than corporations–A (published 7/31/00)
- 2.12 Amended returns–A (published 7/31/00)
- 3.91 Petition for redetermination–A (published 7/31/00)
- 9.69 Master settlement agreement with tobacco product manufacturers–NR (published 7/15/00)

### Rules Sent to Legislative Council Rules Clearinghouse

- 9.69 Master settlement agreement with tobacco product manufacturers –NR

### Rules Sent to Revisor for Publication of Notice (Notice published 8-31-00)

- 9.69 Master settlement agreement with tobacco product manufacturers –NR

### Public Hearing Held (9/18/00)

- 9.69 Master settlement agreement with tobacco product manufacturers –NR

### Rules Being Reviewed Following Publication of Various Notices

- 1.13 Power of attorney–A
- 2.82 Nexus–A
- 11.20 Waste reduction and recycling–NR
- 11.34 Occasional sales exemption for sale of a business or business assets–A
- 11.35 Occasional sales by nonprofit organizations–A
- 11.39 Manufacturing–A
- 11.535 Operators of a swap meet, flea market, craft fair or similar event–A
- 11.64 Background music–R&R
- 11.66 Telecommunications and CATV services–A
- 11.79 Leases of highway vehicles and equipment–A


### Rules Adopted and in Effect

- 2.32 Recycling surcharge - gross receipts defined–NR (effective 9/1/00)
- 14.01 Administrative provisions–A (effective 8/1/00)
- 14.02 Qualification for credit–A (effective 8/1/00)

- 14.03 Household income and income–A (effective 8/1/00)
- 14.04 Property taxes accrued–A (effective 8/1/00)
- 14.05 Gross rent and rent constituting property taxes accrued–A (effective 8/1/00)

- 14.06 Marriage, separation or divorce during a claim year–A (effective 8/1/00)

**Emergency Rules Adopted** (effective 8/17/00, but applicable to sales on or after 5/23/00)

- 9.69 Master settlement agreement with tobacco product manufacturers –NR 

## Recently Adopted Rules Summarized

Summarized below is information regarding six recently revised rules relating to homestead tax credit, and a recently created rule relating to the definition of “gross receipts” for the recycling surcharge. Included is information regarding Tax 14.01, 14.02, 14.03, 14.04, 14.05, and 14.06, amended effective August 1, 2000, and Tax 2.32, created effective September 1, 2000.

In addition to the summary of changes, some of the text of the revised homestead tax credit rules, excluding notes and examples, and all of the text of the recycling surcharge rule is reproduced. In the amendments, material lined through (~~lined through~~) represents deleted text, and underscored (underscored) material represents new text.

To order up-to-date administrative rules of the department, you can use the order blank on page 67 of this Bulletin to obtain the Tax section of the Wisconsin Administrative Code.

**Tax 14.01 Administrative provisions.** Subsections (1), (2)(intro.), and (3)(a) are revised, to conform language and punctuation to Legislative Council Rules Clearinghouse (“Clearinghouse”) standards.

Subsections (2)(a), (b), (c), and (d) are renumbered (2)(b), (c), (d) and (a), to keep the definitions in alphabetical order after changing “general relief” to “county relief.” As renumbered, par. (a) is revised to update language relating to county relief, and par. (b) is revised to conform language to Clearinghouse standards.

Subsection (4) is revised, to reflect proper filing procedures and to conform style to Clearinghouse standards.

Subsection (5)(a) is renumbered (5)(a)(intro.) and revised and subdivisions 1. and 2. are created, and par. (b) is revised, to provide proper filing deadlines and statutory references.

Subsection (6) is revised, to clarify a provision relating to deceased persons and to conform style and punctuation to Clearinghouse standards.

Subsection (7) is renumbered (7)(a)(intro.) and revised and subdivisions 1. to 4. and par. (b) are created, to set forth proper procedures for adjusting incorrect claims.

Subsection (8) is revised, to update provisions relating to the imposition of interest and to conform punctuation to Clearinghouse standards.

The text of Tax 14.01(5)(a), (5)(b), (7)(a), (7)(b), and (8) is as follows:

Tax 14.01(5)(a) ~~Under s. 71.53(2) Stats., an original homestead credit claim shall be filed with the department on or before December 31 of the year following the year to which the claim relates in conformity with the filing requirements of s. 71.03(6), (6m) and (7), Stats., or the department shall disallow the claim. The deadline for filing a claim is as follows:~~ Under s. 71.53(2)(a), Stats., an original homestead credit claim shall be filed with the department on or before December 31 of the year following the year to which the claim relates in conformity with the filing requirements of s. 71.03(6), (6m) and (7), Stats., or the department shall disallow the claim. The deadline for filing a claim is as follows:

1. A claim filed for a taxable year for which an income tax return is also filed shall be filed on a calendar year basis as provided in sub. (3)(c), within 4 years, 3 ½ months of the end of the calendar year to which the claim relates.

2. Under s. 71.03(6m), Stats., a claim filed by a person who is not required to file an income tax return shall be filed on a calendar year basis. The claim shall be filed within 4 years, 3 ½ months of the end of the calendar year to which the claim relates.

(5)(b) ~~Under s. 71.53(3), Stats., a claimant who files a timely original claim may subsequently file an amended claim with the department. An Under s. 71.75(2), Stats., an amended claim shall be filed within 4 years of December 31 of the year following the year to which the claim relates the deadline for filing the original claim or the department shall disallow the claim.~~ Under s. 71.53(3), Stats., a claimant who files a timely original claim may subsequently file an amended claim with the department. An Under s. 71.75(2), Stats., an amended claim shall be filed within 4 years of December 31 of the year following the year to which the claim relates the deadline for filing the original claim or the department shall disallow the claim.

(7)(a) ~~Under s. 71.74(8)(a), Stats., the department may give notice of an incorrect homestead credit amount within 4 years from December 31 of the year following the year to which a homestead credit claim relates. The department may correct incorrect claims by adjusting the credit claimed, by assessment as income taxes are assessed, or by refund, as appropriate. Under ss. 71.74(8)(a) and 71.77(2), Stats., unless the adjustment period is extended by a specific statutory provision, the notice shall be given by the later of 4~~ Under s. 71.74(8)(a), Stats., the department may give notice of an incorrect homestead credit amount within 4 years from December 31 of the year following the year to which a homestead credit claim relates. The department may correct incorrect claims by adjusting the credit claimed, by assessment as income taxes are assessed, or by refund, as appropriate. Under ss. 71.74(8)(a) and 71.77(2), Stats., unless the adjustment period is extended by a specific statutory provision, the notice shall be given by the later of 4

years from the unextended due date of the corresponding original income tax return or 4 years from the date a late-filed income tax return is filed. The statutory provisions under which the adjustment period may be extended include the following:

1. The “intent to defeat or evade” provision under s. 71.77(3), Stats.
2. The “extension agreement” provision under s. 71.77(5), Stats.
3. The “six-year” provision under s. 71.77(7)(a), Stats.
4. The “federal change” provisions under s. 71.77(7)(b), Stats.

(7)(b) Under s. 71.75(7), Stats., the department shall act on a claim for homestead credit within one year after it receives the claim, or the credit shall be allowed even if incorrect, unless the claimant has agreed in writing to an extension of the one-year time period. Within the one-year period, prior to allowing the credit, the claimed credit may be reduced. However, under s. 71.74(8)(a), Stats., if the date of acting on an amended claim is later than the last date for adjusting an original claim as provided in par. (a), the credit may not be reduced to an amount less than the credit allowed on the original claim, and after allowing the credit on the amended claim no further reduction of the credit may be made.

(8) ~~INTEREST AND PENALTIES ON INCORRECT CLAIMS.~~ (a) ~~Excessive claims.~~ ~~Excessive~~ Under s. 71.82(1)(c), Stats., excessive homestead credit amounts, not the result of negligence or fraudulent intent, that have been paid or credited shall be subject to interest ~~as provided by s. 71.82(1)(c), Stats.~~ The interest shall be imposed from the date on which the excessive amount was paid or credited, but not earlier than from December 31 of the year following the year to which the claim relates, to the date on which the amount when subsequently assessed will become delinquent if unpaid. If unpaid by the due date shown on the notice of adjustments to the homestead credit claim, the amount due, including interest, shall be subject to delinquent interest at the rate provided by s. 71.82(2)(a), Stats. at 12% per year from the deadline for filing the claim. Assessments to collect excessive homestead credit amounts payable before the deadline for filing the claim may not include interest charges.

(b) *Understated claims.* Under s. 71.55(4), Stats., the department may not pay interest on any homestead credit, including any additional credit, refund, or payment allowed as the result of the review of a homestead credit claim or an amended claim.

**Tax 14.02 Qualification for credit.** Subsection (2)(c) is repealed and sub. (9) is revised, and notes are created, to place mailing addresses in a note rather than in the text of the rule, per Clearinghouse standards.

Subsection (5) is revised, to reflect proper terminology relating to property taxes.

Subsection (10) is revised, to conform format to Clearinghouse standards.

Subsection (11) is revised, to clarify that a person who is deceased cannot be a claimant.

None of the text of Tax 14.02 is being reproduced.

**Tax 14.03 Household income and income.** Subsection (2)(intro.) is created and subs. (3)(a), (b), and (c)2. and (4)(b)5.a. are revised, to conform style and punctuation to Clearinghouse standards.

Subsection (4)(b)(intro.) is revised, to state the content of the paragraph as amended. Subdivision 2. is revised, to clarify a provision relating to support payments. Subdivision 3. is repealed and recreated, to update provisions relating to cash public assistance and county relief and to list additional items of income. Subdivision 5.(intro.) is revised and 5.e. is created, to clarify provisions relating to social security. Subdivisions 7., 11., 12., 14., 15., and 20. are revised, to clarify provisions relating to payments to survivors of deceased veterans, scholarships, unemployment insurance, home sale gains (per the amendment of s. 71.01(6), Stats., by 1997 Wis. Act 37), and Native Americans.

Subsection (4)(b)23.(intro.) and a. to i. is renumbered (4)(c)(intro.) and 1. to 9., to list items that are deducted in determining Wisconsin adjusted gross income in a separate paragraph. As renumbered, sub. (4)(c)(intro.) is revised, to add a reference to items deducted in determining limited liability company income or losses, and subd. 6. is revised, to add a reference to SIMPLEs and to conform punctuation to Clearinghouse standards.

Subsection (5) is repealed and recreated, to clarify provisions relating to exclusions from income and list additional exclusions, including previously reported scholarship income per the amendment of s. 71.52(6), Stats., by 1997 Wis. Act 27.

The text of Tax 14.03(2)(intro.), (4)(b)3., 5.e. and 15. and (5) is as follows:

Tax 14.03(2)(intro.) DEFINITIONS. In this section: (4)(b)3. Cash public assistance and county relief, including the following:

a. Aid to families with dependent children, or “AFDC.”

b. Wisconsin works, or “W-2” payments.

c. Non-legally responsible relative, or “NLRR” AFDC payments or kinship care payments under s. 48.57, Stats. These are payments received as a relative other than a parent, for caring for a dependent child in the claimant’s homestead.



d. Cash benefits paid by counties under s. 59.53(21), Stats.

e. Reimbursement from a governmental agency for amounts originally paid for by the recipient, not including cash reimbursements for home energy assistance or for services under Title XX of the federal social security act and community options program, or “COP” payments under s. 46.27, Stats.

f. Adoption assistance payments under Title IV-E of the federal social security act or from another state, or payments by the Wisconsin department of health and family services under s. 48.975, Stats., to adoptive parents of children having special needs as described in s. HSS 50.03(1)(b).

g. Veterans administration payments for reimbursement of services purchased by the recipient.

h. Federal housing and urban development, or “H.U.D.” payments for housing.

i. Disaster relief grants under the federal disaster relief act of 1974.

5.e. Supplemental security income - exceptional needs, or “SSI-E” payments under s. 49.77(3s), Stats.

15. A gain on the sale of a personal residence excluded under s. 121 of the internal revenue code, ~~which is the once-in-a-lifetime exclusion for a qualifying sale by a person age 55 or older.~~ A gain on the sale of a personal residence which would be reportable under the installment sale method if taxable may be reported either in full in the year of sale or each year as payments are received.

(5) EXCLUSIONS FROM INCOME. (a) Under s. 71.52(6), Stats., income does not include the following:

1. Amounts described in sub. (4)(b)1., 3.e., 7., 11. and 14. as not being includable.

2. Gifts from natural persons, including voluntary support payments.

3. Relief in kind by a governmental agency, including surplus food, food stamps and payments directly to a supplier of goods or services, such as medical care, food, clothing and residential energy.

4. The nontaxable portions of lump sum insurance proceeds received:

a. For a recipient’s disability or loss of limb.

b. By a beneficiary of a decedent’s life insurance policy.

c. From the surrender of any portion of an insurance policy that does not constitute a personal endowment insurance policy or an annuity contract purchased by the recipient.

5. Wisconsin homestead credit amounts received.

6. Social security or SSI payments received on behalf of a claimant’s children or the children of the claimant’s household.

7. Pension, annuity or other retirement plan payments rolled over from one retirement plan to another.

8. Tax-free exchanges of insurance contracts under s. 1035 of the internal revenue code.

9. Crime victim compensation payments under ch. 949, Stats.

10. Payments under the Wisconsin petroleum cleanup fund act.

11. “Foster grandparents program” payments under the federal domestic volunteer service act of 1973.

12. Community spouse income allowance payments under the Wisconsin spousal impoverishment program, except the portion of the payments includable under Wisconsin marital property law.

(b) Amounts added to Wisconsin adjusted gross income under s. 71.52(6), Stats., on a previous year’s homestead credit claim and subsequently repaid may be subtracted from income for the year during which they are repaid.

(c) Scholarship and fellowship gifts or income included in Wisconsin adjusted gross income, which were included in income under s. 71.52(6), Stats., on a previous year’s homestead credit claim may be subtracted from income for the current year.

**Tax 14.04 Property taxes accrued.** Subsection (2) is revised, to remove obsolete language relating to general property tax relief.

Subsections (3)(b) and (3)(c) are revised, to clarify various provisions relating to property taxes accrued.

Subsection (4)(a) is revised to remove obsolete provisions relating to property tax verification. Paragraphs (b)1. and (b)2. are revised, to conform punctuation to Clearinghouse standards. Paragraph (c) is revised, to clarify a provision relating to mobile home ownership and to conform language to Clearinghouse standards.

Subsection (5) is repealed and recreated, to update provisions relating to the reduction of property taxes accrued for months certain public assistance payments are received.

Subsections (8)(a) and (8)(b) are revised and par. (c) is created, to clarify various provisions relating to allowable property taxes for a co-owned homestead.

Subsections (9)(a) and (b), (10)(a), and (11) are revised, to clarify various provisions relating to property taxes accrued and to conform language and punctuation to Clearinghouse standards.

The text of Tax 14.04(5) and (8)(c) is as follows:

Tax 14.04(5) EFFECT OF RELIEF AND OTHER PUBLIC ASSISTANCE. (a) Under s. 71.54(2)(a), Stats., property taxes accrued shall be reduced by one-twelfth for each month or portion of a month for which the claimant received either \$400 or more of county relief under s. 59.53(21), Stats., or any amount of aid to families with dependent children, or “AFDC” under s. 49.19, Stats., Wisconsin works payments for community service jobs or transitional placements under s. 49.147(4) or (5), Stats., or Wisconsin works payments as a caretaker of a newborn child under s.

49.148(1m), Stats. However, property taxes accrued need not be reduced if the assistance consists solely of foster care payments under s. 49.19(10)(a), Stats., non-legally responsible relative, or “NLRR” AFDC payments or kinship care payments.

(b) County relief and other cash public assistance payments that are repaid by the claimant in the same calendar year in which they are received are not considered payments for purposes of computing the one-twelfth reduction of property taxes accrued as required by par. (a).

(8)(c) Under s. 71.52(7), Stats., if a claimant has inherited a partial ownership interest in a homestead, is entitled to possession of the property and is required by the terms of the will that transferred the ownership to pay all of the property taxes on the homestead, the claimant may claim a homestead credit based upon the entire amount of property taxes accrued on the homestead.

**Tax 14.05 Gross rent and rent constituting property taxes accrued.** Subsection (2) is repealed and recreated, to reference a statute rather than quote it and to provide that certain separate payments to a landlord are considered gross rent.

Subsection (3)(b), relating to indirect rent payments by a governmental agency, is repealed and its provisions are placed in sub. (13), relating to low-income housing. Paragraphs (c) and (d) are renumbered (b) and (c) and as renumbered par. (b) is revised, to clarify a provision relating to property taxes for a homestead not owned by the claimant.

Subsections (4)(a) and (4)(c) are revised, to conform language and punctuation to Clearinghouse standards. Paragraph (b) is revised, to clarify a provision relating to paying rent for more than one homestead during the year. Paragraph (c) is further revised, to update procedures for preparing a rent certificate, and par. (e) is revised, to update procedures for preparing a rent certificate when one cannot be obtained from a landlord.

Subsection (5) is repealed and recreated, to update provisions relating to the reduction of rent constituting property taxes accrued for months certain public assistance payments are received.

Subsection (7) is revised, to replace quoted statutory language relating to non-arms length rental with explanatory language.

Subsections (8)(a), (8)(d)(intro.) and 1. to 3., (12), and (13)(title) are revised, to conform language and punctuation to Clearinghouse standards. Subsection (8)(b) is revised, to reflect the department’s position that the paragraph also interprets s. 71.53(2)(e), Stats., and sub.

(8)(c) is revised, to reflect the department’s position that it applies to both sub. (8)(a) and sub. (8)(b).

Subsection (9)(a) is revised, to clarify a provision relating to joint occupancy of a rental unit.

Subsections (13)(a)(intro.) and (13)(b) are renumbered (13)(b) and (13)(c), and par. (a)1., 2., and 3. is repealed. As renumbered, par. (b) is revised, to clarify a provision relating to rent computation when a landlord receives subsidies from a governmental agency. New par. (a) is created, to place a provision relating to indirect rent payments by a governmental agency in sub. (13) rather than sub. (3).

Subsection(14)(a)1. is revised, effective with rent paid for calendar year 2000, to increase the “standard rate” for rent paid for occupancy by residents of nursing homes or long-term care facilities from \$40 per week to \$100 per week. This rate more accurately reflects the portion of payments to those types of facilities that constitutes rent paid for occupancy. It also more closely approximates the rent paid for occupancy as computed using the other department-approved method, the “percentage of building occupancy expenses” method; the standard rate had not been changed since March 1990.

Subsection (14)(a)2. is revised, to include substantive material from an example, relating to the “percentage of building occupancy expenses” method of computing rent paid for occupancy by residents of nursing homes or long-term care facilities. Paragraph (b) is renumbered (b)1. and subd. 2. is created, to clarify that a nursing home resident who received medical assistance during the year but is no longer receiving the assistance may be eligible to claim a homestead credit.

The text of Tax 14.05(2), (4)(e), (5), (13)(a), (14)(a)1., and (14)(b)2. is as follows:

Tax 14.05(2) DEFINITIONS. (a) “Gross rent” has the meaning specified in s. 71.52(2), Stats. Gross rent includes payments by a claimant to the landlord for items normally associated with the occupancy of a homestead, such as a garage or parking space, appliances, furniture or utilities. However, payments for food, medical services or other personal services are expressly excluded under s. 71.52(2), Stats. In situations where charges for food and services are subtracted from amounts paid to a landlord, gross rent is commonly referred to as “rent paid for occupancy.”

(b) “Rent constituting property taxes accrued” has the meaning specified in s. 71.52(8), Stats.

(4)(e) If a claimant is unable to obtain a rent certificate from a landlord, proper rent receipts, money order receipts, cancelled checks, or cancelled share drafts substanti-

ating amounts paid shall be acceptable evidence of gross rent paid. The claimant shall ~~attach a statement to the homestead credit claim giving the name and address of the landlord, the address of the homestead for which credit is claimed, an explanation of the inability of the claimant to obtain a rent certificate, a list of food, medical services, and other personal services as described in par. (c) provided by the landlord, and a statement as to whether heat was included in the rent paid to the landlord, as evidence of rent constituting property taxes accrued.~~ also include a rent certificate on which all lines except the signature line have been filled in, or a statement providing the same information as that requested on the rent certificate. The statement or rent certificate shall indicate whether heat was included in the rent, and whether food or services as described in par. (c) were provided and if so the estimated value of the food and services provided. The statement or top portion of the rent certificate should be marked with a comment such as "Landlord Refuses to Sign."

(5) EFFECT OF RELIEF AND OTHER PUBLIC ASSISTANCE. (a) Under s. 71.54(2)(a), Stats., rent constituting property taxes accrued shall be reduced by one-twelfth for each month or portion of a month for which the claimant received either \$400 or more of county relief under s. 59.53(21), Stats., or any amount of aid to families with dependent children, or "AFDC" under s. 49.19, Stats., Wisconsin works payments for community service jobs or transitional placements under s. 49.147(4) or (5), Stats., or Wisconsin works payments as a caretaker of a newborn child under s. 49.148(1m), Stats. However, rent constituting property taxes accrued need not be reduced if the assistance consists solely of foster care payments under s. 49.19(10)(a), Stats., non-legally responsible relative, or "NLRR" AFDC payments or kinship care payments.

(b) County relief and other cash public assistance payments that are repaid by the claimant in the same calendar year in which they are received are not considered payments for purposes of computing the one-twelfth reduction of rent constituting property taxes accrued as required by par. (a).

(13)(a) Indirect payments of rent, such as a subsidy payment from a governmental agency for low-income housing, are not includable in determining gross rent.

(14)(a)1. A standard rate of \$40 \$100 per week but not more than the actual rent paid.

(14)(b)2. A person living in a nursing home who received medical assistance under s. 49.45, Stats., during the year to which the claim relates but is not receiving the medical assistance at the time of filing a homestead credit claim may claim the homestead credit if otherwise eligible. In this situation, amounts paid by medical assistance are not includable in determining rent paid for occupancy.

**Tax 14.06 Marriage, separation or divorce during a claim year.** The title and subs. (1) and (3)(c)(intro.) are revised, to conform punctuation to Clearinghouse standards.

None of the text of Tax 14.06 is being reproduced.

**Tax 2.32 Recycling surcharge – gross receipts defined.** This section is created as required pursuant to 1999 Wis. Act 9, to define the term "gross receipts" as it applies to subch. VII of ch. 77, Stats., relating to the recycling surcharge.

The text of Tax 2.32, including notes, is as follows:

**Tax 2.32 Recycling surcharge – gross receipts defined.** (1) PURPOSE. This section defines "gross receipts" for purposes of the recycling surcharge under subch. VII of ch. 77, Stats.

**Note:** For any taxable year, a recycling surcharge is imposed on: (a) individuals, estates, trusts, statutory employees and partnerships that have at least \$4,000,000 in gross receipts from a trade or business for the taxable year; (b) corporations and insurers that have at least \$4,000,000 in gross receipts from all activities for the taxable year; and (c) individuals, estates, trusts and partnerships engaged in farming that have at least \$1,000,000 in gross receipts from farming for the taxable year.

(2) DEFINITIONS. In subch. VII of ch. 77, Stats., and this section:

(a) "Gross receipts from all activities of corporations" means the sum of the following items reportable by corporations other than those listed in pars. (c) and (d):

1. Gross receipts or sales reportable on line 1a of federal form 1120, U. S. corporation income tax return.
2. Gross dividends reportable on line 4 of federal form 1120.
3. Gross interest income reportable on line 5 of federal form 1120.
4. Gross rents reportable on line 6 of federal form 1120.
5. Gross royalties reportable on line 7 of federal form 1120.
6. The gross sales price from the disposition of capital assets and business assets includable in computing the net gain or loss on lines 8 and 9 of federal form 1120.
7. Gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

**Note:** In this subsection, line numbers of forms refer to the 1999 forms.

(b) "Gross receipts from all activities of exempt organizations taxable as corporations" means the sum of the following items reportable by those entities:

1. Gross receipts or sales reportable on line 1a of federal form 990-T, exempt organization business income tax return.
2. The gross sales price from the disposition of capital assets and business assets includable in computing the gain or loss on lines 4a and 4b of federal form 990-T.
3. Gross rents includable in computing rent income on line 6 of federal form 990-T.
4. Gross income from unrelated debt-financed property includable in computing unrelated debt-financed income on line 7 of federal form 990-T.

5. Gross interest, annuities, royalties and rents from controlled organizations includable in computing those items of income on line 8 of federal form 990-T.

6. Gross investment income includable in computing investment income on line 9 of federal form 990-T.

7. Gross exploited exempt activity income includable in computing that item of income on line 10 of federal form 990-T.

8. Gross advertising income includable in computing advertising income on line 11 of federal form 990-T.

9. Gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

(c) “Gross receipts from all activities of insurance companies” means the sum of the following items reportable by insurance companies:

1. Gross premiums earned reportable on lines 1 and 8 of schedule A on federal form 1120-PC, U. S. property and casualty insurance company income tax return.

2. Gross dividends reportable on line 2 of schedule A, or line 2 of schedule B if applicable, on federal form 1120-PC.

3. Gross interest income reportable on line 3a of schedule A, or line 1a of schedule B if applicable, on federal form 1120-PC.

4. Gross rents reportable on line 4 of schedule A, or line 3 of schedule B if applicable, on federal form 1120-PC.

5. Gross royalties reportable on line 5 of schedule A, or line 4 of schedule B if applicable, on federal form 1120-PC.

6. The gross sales price from the disposition of capital assets and business assets includable in computing the gain or loss on lines 6 and 7 of schedule A, or lines 5 and 7 of schedule B if applicable, on federal form 1120-PC.

7. Gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

(d) “Gross receipts from all activities of tax-option (S) corporations” means the sum of the following items reportable by S corporations:

1. Gross receipts or sales reportable on line 1a of federal form 1120S, U. S. corporation income tax return for an S corporation.

2. Gross rents includable in computing the income from real estate and other rental activities reportable on lines 2 and 3a of schedule K on federal form 1120S.

3. Gross interest income reportable on line 4a of schedule K on federal form 1120S.

4. Gross dividends reportable on line 4b of schedule K on federal form 1120S.

5. Gross royalties includable in computing royalty income reportable on line 4c of schedule K on federal form 1120S.

6. The gross sales price from the disposition of capital assets and business assets includable in computing the gain or loss on line 4 of federal form 1120S and lines 4d, 4e, 4f and 5 of schedule K on federal form 1120S.

7. Gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

(e) “Gross receipts from farming, of individuals, estates, trusts and partnerships engaged in farming” means the sum of the following items reportable by those entities:

1. Gross receipts or sales reportable on lines 1, 4, 5a, 6a, 7a, 8a and 9 of federal schedule F, profit or loss from farming.

2. The gross sales price of farm assets, including livestock, includable in computing ordinary income or loss on federal form 4797, sales of business property.

(f) “Gross receipts of exempt organizations taxable as trusts” means the total receipts or sales from all trade or business activities other than farming, reportable by those entities for federal income tax purposes, before any deduction for returns and allowances or any other business expenses. Gross receipts include any of the following:

1. Gross receipts or sales reportable on line 1a of federal form 990-T, exempt organization business income tax return.

2. The gross sales price from the disposition of capital assets and business assets includable in computing the gain or loss on lines 4a and 4b of federal form 990-T.

3. Gross rents includable in computing rent income on line 6 of federal form 990-T.

4. Gross income from unrelated debt-financed property includable in computing unrelated debt-financed income on line 7 of federal form 990-T.

5. Gross interest, annuities, royalties and rents from controlled organizations includable in computing those items of income on line 8 of federal form 990-T

6. Gross investment income includable in computing investment income on line 9 of federal form 990-T.

7. Gross exploited exempt activity income includable in computing that item of income on line 10 of federal form 990-T.

8. Gross advertising income includable in computing advertising income on line 11 of federal form 990-T.

9. Gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

(g) “Gross receipts of individuals, estates, trusts and statutory employees” means the total receipts or sales from all trade or business activities other than farming, reportable by those entities for federal income tax purposes, before any deduction for returns and allowances or any other business expenses. Gross receipts include any of the following:

1. Gross receipts or sales reportable on line 1 of federal schedule C, profit or loss from business.

2. Gross receipts reportable on line 1 of federal schedule C-EZ, net profit from business.

3. The gross sales price of assets includable in computing ordinary income or loss on federal form 4797, sales of business property.

**Note:** See par. (e) for information relating to individuals, estates and trusts engaged in farming.

(h) “Gross receipts of partnerships” means the total receipts or sales from all trade or business activities other than farming, reportable by partnerships for federal income tax purposes, before any deduction for returns and allowances or

any other business expenses. Gross receipts include the sum of the following:

1. Gross receipts or sales reportable on line 1a of federal form 1065, U. S. partnership return of income.
2. Gross receipts, other than farm receipts, passed through from other partnerships and fiduciaries and includable in computing the amount on line 4 of federal form 1065.
3. The gross sales price from the sale or disposition of business assets, other than farm assets, includable in computing the net gain or loss on line 6 of federal form 1065.
4. Gross receipts from the rental of tangible personal property.

5. Other gross receipts includable in computing other income or loss on line 7 of federal form 1065.

**Note:** See par. (e) for information relating to partnerships engaged in farming.

**Note:** Section Tax 2.32 interprets subch. VII of ch. 77, Stats.

**Note:** Subchapter VII of ch. 77, Stats., was amended by 1999 Wis. Act 9, to replace the expired temporary recycling surcharge with a recycling surcharge, effective for taxable years beginning on or after January 1, 2000. This section applies to the recycling surcharge imposed for taxable years beginning on or after January 1, 2000. [↗](#)