



# Wisconsin TAX BULLETIN

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

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## New Tax Law

The following is a brief description of a new Wisconsin law that makes a change to the Wisconsin individual income tax law.

**Interest Abated During Extension Period** (2001 Act 23, create sec. 71.03(7)(c), effective December 14, 2001.)

For taxable years 2001 and 2002, no interest charge will apply during the period of an extension of time to file, for persons who:

- serve in the United States in support of Operation Enduring Freedom (or an operation that is its successor), or
- qualify for a federal extension and serve outside of the United States because of their participation in Operation Enduring Freedom (or an operation that is its successor) in the Enduring Freedom theater of operations. [☞](#)

## Did You Know the Department of Revenue...

- ◆ provides free taxpayer assistance all around Wisconsin (see article on page 9), and via the Internet ([www.dor.state.wi.us](http://www.dor.state.wi.us), then click on “FAQS” – frequently asked questions)
- ◆ has free publications on a wide variety of tax subjects (see article on page 18)
- ◆ has an index to make your research easier (see article on page 17)
- ◆ provides old and new tax forms via the Internet ([www.dor.state.wi.us](http://www.dor.state.wi.us)) and via Fax-A-Form (phone 608-261-6229 from a fax telephone)
- ◆ offers recorded refund information 24 hours a day, seven days a week (phone 608-266-8100, Madison, or 414-227-4907, Milwaukee)
- ◆ provides an Internet site for inquiring about your refund ([www.dor.state.wi.us](http://www.dor.state.wi.us)) [☞](#)

## Revision – Schedule U

The Internal Revenue Service (“IRS”) extended the due date of federal estimated tax payments originally due between September 10, 2001, and September 23, 2001, to September 24, 2001.

The Wisconsin Department of Revenue is following the IRS’ action. As a result, the September 2001 installment due date listed in Part III of Wisconsin Schedule U, “*Underpayment of Estimated Tax by Individuals and Fiduciaries*,” should be changed from September 17, 2001, to September 24, 2001. In addition, the decimal amount on line 15 of Schedule U (for computing underpayment interest using the “short method”) should be changed from .07947 to .07890. In the instructions for line 25, the September 17 date should be changed to September 24.

The 2001 Schedule U has been printed and delivered to the department, and it will not be reprinted. The Schedule U and instructions on the department’s Internet web site and on its Fax-A-Form system have been revised to reflect these changes. [☞](#)

## Federal Laws Enacted After 1999 Do Not Apply for Wisconsin

For taxable year 2000 and thereafter, the Wisconsin individual income tax law currently provides that only those provisions of the Internal Revenue Code (IRC) enacted by December 31, 1999, apply for Wisconsin purposes. Except for changes in depreciation and amortization provisions, provisions of federal income tax law enacted after December 31, 1999, may not be used for Wisconsin purposes. The resulting differences in income and expense items for Wisconsin versus federal purposes must be adjusted for on Wisconsin Schedule I.

For taxable years 2000 and 2001, the differences that result from the fact that Wisconsin continues to follow 1999 federal law are relatively few. However, unless the Wisconsin Legislature adopts the federal tax law changes enacted in 2000 and 2001 for Wisconsin purposes, a significant number of differences will exist for taxable year 2002 and thereafter. This is because most of the provisions of the federal Economic Growth and

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Tax Relief Reconciliation Act of 2001 (EGTRRA) enacted on June 7, 2001, first apply for taxable year 2002.

The fact that current Wisconsin law does not permit the use of EGTRRA changes has raised considerable concern among taxpayers, tax practitioners, and others. Causing the most concern are the numerous pension plan and retirement plan changes made by EGTRRA. For example, EGTRRA increased the contribution limits for traditional IRAs, Roth IRAs, and 401(k), 403(b), 408(k), and 457 plans for 2002. Unless Wisconsin law is changed to adopt these changes, such plans must continue to apply the old (lower) contribution limits for Wisconsin purposes.

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The Wisconsin Legislature is expected to consider adoption of the federal laws passed after 1999 for Wisconsin purposes during its floor period that began on January 22, 2002. Any changes made to Wisconsin law will be explained in a future issue of the *Wisconsin Tax Bulletin*, and on the department's Internet web site, [www.dor.state.wi.us](http://www.dor.state.wi.us). 

**Federal “Victims of Terrorism Tax Relief Act” Does Not Apply for Wisconsin**

Generally, Wisconsin law provides that the computation of taxable income on the 2001 Wisconsin income tax return is to be based on the provisions of the Internal Revenue Code (IRC) enacted as of December 31, 1999. Changes to the IRC enacted after December 31, 1999, do not apply for Wisconsin income tax purposes. Individuals must complete Wisconsin Schedule I to adjust for any differences that result in the amounts of income and expense items reportable for federal and Wisconsin purposes.

At the time the 2001 Schedule I was sent to the printer (November 20, 2001), new federal legislation affecting the IRC was being considered. The Victims of Terrorism Tax Relief Act of 2001 (Public Law 107-134) was enacted on January 23, 2002. The changes made by P.L. 107-134 to the IRC do not apply for Wisconsin purposes for 2001.

Following are brief explanations of differences between federal and Wisconsin law that result from the enactment of P.L. 107-134. The “Federal” explanation

indicates how an item is to be treated for federal income tax purposes for 2001. The “Wisconsin” explanation indicates how the item is to be treated for Wisconsin purposes under the IRC enacted as of December 31, 1999.

If you are affected by any of these differences, you must complete 2001 Schedule I. Schedule I is available from any Department of Revenue office or from the department’s Internet web site ([www.dor.state.wi.us](http://www.dor.state.wi.us)).

### 1. Exclusion of Certain Death Benefits

- (a) Federal – Gross income does not include amounts paid by an employer by reason of the death of an employee who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on April 19, 1995, or September 11, 2001, or who dies as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.
- (b) Wisconsin – The treatment of amounts paid by an employer is determined under the provisions of the Internal Revenue Code as amended to December 31, 1999.

### 2. Exclusion of Certain Cancellations of Indebtedness

- (a) Federal – Gross income does not include any amount realized from the discharge (in whole or in part) of indebtedness if the discharge is by reason of the death of an individual incurred as a result of the September 11, 2001, terrorist at-

tacks, or as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. This applies to discharges made on or after September 11, 2001, and before January 1, 2002.

- (b) Wisconsin – Gross income includes income that is realized by a debtor from the discharge of indebtedness, subject to certain exceptions for debtors in Title 11 bankruptcy cases, insolvent debtors, certain farm indebtedness, and certain real property indebtedness.

### 3. Disaster Relief Payments

- (a) Federal – Gross income does not include any amount received by an individual as a qualified disaster relief payment.
- (b) Wisconsin – The treatment of a disaster relief payment is determined under the provisions of the Internal Revenue Code as amended to December 31, 1999.

### 4. Disability Income Related to Terrorist Activity

- (a) Federal – The exclusion from gross income for disability income of U.S. civilian employees attributable to a terrorist attack outside of the United States applies to disability income received by any individual attributable to a terroristic or military action.
- (b) Wisconsin – The treatment of disability income is determined under the provisions of the Internal Revenue Code as amended to December 31, 1999. [☞](#)

## Subtraction for Contributions to a Wisconsin College Savings Account

Beginning with taxable year 2001, Wisconsin law provides a subtraction of up to \$3,000 for an amount paid into a college savings account, as described in section 14.63 or 14.64 of the Wisconsin Statutes. The instructions for the 2001 Form 1 and 1NPR indicate this subtraction applies to amounts paid into a Wisconsin EdVest college savings program.

The department has learned that American Express Company is marketing a Wisconsin state-sponsored college savings program. The name of this program is

“tomorrow’s scholar.” This program qualifies as a section 14.64 college savings account. Thus, contributions to a “tomorrow’s scholar” account qualify for the \$3,000 subtraction (assuming all other requirements are met).

In addition, Wisconsin law also provides a subtraction for any increase in value of a tuition unit under a tuition contract described in section 14.63, or a college savings account as described in section 14.64 (except in the case of a nonqualified withdrawal). The form instructions indicate this subtraction applies to distributions from EdVest college savings accounts. This subtraction also applies to distributions from a “tomorrow’s scholar” account marketed by American Express Company. [☞](#)

## Grant County Adopts County Tax

Effective April 1, 2002, the county sales and use tax will be in effect in Grant County. This brings to 56 the number of counties that have adopted the 1/2% county tax.

Retailers were notified about Grant County's adoption of the county tax in the December 2001 *Sales and Use Tax Report* (number 3/01). The Report was sent in late December and early January to all persons registered for Wisconsin sales and use tax purposes. A copy of the Report appears on pages 37 and 38 of this Bulletin.

For additional information about the county tax, see Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII, on pages 38 to 44. Publication 201 is available from any Department of Revenue office. See the article titled "Tax Publications Available" on page 18 of this Bulletin for information about how to obtain copies of Publication 201 by mail, e-mail, fax, or the Internet. [↗](#)

## Take Taxes, for Instance It's an Electronic World Out There

When taxpayers filed their Wisconsin personal income taxes in 2001, over 750,000 chose to file electronically – either through a professional tax preparer, via TeleFile, or on-line from their personal computer through the [www.wisconsin.gov](http://www.wisconsin.gov) web site. That's one of every four taxpayers! The greatest percentage growth is in direct, on-line filing from home computers.

On-line filing has these advantages:

- Taxpayers can e-file both state and federal income taxes at the same time from one location.
- The computer software does the math and walks taxpayers through the process.
- Taxpayers get immediate confirmation that their return has been received.
- Taxpayers can get their refunds in five business days, no matter when they file (if they choose direct deposit and the return needs no additional review), even if they file right on the April 15, 2002, deadline. (Paper returns filed on the deadline typically require 12 weeks.)
- E-filers can choose to electronically deposit their refunds.
- Electronically filed returns are more accurate (a 1 % error rate compared to 10 % for paper forms).
- Low-income taxpayers (earning \$25,000 or less annually) can e-file for free!

E-filing has increased 22 % in just the last year, while the paperbound "Quick Refund" usage has dropped by

almost one-third since its high-water mark five years ago.

It's no wonder. E-filing is much quicker than the "Quick Refund" method. Taxpayers who choose to have their refunds deposited electronically directly into their bank accounts can get their money within five working days. The best expectation of the Quick Refund was "as little as 14 days" – sometimes longer.

In light of the superior convenience and efficiency of e-filing, it will replace the personal income tax "Quick Refund" program.

Replacing the Quick Refund program with e-filing for the 2002 taxpaying season is an easy call to make. In fact, taxpaying customers have made that decision for the department. By a 2 to 1 margin, taxpayers who want the fastest service possible are choosing the convenience of electronic filing over the slower, paperbound Quick Refund system. This change will also help the department save money.

- Because it is no longer offering the Quick Refund program, the department can discontinue mailing postcards with the taxpayer's mailing label attached (needed to participate in the program) to those taxpayers who used a practitioner last year.
- The department also will save taxpayer dollars by not mailing personal income tax booklets to those who filed electronically in 2001.

Meanwhile, the Department of Revenue is offering these additional electronic filing options:

- Applicants for homestead credit can now file Schedule H electronically when they file their income tax returns.

- Taxpayers eligible for TeleFile can also file over the World Wide Web.
- Low-income taxpayers (under \$25,000 income) can file on-line free-of-charge.
- Taxpayers can pay by credit card.

In these and other ways, the Wisconsin Department of Revenue is committed to its strategic goal of **Making Taxpaying Less Taxing** – in every sense of the word, from lowering the overall tax burden to making the tax filing experience easier and less stressful. [☞](#)

## NetFile – New Electronic Filing Alternative

The Wisconsin Department of Revenue is committed to serving taxpayers in the most efficient manner possible. Through the use of technology, the department has streamlined the methods used to file individual income tax returns. For 2001 tax returns, the Department of Revenue offers a new filing alternative: NetFile.

In order to increase electronic filing, the department is expanding the current TeleFile program to include NetFile for 2001 tax returns. NetFile is an alternative to the current TeleFile program that has been available for three years. Eligible taxpayers may now access the ap-

plication through the Internet or use a touch-tone phone as they have in the past.

Eligibility for participation in TeleFile/NetFile is determined by the Department of Revenue based on previous filing history and is offered by invitation only. Taxpayers who may be eligible to use NetFile will receive a TeleFile/NetFile instruction booklet and a Personal Identification Number (PIN).

The TeleFile/NetFile alternative is easy and it's free! Eligible and qualified Wisconsin taxpayers are encouraged to use this fast and convenient alternative to paper filing. [☞](#)

## Postcards Replace Booklets

In order to inform taxpayers who filed paper income tax returns last year but qualified for free electronic filing ("e-filing"), a select group of taxpayers who formerly received tax booklets received a postcard instead this year, notifying them that they may be eligible for free e-filing.

With this pilot project, the Department of Revenue has taken another innovative step forward, by informing approximately 200,000 taxpayers who made \$25,000 or

less of adjusted gross income last year, that they may qualify to file electronically for **FREE**.

The free program applies to both state and federal individual income tax returns. If this pilot is successful, postcards will be sent next year to all taxpayers who qualify.

More information about free e-filing of income tax returns is available on the State of Wisconsin's Internet web site, [www.wisconsin.gov](http://www.wisconsin.gov). Click on "State Tax Information," "Electronic Filing and Payments," and then click on the "Quicken Tax Freedom Project" link. [☞](#)



## Tips to Speed Refund Processing

If you have a refund coming on your 2001 Wisconsin income tax return, you want your return processed quickly. You can help by following the tips listed below.



### File Early

The time it takes to issue a refund varies greatly, depending on when the return is received. Refunds for returns that are not adjusted are issued in an average of

two weeks for returns received by mid-February, four weeks for returns received from mid-February to mid-March, six weeks for returns received from mid-March to mid-April, and eight weeks for returns received mid-April and after.



### File Electronically

There are many good reasons to file your Wisconsin return electronically ("e-file"). It's fast, safe, documented, easy, and accurate. For more information, see the article titled "It's an Electronic World Out There" on

page 4 of this Bulletin. (**Note:** Due to recent budget cuts the department has been directed to make, the processing of returns filed on paper is expected to take longer than it has in previous years. As a result, e-filing is a better choice than ever.)

### Use Your Label

Apply the department-printed name and address label to the tax return you file. Here are some more tips about your label:

- Use the label even if you are filing a computerized return or a return completed by a preparer.
- Fill in your social security number (and your spouse's, if applicable) on the tax return, since it is not on the label.
- Draw a line through incorrect information and make corrections on the label.
- Use the Wisconsin label, not the federal IRS label.
- Be sure the label is yours, not another taxpayer's.



### File an Accurate and Complete Return

Avoid errors and delays in processing your tax return by following these tips:

- Make entries legible and on the correct lines.
- Attach the correct withholding statements.
- Claim only Wisconsin tax withheld, not federal tax, social security, or tax withheld for another state.
- Attach **all** necessary supporting schedules.
- Attach a **complete** copy of your federal return and schedules if you file on Form 1 or 1NPR.
- Attach a completed rent certificate or a copy of your 2001 property tax bill if you are claiming homestead credit.
- Assemble your return in the proper order (see page 27 of the Form 1 instruction booklet or page 29 of the Form 1NPR booklet).



### More Tips

For more tips, see the following article titled “Common Errors on Tax Returns and Credit Claims.” [🔗](#)



## Common Errors on Tax Returns and Credit Claims

Are your tax returns and credit claims filed without errors, and do they include all the schedules and information necessary for the department to accurately process them? Many errors are discovered each year, either in processing or in subsequent audits by the department.

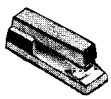
In the 2001 processing season (2000 returns and claims), the department sent back thousands of tax returns and credit claims. Processing was delayed on thousands of other forms, to obtain additional information from taxpayers or claimants. Nearly half a million tax returns and credit claims were adjusted during the processing of those forms.

Preparing error-free tax returns and credit claims will help avoid annoying processing delays and may result in fewer tax dollars being assessed in subsequent office audits or field audits.

Listed below are some common errors made in preparing individual and corporation tax returns, homestead and farmland preservation credit claims, partnership returns, fiduciary income tax returns, and estate tax returns. Some of the common errors listed apply to more than one of these categories.

- Read and follow instructions.
- Fill in social security number or employer identification number.
- Check and recheck math.
- Sign the return or claim.
- Attach required documents:
  - copies of federal return and schedules.
  - (individual returns) wage and tax statements.
  - (1NPR) residence questionnaire, other state's tax return copy.

- (corporation returns) manufacturer's sales tax, research, development zone, farmland tax relief schedules.
- (homestead) copy of separately filed tax return, complete rent certificate, property tax bill, ownership verification if applicable.
- (farmland preservation) property tax bills, farmland preservation agreement or zoning certificate if appropriate, ownership verification if applicable.
- (partnerships) Schedule 3K-1.
- (fiduciaries) as listed on page 2 of Form 2.
- (estate tax returns) copies of federal Form 706 and schedules, list of assets, will, trust instruments, approved federal extension if appropriate.
- Individual returns:
  - Fill in correct amounts and all information for standard deduction, exemption credit, school property tax/rent credit, married couple credit, and itemized deduction credit.
  - Correctly calculate earned income credit, farmland tax relief, underpayment interest, retirement plan deductions, and federal/Wisconsin income differences.
  - Include all taxable income, such as S corporation and partnership income, IRA distributions, interest and dividends, income earned in another state, gambling winnings.
- Homestead:
  - Prorate rent for joint occupancy, if appropriate – see bottom of rent certificate.
  - Correctly prorate property taxes for part business use, more than one acre, co-owned property.
  - Reduce property taxes/rent for months Wisconsin Works (W2) received.
- Follow special instructions if separated from spouse or married, divorced, or widowed during the year.
- Include all household income, such as gross pensions and annuities, nontaxable capital gains, depreciation (including standard mileage depreciation), IRA/deferred compensation deductions, Wisconsin Works (W2) and county relief payments.
- Farmland preservation:
  - Prorate property taxes for co-owned property.
  - Do not claim special assessments or property taxes for land not in a farmland preservation agreement or zoning certificate.
  - Claim the correct percentage of credit.
  - Include all household income, such as gross pensions and annuities, nontaxable capital gains, depreciation, capital loss carryover, deferred compensation.
- Fiduciaries:
  - On page one, check one "type of trust" box if applicable, answer questions, fill in fiscal year dates if applicable, request closing certificate if needed.
  - Report all income, expenses, and credits as distributable income on final Form 2.
  - Follow special procedures if ESBT (electing small business trust).
- Estate tax returns:
  - File Wisconsin W706 if filing federal 706.
  - File only if required.
  - File and pay tax timely – use 401T for payment, not 1-ES or 4-ES.
  - Request closing certificate for both fiduciary and estate returns at same time, if possible. [☞](#)



### Attaching Copy of Federal Return

Individuals who file their Wisconsin income tax return on Form 1 or 1NPR are required to attach a copy of their federal income tax return to their Wisconsin return. Generally this will be a copy of federal Form 1040, 1040A, or 1040EZ. However, some

Wisconsin filers are not required to file a federal return with the Internal Revenue Service (IRS), or they may use TeleFile to report to the IRS.

### Federal TeleFile Filers

Some taxpayers who file their Wisconsin return on Form 1 or 1NPR file their federal return by phone, using

the federal TeleFile system. These taxpayers, who are not required to submit a paper tax return to the IRS, may attach a copy of their federal TeleFile Tax Record to their Wisconsin Form 1 or 1NPR in lieu of federal Form 1040, 1040A, or 1040EZ.

### Taxpayers Not Required to File With the IRS

Some taxpayers who are required to file a Wisconsin income tax return are not required to file a federal income tax return with the IRS. For example, a person filing as head of household who is age 65 or over, with gross income of at least \$10,570 but less than \$10,650 for 2001, must file a 2001 Wisconsin return but is not required to file a 2001 federal return.



### Don't Forget Due Dates for Information Returns

Various information returns must be filed with the Wisconsin Department of Revenue by January 31. Others are due February 28 or March 15.

Information returns due January 31, 2002, include Form W-2 to report wages, tips, and other compensation, and Form W-2G to report gambling winnings.

Information returns due February 28, 2002, include Wisconsin Form 9b (or federal Form 1099-R or 1099-MISC) to report retirement plan distributions and other nonwage compensation, and for payers other than corporations to report rents or royalties.

### Schedule 3K-1s – File on Magnetic/Electronic Media

Partnerships with 50 or more partners are encouraged to file their Wisconsin Schedule 3K-1s, “*Partner’s Share of Income, Deductions, etc.*,” on magnetic/electronic media. The types of magnetic/electronic media allowed include magnetic tape, cartridge, CD, and diskette.

If your Schedule 3K-1s are prepared by software, ask your software company if they can provide these documents on magnetic/electronic media rather than on paper. Filing on magnetic/electronic media will save both preparers and the department valuable resources, such as paper, shipping costs, and processing time. It’s

In this situation, since the person would not have a copy of a federal return to attach to the Wisconsin return, a statement listing the sources and amounts of income must be attached to the Wisconsin Form 1 or 1NPR in lieu of a federal return.

**Note:** Because the Wisconsin tax forms refer to various lines on the federal return, a person may find it helpful to complete a federal income tax form to use as a reference when completing the Wisconsin return. This federal form, even though it will not be filed for federal tax purposes, may be attached to the Wisconsin return instead of the required statement of income. [↗](#)

Information returns due March 15, 2002, by **corporations** include Form 9b or federal Form 1099-MISC to report rents or royalties, and Form 8 to report capital stock transfers.

Regardless of the due date for filing the information returns with the department, copies of the information returns (except Form 8) must be given to the recipients of the payments by January 31, 2002. Copies of Form 8 are not required to be given to individuals who transfer capital stock.

Additional information is available in Wisconsin Publication 117, *Guide to Wisconsin Information Returns*. See the article titled “Tax Publications Available” on page 18 of this Bulletin for information about how to obtain a copy of the publication. [↗](#)

another way the department is streamlining your process of filing tax returns.

To get information and specifications for filing your Form 3K-1s magnetically/electronically, contact:

Diana Kiesling  
Wisconsin Department of Revenue  
Mail Stop 3-14  
PO Box 8908  
Madison WI 53708-8908

Phone: (608) 267-3285

E-mail: [diana.kiesling@dor.state.wi.us](mailto:diana.kiesling@dor.state.wi.us).







## Department Offers Taxpayer Assistance

Department personnel will be available through April 15, 2002, to provide taxpayer telephone and walk-in assistance. Assistance is provided Monday through Friday in many of the larger offices, and Mondays only in other offices (except as noted in the chart below).

In addition, assistance hours will be extended in four offices on Saturday April 13, 2002. Offices in Madison, Milwaukee, Eau Claire, and Appleton will be open from 9:00 a.m. to 3:00 p.m. on that day. The Madison office will be open until 5:00 p.m. on Monday, April 8 through Friday, April 12, and on Monday, April 15.

### Offices Providing Daily Assistance

Location	Address	Telephone No.	Hours
Appleton	265 W. Northland Ave.	(920) 832-2727	7:45-4:30
Eau Claire	718 W. Clairemont Ave.	(715) 836-2811	7:45-4:30
Madison	2135 Rimrock Rd.	(608) 266-2772	7:45-4:30
Milwaukee	819 N. Sixth St., Rm. 408	(414) 227-4000	7:45-4:30
Waukesha	141 N.W. Barstow St.	(262) 521-5310	7:45-4:30

### Offices Providing Assistance on Mondays Only (unless otherwise noted)

Location	Address	Telephone No.	Hours
Baraboo	1000 Log Lodge Ct.	(608) 356-8973	7:45-1:00
Beaver Dam	220 Seippel Blvd.	(920) 356-6090	7:45-1:00
Elkhorn	715 W. Walworth St.	(262) 723-4098	7:45-1:00
Fond du Lac	845 S. Main, Ste. 150	(920) 929-3985	7:45-4:30
Grafton	1930 Wisconsin Ave.	(262) 375-7948	7:45-1:00
Green Bay	200 N. Jefferson St., Rm. 526	(920) 448-5179	7:45-4:30 *
Hayward	100 Ranch Rd.	(715) 634-8478	7:45-1:00
Hudson	1810 Crestview Dr., Ste. 1B	(715) 381-5060	7:45-4:30
Janesville	101 E. Milwaukee, Rm. 525	(608) 758-6190	7:45-4:30 †
Kenosha	4003 80th St., Ste. 102	(262) 697-5860	7:45-4:30 **
La Crosse	620 Main St., Rm. 213	(608) 785-9720	7:45-4:30
Lancaster	130 W. Elm St.	(608) 723-2641	7:45-1:00
Marinette	Courthouse, 1926 Hall Ave.	(715) 732-7565	9:00-1:00
Marshfield	300 S. Peach Ave., Ste. 4	(715) 387-6346	7:45-1:00
Monroe	1015 18th Ave., Ste. B111	(608) 325-3013	7:45-1:00
Oshkosh	515 S. Washburn, Ste. 105	(920) 424-2100	7:45-4:30
Racine	616 Lake Ave.	(262) 638-7500	7:45-4:30 *
Rhineland	203 Schiek Plaza	(715) 365-2666	7:45-4:30
Rice Lake	11 E. Eau Claire St., Ste. 4	(715) 234-7889	7:45-1:00
Sheboygan	807 Center Ave.	(920) 459-3101	7:45-4:30
Superior	1225 Tower Ave., Ste. 315	(715) 392-7985	7:45-4:30
Tomah	203 E. Clifton St.	(608) 372-3256	7:45-1:00
Watertown	600 E. Main St.	(920) 262-2700	7:45-1:00
Wausau	710 Third St.	(715) 842-8665	7:45-1:00
Wisconsin Rapids	830 Airport Ave.	(715) 421-0500	7:45-4:30

\* Open Monday, Tuesday, Wednesday, and Thursday

\*\* Open Monday, Tuesday, and Wednesday

† Open Monday and Tuesday



## How to Obtain Wisconsin Tax Forms

Tax preparers and others requiring more than 6 of any one Wisconsin tax form or more than 29 total Wisconsin forms must use a forms order blank, Form P-744. The original of the completed order blank must be sent to the department. You can obtain a Form P-744 by writing, calling, or faxing your request to the department at the address or phone number listed below under “To Receive Forms in the Mail.”

You can obtain up to 6 of any one Wisconsin tax form or a total of 29 Wisconsin forms by visiting any Department of Revenue office or by contacting the department by mail, by phone, or by fax. These limits are imposed in order to maintain a supply of forms for others. You can also receive forms via your fax machine or the Internet.

Some libraries, banks, and post offices have forms during the filing season. Most libraries have a copy of Wisconsin Package WI-X, from which most Wisconsin tax forms can be photocopied.



### To Pick Up Forms at a Department of Revenue Office

If you want to pick up forms at a department office, you may visit any of the department’s local offices. The office locations and hours of service are listed in the article titled “Department Offers Taxpayer Assistance” on page 9 of this Bulletin (assistance is also available at these offices).



### To Receive Forms in the Mail

You can request that forms be mailed to you (indicate which forms you want, the year, and how many) by:

- Writing to Wisconsin Department of Revenue, Forms Request Office, Mail Stop 1-151, PO Box 8951, Madison WI 53708-8951;
- Calling the department in Madison at (608) 266-1961;
- Faxing your request to the department at (608) 261-6913; or
- E-mailing your request to [forms@dor.state.wi.us](mailto:forms@dor.state.wi.us).



### To Receive Forms Via Your Fax Machine

You can receive forms via your fax machine by using the department’s Fax-A-Form system. Individual income tax, homestead credit, farmland preservation credit, corporation franchise and income tax, estate tax, fiduciary income tax, and partnership forms and instructions for 1996 through 2001 are available via Fax-A-Form. For sales/use, withholding, and alcohol beverage taxes, only 2001 forms and instructions are available. In addition, 1996 through 2001 amended individual income tax forms and instructions are available, as well as publications published by the department (see the article titled “Tax Publications Available” on page 18 of this Bulletin).

**To use Fax-A-Form**, call (608) 261-6229 from the handset of your fax machine or the touch-tone telephone of your fax modem (don’t press “start” yet). If your fax machine does not have a handset, use the keypad if tones are transmitted, or connect a touch-tone telephone if tones aren’t transmitted. Follow the voice prompts and enter the retrieval codes for the items you want, using the keypad. Press “start,” “send,” or “copy” (fax modem users click on “manual receive”). You must leave the handset of your telephone or fax machine off the hook the entire time the forms are being faxed to you.

Fax-A-Form is available 24 hours a day, 7 days a week. The department does not charge a fee for this service (though you will have to pay your normal telephone charges and fax machine operating costs). If you have questions, you may write to Cindy Brenehan, Fax-A-Form Coordinator, at Wisconsin Department of Revenue, Mail Stop 1-151, PO Box 8951, Madison WI 53708-8951, or call (608) 267-2025.



### To Receive Forms Via the Internet

Most forms and instructions are available on the Internet. If you have Internet access, you can download and print the forms 24 hours a day, throughout the year.

To download forms, access the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us), and click on “Forms.”



## IRS Mileage Rates for 2002 Apply for Wisconsin



The optional standard mileage rates provided by the Internal Revenue Service (IRS) for 2002, for computing automobile expenses for business, charitable, medical, and moving expense purposes, also apply for Wisconsin.

For 2002 the IRS has increased the business standard mileage rate from 34.5¢ per mile to 36.5¢ per mile for all business miles driven. The 36.5¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 36.5¢ per mile is used, depreciation is considered to be allowed at 15¢ per mile for 2002, the same as for 2001. However, no portion is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 2002 the allowable standard mileage rate for charitable deduction purposes remains at 14¢ per mile. The rate for medical expense and moving expense deductions has increased from 12¢ per mile to 13¢ per mile. [☞](#)

## Clearing up the Confusion on Corporation Extensions

**Do you know when to request an extension to file your Wisconsin corporation tax return?** Thousands of taxpayers don't. Every year the Department of Revenue approves thousands of Form 830s (Application for Extension of Time to File) unnecessarily.

The Application for Extension of Time to File should only be filed if the corporation **does not** obtain a federal extension. If the corporation obtains a federal extension (federal Form 7004) and attaches it to the last page of the Wisconsin return, the Department of Revenue automatically grants the taxpayer an additional 30-day extension on top of the federal extension of six months. That's right – corporations have an automatic seven-month extension with the Department of Revenue by obtaining the federal extension.

**Does the approval of the Wisconsin Application for Extension of Time to File extend that seven months to an eight-month extension?** No. A taxpayer who ob-

tains both the federal and Wisconsin extension still has only a seven-month extension for Wisconsin.

**What if a corporation does not obtain the federal extension but wants an extension for Wisconsin?** The taxpayer should file the Form 830 to receive a 30-day extension for Wisconsin. Wisconsin allows corporations an extension of 30 days if they file a Form IC-830 and it is approved by the department. If you need more time to file the Wisconsin return than one month, you need to obtain and attach a copy of the federal automatic extension form (federal Form 7004) to the Wisconsin return.

By filing a Wisconsin extension application only when necessary, you could save both yourself and the Department of Revenue unnecessary effort.

Questions pertaining to corporation extensions of time to file may be directed to the department's Corporation Review and Adjustment unit at (608) 266-0800. [☞](#)

## Preparers – Don't Forget About Use Tax!

When preparing individual income tax returns this tax season, don't forget to ask your clients if they made any out-of-state purchases subject to Wisconsin use tax. A line is included on the individual income tax returns (Forms 1, 1A, WI-Z, and 1NPR) to make the reporting of use tax easier for individuals. This line, "Sales and use tax due on out-of-state purchases" should be mentioned to each of your clients.

The Department of Revenue has contacted thousands of individuals regarding use tax. A common complaint the department receives is "Why didn't my preparer tell me about use tax? My preparer is supposed to know about taxes, not me!"

Help your clients by informing them about taxes that apply to them, **including use tax**. [☞](#)

## Credit Card Payment Options Expanded

\*\*\*\*\* NEW \*\*\*\*\*

The Department of Revenue began accepting credit card payments for “Income Tax Notice of Adjustment” bills in December 2001. When a taxpayer underpays income tax, a bill is issued to the taxpayer that must be paid by the due date. The credit card payment option is available to both electronic and paper filers. Taxpayers can make their bill payments by telephone or by the Internet. Additional credit card information is available at the department’s Internet web site, [www.dor.state.wi.us](http://www.dor.state.wi.us).

### Credit cards are accepted for:

- Individual Income Tax Balances Due on Return
- Individual Income Tax Extension Payments
- Individual Income Tax Estimated Payments
- Delinquent Tax Payments
- Individual Income Tax Notices of Adjustment

### Participating credit card companies are:

- American Express
- Discover/Novus
- MasterCard

Official Payments Corporation charges the taxpayer a convenience fee of 2.5% of the payment amount, with a minimum fee of \$1.00 on tax payments less than \$40.00.

The Department of Revenue does not charge this fee. The fee appears as a separate charge on the taxpayer’s credit card statement. You can find more information about Official Payments Corporation on their Internet web site at [www.officialpayments.com/taxpreparers](http://www.officialpayments.com/taxpreparers) or by calling 1-877-754-4420. Materials designed exclusively for tax professionals and their clients are available on the Official Payments Corporation web site.

### Benefits of offering the credit card payment option are:

- *Gives customers a more flexible payment option.* Customers have the flexibility to pay the taxes over several months, they receive a 30-day grace period, and they have the option to pay off the entire balance due at any point.
- *Gives customers a more convenient payment option.* For example, a customer can wait until April 15 to complete the tax return and then decide to use the credit card payment option, to save time. Faced with long lines at the post office, it is more convenient to pay by credit card.
- *Gives customers credit card rewards.* Customers using a credit card with a bonus rewards program may be able to earn rewards, points, cash back, or frequent flyer miles for paying the taxes. The taxpayer may defer the payment for 30 days and still gain from the rewards program.
- *Eliminates the threat of contaminated envelopes.*




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

The Department of Revenue mailed nearly a million federal Form 1099-Gs and Form 1099-INTs in January 2002. Federal law provides that the department must furnish 2001 Form 1099-Gs to persons who received a Wisconsin income tax refund in 2001 and claimed state income tax payments as an itemized deduction on the federal tax return for the year to which the refund applies. Form 1099-INTs must be provided to persons who received \$600 or more of interest on refunds issued by the Department of Revenue.

Regardless of whether a taxpayer receives a Form 1099-INT, all interest received from the depart-

ment in 2001 must be reported as income on the taxpayer’s 2001 federal and Wisconsin tax returns. In addition, all or a portion of a state income tax refund from Form 1099-G may be includable in federal taxable income. However, **the refund should not be included** in Wisconsin taxable income.

Form 1099-G explains how the refund reported to the Internal Revenue Service (IRS) was determined. The first line shows the amount of the refund. Subsequent lines show adjustments for: amounts applied to next year’s estimated taxes; endangered resources donations; late filing penalties and interest; homestead, farmland preservation, farmland tax relief, and earned income credits; retirement plan penalties; and other adjustments. The last line shows the refund reported to the IRS. 

**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 124* (April 2001), pages 39 to 42.

**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.....	266-2890
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



**Wisconsin/Minnesota Sales Tax Seminars**

The Wisconsin and Minnesota Departments of Revenue will again present a series of joint sales and use tax seminars in March and April. The seminars will include information on differences between the two states' laws. All of the seminars are for general businesses.

You are invited to attend any of the following seminars, free of charge. All seminars are from 9:00 a.m. to 12:30 p.m., at the locations indicated. To register or for more information, call the Minnesota Department of Revenue at 1-800-888-6231.

March 12, 2002 – Duluth, Minnesota  
Minnesota Department of Revenue Office  
2711 West Superior Street

\*\*\*\*\*


March 19, 2002– Hudson, Wisconsin  
Hudson House  
1616 Crestview Drive

\*\*\*\*\*

April 9, 2002 – Onalaska, Wisconsin  
Onalaska Omni Center  
225 Rider Club Road



**Wisconsin Tax Bulletin Annual Index Included**

This issue of the Wisconsin Tax Bulletin includes (on pages 64 to 95) the annual index of articles, tax releases, court case summaries, private letter rulings, and other materials that have appeared in past Bulletins. The index includes information for issues 1 to 127 (through October 2001). 



## Use Sales Internet Process to File

If you're a tax practitioner and would like to file your clients' sales and use tax returns electronically, the department invites you to do so using its Sales Internet Process ("SIP").


SIP is a secure Internet process that provides the convenience of filing sales and use tax returns (Form ST-12) from your computer desktop. This new technology is more efficient and flexible than filing a paper ST-12 and will save you time and money in the long run.

SIP offers many advantages over filing paper ST-12s. Using SIP eliminates the worry about whether the department receives your clients' ST-12s on time. For example, it eliminates any concerns about the postal service delivering your clients' returns by the due date. Another advantage is that SIP will do many of the computations for you. However, you will need to make a few manual pre-calculations in order to arrive at the data to enter into SIP. Perhaps the biggest advantage SIP of-

fers is the flexibility to file your clients' sales and use tax returns before the due date, and yet they can make their payments later (on the due date). SIP also gives you a receipt that confirms the filing date for each of the returns you file.

In order to use SIP, you must apply for a logon ID and password by completing a SIP application (Form S-002). Further, each client for which you will be using SIP must fill out a Form S-002, giving you permission to use SIP to file their sales and use tax returns.

For more information about SIP and to obtain a SIP application, please visit the department's Internet web site at [www.dor.state.wi.us/eserv/efiling.html](http://www.dor.state.wi.us/eserv/efiling.html). You can also review (and download, if you wish) a publication about SIP, Wisconsin Publication 227 titled "*E-File Sales Tax returns with S.I.P.*," at [www.dor.state.wi.us](http://www.dor.state.wi.us); click on "Publications" and then "Tax Publications."

If you have more questions about SIP after visiting the web site, contact the department's Inquiry and Technical Assistance unit at (608) 261-6261. 

## Negligence Penalties May Be Imposed in Field Audits

The Field Audit Section of the Wisconsin Department of Revenue has the authority to impose various civil penalties during the field audit of a taxpayer's franchise, income, withholding, or sales and use tax returns.

Following are the main factors considered by the department in determining whether penalties should be imposed, and statistics indicating the percentage of assessments in the past four years that include negligence penalties.

**The main factors considered by the department for the imposition of negligence penalties include:**

- Taxpayer's awareness of the taxability of items adjusted, including whether taxpayer should have been aware.
- Certainty or uncertainty of the taxable status of the item.

- Knowledge, education, and expertise of the person(s) responsible for filing the return.
- Prior audit history and prior penalty imposition.
- Adequacy of the records and taxpayer's efforts to establish adequate records.
- Consistency and pattern of errors.
- Any other arguments that relate to whether or not there was good cause for underreporting.

### Field Audit Negligence Penalties Imposed:

	1998	1999	2000	2001
Number of Actions	1385	1454	1424	1409
Number of Penalties	337	335	344	330
Percentage	24.3%	23.0%	24.2%	23.4%



## Sampling Used in Field Audits

The Department of Revenue uses sampling in many field audits. In general, sampling is used when it is not efficient to review 100% of the taxpayer's records. Section 77.59(2), Wis. Stats. (1999-00), provides that the department may use sampling "whether or not the person being audited has complete records of transactions and whether or not the person being audited consents."

Not all audits involve sampling. Even if sampling is used in the examination of a certain area, a 100% review of the transactions could be made for other areas of the taxpayer's business. For example, vehicle sales by an automobile dealership are not normally sampled.


The department uses both statistical and non-statistical samples. The two most common non-statistical samples used are the alpha sample and the time-based sample (for example, one-month-per-year).

Statistical samples use random selection techniques to ensure that every sampling unit has an equal chance of selection. The results of a statistical sample are evalu-

ated using probability theory. Statistical samples are computer-generated using programs that the department has written. In order to perform a statistical sample, taxpayer records are needed in a computer-readable format.

The department averages 30-35 statistical samples per year. On average, 850 non-statistical samples are completed per year. One audit may have several non-statistical samples associated with it.

In order to ensure that proper sampling procedures are used and that procedures are consistently employed, the department maintains a staff of sampling specialists. The auditor's supervisor and a sampling specialist review all samples. It is the department's goal that every sampling procedure used is understood by the taxpayer.

Wisconsin Publication 515, "*Non-Statistical Sampling*," discusses the department's use of non-statistical sampling. To obtain a copy of this publication, go to the Department of Revenue's Internet web site, [www.dor.state.wi.us](http://www.dor.state.wi.us). Click on "Publications" and then "Tax Publications." 

## Field Audit Appeals

The Department of Revenue, in its Strategic Plan, identifies the following three goals to achieve its vision of "Making taxpaying less taxing":

- Implement good tax policy
- Deliver good customer service
- Operate efficiently

Tax fairness, good customer service, and efficiencies are measured by the number of finalized actions appealed to the Resolution Unit, and the number of finalized actions appealed to the Wisconsin Tax Appeals Commission.

The following Field Audit Appeal statistics demonstrate the department's commitment to making taxpaying less taxing:

	Fiscal Year Ending	
	6/30/00	6/30/01
Number of Final Field Audit Actions	1532	1451
Number of Appeals to the Department's Resolution Unit	197	169
Percent of Actions Appealed to Resolution Unit	12.86%	11.65%
Number of Appeals to Wisconsin Tax Appeals Commission	27	25
Percent of Appeals to Wisconsin Tax Appeals Commission	1.76%	1.72%



## How to Obtain Copies of Your Tax Returns

### What Is Available

Upon request, the Department of Revenue will provide taxpayers with copies of their previously filed tax returns (or information regarding them). Copies of returns

or information are generally mailed within 10 days after a request is received.

The chart at the end of this article lists returns and information that are available, and the number of prior years for which they are available.

When a copy is requested, a copy of the federal return will also be provided if it is a part of the Wisconsin re-

turn. Wage statement copies are not always available with Forms 1A and WI-Z.

Copies of tax returns are generally available within four months after the returns are filed.

### Who May Request Copies

Taxpayers, partners in a partnership, or corporation officers may request copies of their own tax returns. Other persons may also request copies, if they provide a power of attorney form or other written authorization, signed by the taxpayer, partner, or corporation officer, and specifying the type of tax return and periods requested.

Requests for copies of a deceased taxpayer's tax returns must include a certified domiciliary letter and be signed by the personal representative of the estate. If there is no estate, a certified copy of the death certificate and a statement of the reason for the request are required.

### Fees

The fee is \$5.00 for each return or information request. There is an additional fee of \$1.00 per return for a certified copy. **Payment must be sent with the request.** Checks or money orders should be made payable to "Wisconsin Department of Revenue."

### How to Request

All requests for copies of returns or information must be made in writing (the written request may be faxed) or in person. Requests by telephone will not be accepted.

Requests must include the following:

1. Name on the requested tax return.
2. Social security number (including spouse's social security number, if applicable), or other identification number of the taxpayer.

3. Type of return and year(s) or period(s) of the tax return being requested.
4. Name and address to which the copies are to be mailed.
5. Signature of the taxpayer, partner, corporation officer, or authorized representative.
6. Payment of appropriate fees for requested information.

### Where to Direct Requests

*Written Requests:* Mail your request to Wisconsin Department of Revenue, Electronic Records & Document Management, Mail Stop 2-232B, PO Box 8903, Madison WI 53708-8903.

*In-Person Requests:* Make your request at the Department of Revenue, Customer Service, 2135 Rimrock Road, Madison, Wisconsin. Office hours are 7:45 a.m. to 4:30 p.m. Proper identification (for example, a driver's license) is required.

### Questions

If you have questions, you may call the Department of Revenue in Madison, at (608) 266-2890.

Returns/Information Available	# of Years
Corporation tax returns	20
Gift tax reports	5
Homestead credit claims	10
Individual income tax returns	4
Insurance tax returns	6
Partnership tax returns	4
Sales/use tax returns	10
Trust fiduciary returns	4
Microfilmed withholding tax deposit reports	10



### Focus on Publications: Sales Tax Brackets

Is there one document that provides all of the different sales tax brackets for collecting state, county, stadium, and premier resort area sales taxes? Now the answer is "Yes." The department's newest sales tax publication, Publication 229 titled "*Brackets for Collecting Wisconsin Sales or Use Tax on Retail Sales*," describes the "bracket system" for collecting sales taxes from custom-

ers on retail sales. Bracket charts included are as follows:

- 5% state sales tax.
- 5.1% state and baseball stadium sales taxes.
- 5.5% state and county or state and football stadium taxes.
- 5.6% state, county, and baseball stadium sales taxes.
- 6% state, county, and premier resort area sales taxes.



Publication 229 also describes the “mathematical computation” that may be used to collect sales taxes in lieu of the brackets.

See the article titled “Tax Publications Available” on page 18 of this Bulletin for ways to obtain copies of Publication 229 or any of the other Department of Revenue publications. [☞](#)



### Focus on Publications: Taxation of Native Americans

How do individual and corporate income/franchise taxes apply to Native Americans? What about sales/use taxes, excise taxes, and property taxes? The answers to these and other questions can be found in the department’s new comprehensive publication, Publication 405 titled “*Wisconsin Taxation of Native Americans*.”

information returns. In addition, it discusses other taxes and fees, who to contact for assistance, and business development.

A copy of Publication 405 appears on pages 41 to 63 of this Bulletin. See the article titled “Tax Publications Available” on page 18 of this Bulletin for ways to obtain additional copies of Publication 405 or any of the other Department of Revenue publications. [☞](#)

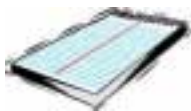
Publication 405 also provides definitions of Native American-related terms and discusses federal preemption, withholding tax, recycling surcharge, and

### Withholding Tax Update Sent to Employers

The annual Withholding Tax Update was sent in December 2001, along with Forms WT-7, *Employer’s Annual Reconciliation of Wisconsin Income Tax With-*

*held from Wages*, to employers registered to withhold Wisconsin taxes.

A copy of the Withholding Tax Update appears on pages 39 and 40 of this Bulletin. [☞](#)



### 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.

Attorney General opinions, and *Wisconsin Tax Bulletin* articles.

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

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

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 97 of this Bulletin. The Index is also on the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us). Just click on “Publications.” [☞](#)

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*,

## Tax Publications Available

Listed below are more than 65 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, Mail Stop 1-151, PO Box 8951, Madison WI 53708-8951; call (608) 266-1961; or fax a request to (608) 261-6913.

### 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" and then "Tax 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*. (Publication 119 was revised effective 12/01, but a date of 12/00 was erroneously printed on the cover.)

### Income and Franchise Taxes

- 102\* Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (12/01)
- 103\* Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts (11/01)
- 104 Wisconsin Taxation of Military Personnel (10/01)
- 106\* Wisconsin Tax Information for Retirees (1/02)
- 109\* Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2001 (11/01)
- 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 (10/01)
- 116 Income Tax Payments Are Due Throughout the Year (12/95)
- 119\* Limited Liability Companies (LLCs) (12/00)
- 120\* Net Operating Losses for Individuals, Estates, and Trusts (11/01)
- 121\* Reciprocity (12/01)
- 122\* Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 2001 (11/01)
- 123\* Business Tax Credits for 2001 (12/01)
- 125\* Credit for Tax Paid to Another State (11/01)
- 126\* How Your Retirement Benefits Are Taxed (11/01)
- 600 Wisconsin Taxation of Lottery Winnings (1/01)
- 601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (1/01)

### 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 (11/01)
- 202 Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (11/00)
- 203 Sales and Use Tax Information for Manufacturers (7/00)
- 205 Use Tax Information for Individuals (8/01)
- 206 Sales Tax Exemption for Nonprofit Organizations (6/00)
- 207 Sales and Use Tax Information for Contractors (10/00)
- 210 Sales and Use Tax Treatment of Landscaping (4/01)
- 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? (8/01)
- 213 Travelers: Don't Forget About Use Tax (8/01)
- 214 Businesses: Do You Owe Use Tax? (8/01)

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|--|--|
| <p>216 Filing Claims for Refund of Sales or Use Tax (11/00)</p> <p>217 Auctioneers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (1/00)</p> <p>219 Hotels, Motels, and Other Lodging Providers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (2/01)</p> <p>220 Grocers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (10/01)</p> <p>221 Farm Suppliers and Farmers – How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)</p> <p>222 Motor Vehicle Fuel Users: Do You Owe Use Tax? (3/00)</p> <p>223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)</p> <p>224 Veterinarians – How Do Wisconsin Sales and Use Taxes Affect Your Business? (6/99)</p> <p>225 Barber and Beauty Shops – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (4/01)</p> <p>226 Golf Courses – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/00)</p> <p>227 E-file Sales Tax returns with S.I.P. (3/01)</p> <p>229* Brackets for Collecting Wisconsin Sales or Use Tax on Retail Sales (11/01)</p> | <p>W-166 Wisconsin Employer’s Withholding Tax Guide (4/00)</p> |
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- |  |   |
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| <b>Audits and Appeals</b>  |   |
| <p>216 Filing Claims for Refund of Sales or Use Tax (11/00)</p> <p>217 Auctioneers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (1/00)</p> <p>219 Hotels, Motels, and Other Lodging Providers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (2/01)</p> <p>220 Grocers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (10/01)</p> <p>221 Farm Suppliers and Farmers – How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)</p> <p>222 Motor Vehicle Fuel Users: Do You Owe Use Tax? (3/00)</p> <p>223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)</p> <p>224 Veterinarians – How Do Wisconsin Sales and Use Taxes Affect Your Business? (6/99)</p> <p>225 Barber and Beauty Shops – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (4/01)</p> <p>226 Golf Courses – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/00)</p> <p>227 E-file Sales Tax returns with S.I.P. (3/01)</p> <p>229* Brackets for Collecting Wisconsin Sales or Use Tax on Retail Sales (11/01)</p> | <p>501 Field Audit of Wisconsin Tax Returns (9/99)</p> <p>505 Taxpayers’ Appeal Rights of Office Audit Adjustments (12/99)</p> <p>506 Taxpayers’ Appeal Rights of Field Audit Adjustments (9/99)</p> <p>507 How to Appeal to the Tax Appeals Commission (7/98)</p> <p>515 Non-Statistical Sampling (1/01)</p> |
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| <b>Other Topics</b>   |  |
| <p>127* Wisconsin Homestead Credit Situations and Solutions (12/01)</p> <p>128* Wisconsin Farmland Preservation Credit Situations and Solutions (12/01)</p> <p>400* Wisconsin’s Recycling Surcharge (12/01)</p> <p>403 Premier Resort Area Tax (2/98)</p> <p>410 Local Exposition Taxes (5/01)</p> <p>503* Wisconsin Farmland Preservation Credit (12/01)</p> <p>508 Wisconsin Tax Requirements Relating to Nonresident Entertainers (5/01)</p> | <p>111 How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (2/01)</p> <p>114 Your Wisconsin Taxpayer Bill of Rights (10/01)</p> <p>115 Handbook for Federal/State Electronic Filing (10/01)</p> <p>117 Guide to Wisconsin Information Returns (2/01)</p> <p>124 Petition for Compromise of Delinquent Taxes (5/00)</p> <p>130* Fax A Form (12/01)</p> <p>140 A Tax Practitioner’s Guide to Electronic Filing (6/00)</p> <p>401* Extensions of Time to File (11/01)</p> <p>405* Wisconsin Taxation of Native Americans (12/01)</p> <p>500* Tax Guide for Wisconsin Political Organizations and Candidates (11/01)</p> <p>502 Directory of Wisconsin Tax Publications (3/01)</p> <p>504 Directory for Wisconsin Department of Revenue (2/00)</p> <p>509 Filing Wage Statements and Information Returns on Magnetic Media (2/01)</p> <p>700 Speakers Bureau presenting . . . (6/00) <a href="#">🔗</a></p> |

## Question and Answer



### (Individual Income Tax)

**Q** May a deduction be claimed for contributions to an Internal Revenue Code sec. 529 qualified state tuition program established by a state other than Wisconsin?

**A** No. Section 71.05(6)(b)32, Wis. Stats. (1999-00), provides a deduction of up to \$3,000 for an amount paid into a college savings account, as described in sec. 14.64, Wis. Stats. Section 14.64 provides for the Wisconsin college savings account (known as EdVest). Even though the EdVest program must meet the requirements of sec. 529, IRC, it is the EdVest program that is described in sec. 14.64. Thus only contributions to the EdVest program qualify for the Wisconsin deduction. Contributions to other state-sponsored programs do not qualify. (**Note:** The American Express Company markets a Wisconsin EdVest program that is called “tomorrow’s scholar.” This program is also established under sec. 14.64, and contributions to the program qualify for the deduction.)

**Q** Under federal law, an individual may roll over amounts from one sec. 529 account to another. May a deduction be claimed when an amount is rolled over from a sec. 529 account in another state to an EdVest account?

**A** Yes. Assuming the beneficiary is the account owner or his/her dependent child, the rollover is an

amount paid into the college savings account, and a deduction of up to \$3,000 could be claimed.

Example: If \$5,000 was rolled over from a New York sec. 529 plan to an EdVest account, the individual could claim a deduction of \$3,000 in the year of the rollover.

### (Homestead Credit)

**Q** What is the procedure for filing a homestead credit claim when I have already filed an income tax return?

**A** If you have filed your Wisconsin income tax return and now wish to file a homestead credit claim, follow these four steps:

1. Write “Income Tax Return Separately Filed” at the top of your homestead credit claim, Schedule H.
2. Attach a **complete** copy of your Wisconsin income tax return (Form 1, 1A, WI-Z, or 1NPR). This includes copies of wage statements and all Wisconsin schedules. (**Note:** If you filed your Wisconsin income tax return using TeleFile or NetFile, attach copies of your Wisconsin TeleFile/NetFile worksheet and wage statements.)
3. Write “Duplicate” at the top of the Form 1, 1A, WI-Z, or 1NPR copy.
4. If your Wisconsin return is a Form 1 or 1NPR, attach a copy of your federal income tax return and supporting schedules. [☞](#)

## Manufacturing Penalty Revised

*(Note: This article was prepared by the Manufacturing and Telco Assessment Bureau of the department’s State and Local Finance Division.)*

The 2001-2003 Budget Bill, Wisconsin Act 16, revised penalties assessed to owners of manufacturing property, for failing to file self-reporting forms (M-Forms) under sec. 70.995(12)(c), Wis. Stats., effective January 1, 2002. The minimum and maximum penalties have changed, along with the time increments. The statutes

now provide that “...the taxpayer shall pay to the department of revenue a penalty of \$25 if the form is filed 1 to 10 days late; \$50 or 0.05% of the previous year’s assessment, whichever is greater, but not more than \$250, if the form is filed 11 to 30 days late; and \$100 or 0.1% of the previous year’s assessment, whichever is greater, but not more than \$750, if the form is filed more than 30 days late.” As in the past, penalties are due 30 days after they are assessed and are delinquent if not paid on or before that date. [☞](#)

## Waste Treatment Property Tax Exemption Revised

*(Note: This article was prepared by the Manufacturing and Telco Assessment Bureau of the department's State and Local Finance Division.)*

The 2001-2003 Budget Bill, Wisconsin Act 16, revised the exemption approval process of industrial waste treatment property under sec. 70.11(21), Wis. Stats., effective January 1, 2002. A waste treatment facility is property (land, land improvements, building, machinery) used for the treatment of industrial waste or air contaminants as defined in secs. 281.01(5) and 285.01(1), Wis. Stats.

The formal Department of Revenue approval process and the Form PA-008, "Application for Exemption of

Waste Treatment Facility," have been eliminated for non-utility waste treatment property.

A company classified and assessed as a "manufacturer" by the Department of Revenue under sec. 70.995, Wis. Stats., will report waste treatment property on the manufacturing self-reporting forms. Waste treatment personal property costs must be reported on the M-P Wisconsin Manufacturing Personal Property Return, Schedule Y-P line 23. Real estate costs related to waste treatment must be reported on the M-R Wisconsin Manufacturing Real Estate Return, Schedule Y-R, Part 1 line 6 and on Schedule R-6. Owners must retain a listing of assets classified as exempt waste treatment on these forms, at their place of business, for inspection by the Department of Revenue. [↗](#)

## Historical Society Curator Imprisoned

David Wooley, 53, a former curator at the Wisconsin State Historical Society Museum, was sentenced in November 2001, to 15 years in prison for stealing more than \$100,000 worth of the museum's Indian artifacts, and for failure to file Wisconsin income tax returns for three years. Dane County Circuit Judge Moria Krueger also sentenced Wooley to 30 years of probation.

Wooley had earlier pled guilty to 14 counts of felony theft and three counts of failing to file state income tax returns. Another 21 counts of theft were dismissed as part of a plea agreement but were considered for sentencing. As part of his probation, Wooley was banned from working as a museum curator, entering any Wisconsin Historical Society building, or buying, selling, or collecting any Indian artifacts. He could have been sentenced to up to 100 years in prison.

Also in November 2001, H. Jeannine Selvaag, 69, was sentenced to seven years probation after she was convicted of taking nearly \$45,000 from the South Central Federation of Labor and of failing to file a Wisconsin income tax return. Selvaag, who was the union organization's bookkeeper for about 30 years, pled no contest to theft by bailee and failure to file a 1999 Wisconsin income tax return.

Dane County Circuit Judge David Flanagan also ordered Selvaag to serve 60 days in jail, although that time was expected to be spent outside the jail on electronic

monitoring, in accordance with a plea agreement. She was also ordered to make full restitution.

Michael A. McElwrath, 31, of Oak Creek, was found guilty in November 2001, on one count of theft by bailee and one count of state income tax evasion. Dane County Circuit Judge Angela B. Bartell pronounced McElwrath guilty after he pled no contest to each felony count. He also admitted to committing five additional counts of forgery that were dismissed as part of a plea agreement.

The District Attorney stated that McElwrath filed a 2000 Wisconsin income tax return on which he failed to report embezzlement income of over \$54,000. The case was prosecuted by the Dane County District Attorney's Office following an investigation by the Department of Revenue's Fraud unit.

In addition to any criminal penalties that were to be imposed, Wisconsin law provides for substantial civil penalties on the civil tax liability. Assessment and collection of the tax, penalty, and interest due follows the conviction for criminal tax violations.

Gary R. Piehl, 47, Milwaukee, pled guilty in November 2001, in Milwaukee County Circuit Court, to felony charges of posing as a Wisconsin Department of Revenue agent and for identity theft. The charges, initiated following a joint investigation by the Department of Revenue and the U. S. Postal Inspection Service, involved a scheme to get information about recently

deceased people to falsely obtain credit cards. Piehl could be sentenced to up to 15 years in prison.

According to the criminal complaint, Piehl searched obituary notices to identify deceased persons and their respective funeral homes. He then tricked the funeral homes into providing the telephone number of the surviving spouse. Piehl then contacted the spouse and claimed he was an agent with the Wisconsin Department of Revenue and was checking to see if the spouses had filed a final tax return. He tried to get the surviving spouse to divulge the decedent's social security number, date of birth, etc. On other occasions, Piehl called a surviving spouse and posed as a funeral home employee or tombstone maker looking for the same information.

Piehl also sifted through discarded mail at a rooming house, and on one occasion he obtained the identity of a person, which he used to acquire a credit card. Using this card, he made 25 cash withdrawals totaling nearly \$5,000 between November 1999 and January 2000.

Piehl was first suspected of posing as a Department of Revenue agent in 1996, when he used newspapers and targeted persons who had recently received job promotions. He then allegedly called these persons and told them the Department of Revenue was processing their income tax returns and needed their social security number to complete the processing. In a 1997 plea bargain, Piehl pled guilty to two misdemeanor counts of financial transaction crimes for obtaining credit cards using the identities of other persons.

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In December 2001, Barry D. Jolin, 48, Minocqua, owner of Jolin's Marine Center, Inc. in Boulder Junction, made

an initial appearance in Vilas County Circuit Court, before Judge James Mohr. He appeared to answer a complaint alleging six felony counts of theft of sales taxes and twelve misdemeanor counts of failing to file withholding tax returns and remit withholding taxes collected.

According to the complaint, Jolin intentionally failed to pay sales taxes collected from customers for the months of May and June of 1998, June, August, and December of 1999, and June of 2001. The amounts collected but not remitted totaled over \$175,000. The misdemeanor charges further allege that Jolin willfully failed to file reports and make payroll tax deposits of \$12,088 withheld from his employees during 12 reporting periods from February through July of 2000.

The complaint states that a special agent of the Department of Revenue examined corporate records that showed that Jolin paid other creditors, including himself, in preference to paying the sales and withholding taxes to the state. Sales tax returns signed by Jolin were filed for all the periods in question. They were filed either without payment or with not sufficient funds ("NSF") checks. The withholding tax returns were not filed but the amount withheld from employees was established from payroll records of Jolin's Marine Center.

Information in the complaint indicates that Jolin paid all amounts due when he became aware of a pending complaint in early 2001. Then, in July 2001, Jolin sent an NSF check for \$40,999 supposedly in payment for June sales taxes collected. That amount was unpaid on the date the complaint was filed, November 14, 2001.

If convicted on all counts, Jolin faces a total of 79 years in prison and \$150,000 in fines. [☞](#)