

Wisconsin TAX BULLETIN

www.revenue.wi.gov

Number 149

November 2006

Internet Access Services Are Subject to Wisconsin Sales or Use Tax

Sales of Internet access services are subject to Wisconsin sales or use tax if the service originates or terminates in Wisconsin and is charged to a service address in Wisconsin.

Note: There have been questions about how the federal Internet Tax Nondiscrimination Act (P.L. 108-435) affects Wisconsin's sales and use taxes on Internet access services. Wisconsin sales and use taxes continue to apply to Internet access services because Wisconsin continues to be exempted from the moratorium that prevents some states from imposing sales and use taxes on Internet access services. Although P.L. 108-435 contains a provision to discontinue such "grandfathering" after November 1, 2006 for states whose state tax was "enacted by State law on or after October 1, 1991," this provision does not apply for Wisconsin because Wisconsin enacted its sales and use taxes on Internet access services before that date. [↗](#)

Wisconsin's Treatment of Employer Cash Incentives for Hybrid Vehicles

The Internal Revenue Service has announced that rebates or cash incentives that employers provide to their employees to encourage employees to purchase environmentally-friendly hybrid cars are taxable compensation and must be reported as income.

For Wisconsin income tax purposes, these cash incentives are taxable income, the same as for federal purposes.

Employers should include the cash incentive amounts in employees' compensation reported on year-end Form W-2 earnings statements. The cash incentives also are subject to income tax withholding. The Internal Revenue Code provides an exclusion from income for employee discounts only if the employer produces the product and certain other requirements are met. [↗](#)

Form Changes for 2006

Listed below are brief descriptions of the major changes to the Wisconsin individual income tax forms (Forms 1, 1A, WI-Z, and 1NPR) for 2006. Additionally, major changes have been made to the design of the amended income tax form (Form 1X). There are no major changes to the homestead credit claims (Schedules H and H-EZ) or to the farmland preservation credit claim (Schedule FC) for 2006.

Copies of the 2006 Forms 1, 1A, WI-Z, 1NPR, and 1X, and Schedules H, H-EZ, and FC are reproduced on pages 29 to 51 of this Bulletin. Copies of these and other Wisconsin tax forms are also available on the department's web site, www.revenue.wi.gov.

- The percentage rate for computing farmland tax relief credit on Forms 1 and 1NPR is changed from 20% to 23%. The maximum allowable credit is \$1,500.
- Lines are added on Forms WI-Z, 1A, 1, and 1NPR for designations to multiple sclerosis, the firefighters memorial, and prostate cancer research.

(continued on page 2)

2006
Tax
Filing

Number of original individual income tax returns
2,859,269

2005 returns – 2,679,998

Number of refunds
2.13 million

Electronic filing

Fed/State E-file		
Preparer	1,161,255	- up 4%
Taxpayer	342,577	- up 15%
TeleFile	40,317	- down 66%
FreeFile	99,716	- up 9%
Total*	1,643,865	

* 61.3% of 2005 returns filed [↗](#)

Season at a Glance

In This Issue

Articles –


Internet Access Services 1
 Hybrid Vehicle Cash Incentives 1
 Form Changes for 2006..... 1
 2006 Tax Filing..... 1
 Tax Volunteers Needed..... 2
 File W-2s and 1099s
 Electronically 3
 Standard Mileage Rates 3
 Online Forms Ordering 4
 Income Tax Refunds 4
 Electronic Filing Made Easier..... 5
 Reminders for Tax Practitioners 5
 Bulletin Index Available 6
 Sales Tax Refund Claims..... 6

Unpaid Use Tax..... 6
 Vehicle Dealers’ Use Tax 7
 Did You Know 7
Sales and Use Tax Report
 Available 7
 Electronically Filed Homestead
 Claims 8
 Free-File Experiences Success 10
 Corporation Estimated Tax..... 11
 Withholding Tax Pointers 11
 Index of Reference Material 12
 Wanted: Your Comments..... 12
 Question and Answer..... 12
 Information or Inquiries? 13
 EFT Payment Options 13
 Substitute Tax Forms..... 13
 Election Campaign Fund 13

Integrated Tax System 14
 Package WI-X Available 14
 Tax Publications Available 15
 Administrative Rules in Process..... 17
 Recently Created Rule..... 17
 Enforcement Report 18
 Refund Interception Program 19
 Tax Return Donations 20
 Magnetic Media/Electronic Filing 20
Attachments –
 September Tax Report..... 21
 Guidelines for Substitute Forms..... 25
 Copies of Forms 29
 Order Blank..... 52

Form Changes for 2006

(continued from page 1)

- The line for educator expenses is removed from Form 1A.
- Lines are added on Forms 1 and 1NPR for development zones credits, technology zone credit, historic rehabilitation credit, credit repayments and other penalties, and repayment credit. In prior years, these items did not have separate lines but were imbedded in other lines.
- The line for credit for net income tax paid to another state (Schedule OS) is moved to be included with other nonrefundable credits.
- A “Special Conditions” section is added to the heading area of Forms WI-Z, 1A, 1, and 1NPR. Certain persons will have to enter information in this section (for example, certain military personnel who are not subject to interest during an extension period, persons who are enclosing a divorce decree or who are an injured spouse, or persons who are filing a return for a deceased taxpayer).
- A check box has been added to the line for underpayment interest on Forms 1A, 1, and 1NPR. The box is to be checked by persons who meet certain exceptions to underpayment interest or if Schedule U is enclosed.
- A space is provided on Forms WI-Z, 1A, 1, and 1NPR for the taxpayer to choose to designate a third party to discuss the processing of the return with the department. 

Tax Return Volunteers Needed

Would you like to become a volunteer for Volunteer Income Tax Assistance (VITA), or for the Tax Counseling for the Elderly (TCE) program of the American Association of Retired Persons (AARP)? VITA and TCE/AARP volunteers help persons with low to moderate income prepare federal and state income tax returns and Wisconsin homestead credit claims. Volunteers can choose to work during the day, at night, or on weekends.

Last year VITA and TCE/AARP volunteers, operating 416 Wisconsin sites, helped prepare over 45,000 federal and Wisconsin returns for low and moderate-income persons.

(continued on page 3)

Wisconsin Tax Bulletin

Published quarterly by:

Wisconsin Department of Revenue
 Income, Sales, and Excise Tax Division
 Mail Stop 6-40
 P.O. Box 8933
 Madison, WI 53708-8933

Subscriptions available from:

Wisconsin Department of Administration
 Document Sales
 P.O. Box 7840
 Madison, WI 53707-7840

Annual cost \$7.00

Tax Return Volunteers Needed

(continued from page 2)

Both the Internal Revenue Service and Wisconsin Department of Revenue provide training to VITA volunteers and TCE/AARP instructors. As a volunteer, you will be trained to prepare federal Forms 1040-EZ, 1040A, and 1040 (1040 training is limited to Schedules A, Itemized Deductions; B, Interest and Dividend Income; and D, Capital Gains and Losses), and Wisconsin Forms WI-Z, 1A, and 1, and Schedules H and H-EZ, Homestead Credit. TCE/AARP volunteers will also be trained to help persons prepare federal and Wisconsin estimated tax vouchers.

Enrolled agents participating in these programs may earn up to half of their required **CPE credits**. Other income tax practitioners may also earn CPE credits.

These practitioners should check with their professional associations. **Note:** If you are a CPA, you may be eligible for CPE credits if you conduct classes for volunteers.

With the tax season fast approaching, VITA and TCE/AARP programs are in need of volunteers. If you would like to volunteer, please call or e-mail either:

John Lulay 1-414-231-2150 JohnF.Lulay@IRS.gov

or

Rick Dilley 1-608-266-2606 Rdilley@dor.state.wi.us




Use the Internet to File W-2s and 1099s Electronically

Although only certain employers and payers are **required** to transmit Forms W-2, W-2G, 1099-MISC, and 1099-R electronically or via magnetic media (see the article titled “Magnetic Media/Electronic Filing Required for Some Forms” on page 20 of this Bulletin), any employer or payer may file these forms electronically through the Department of Revenue’s web site rather than furnishing paper copies or magnetic media.

The advantages to filing electronically through the department’s secure Internet site include:

- No PIN number or pre-approval.
- Free, fast, and secure transmission.
- Saves time and eliminates mailing costs.
- Instant confirmation of receipt of your transmission.

Instructions for filing electronically are available on the department’s web site at www.revenue.wi.gov/eserv/w-2.html. If you have questions, you may contact the department at (608) 267-3327 or w2data@dor.state.wi.us. 



Reminder: Standard Mileage Rates for 2006


Listed below are the optional standard mileage rates provided by the Internal Revenue Service (IRS) for 2006, for computing automobile expenses for business, charitable, medical, and moving expense purposes. Unless otherwise noted, these rates also apply for Wisconsin.

For 2006 the business standard mileage rate is 44.5¢ per mile for all business miles driven. The new rate compares to a rate of 40.5¢ per mile for the first eight months of 2005 and a special rate of 48.5¢ per mile for the last four months of 2005. The 44.5¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 44.5¢ per mile is used, depreciation is considered to be allowed at 17¢ per mile

for 2006, the same as was allowed for 2005. However, no portion is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 2006 the allowable standard mileage rate for medical expense and moving expense deductions is 18¢ per mile. The new rate compares to a rate of 15¢ per mile for the first eight months of 2005 and a special rate of 22¢ per mile for the last four months of 2005.

For 2006 the allowable standard mileage rate for charitable use of a vehicle is generally 14¢ per mile, the same as was generally allowed for 2005. However, the rate allowed for charity work related to Hurricane Katrina is 32¢ per mile for miles driven in 2006. (**Note:** The increased rate for charity work related to Hurricane Katrina does not apply for Wisconsin. For Wisconsin purposes, a rate of 14¢ per mile is allowed.) 

Online Forms Ordering System Enhanced

In November 2005 the Department of Revenue (DOR) introduced an application through which all Wisconsin tax forms can be ordered online. Based on input from users, several changes have been made to enhance the online forms ordering system for 2006:

- The system no longer requires both the name of an individual and a business name to be entered on the order form.
- A telephone number is no longer required to be entered on the order form.
- Up to 20 different forms may be ordered, increased from a maximum of 9.
- A direct debit option is available so that payment can be made online (publications and up to 15 forms are still available free of charge).

To place an order, access the online order form from DOR's web site at www.revenue.wi.gov. Click on "Forms," then "2006 Income Tax," and then the

"[Request Form](#)" link. Orders are expected to be filled in late December and early January.

As in 2005, tax form order blanks will not be sent out. Tax preparers without Internet access may request an order blank by writing to Wisconsin Department of Revenue, Forms Request Office, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949; or calling (608) 266-1961.

Package WI-X can also be ordered using the online order form. It will be mailed in late January, separately from all other forms. Package WI-X will also be available as a "zip file" on DOR's web site sometime in mid-January. This file will be compressed so that it can easily be downloaded for use. For more information concerning Package WI-X, see the article titled "2006 Package WI-X Available in January" on page 14 of this Bulletin.

DOR would like to make forms ordering as convenient as possible. If you have any comments or questions about the online forms ordering system, please call the department at (608) 266-1961. [↗](#)



Income Tax Refunds Issued

The 2006 income tax processing season once again saw direct deposit refunds for electronically filed returns achieve an average of 5 days to complete. The mailing of checks for paper returns not requiring adjustment averaged 41 days. Needless to say, the continued growth of electronic filing has enabled taxpayers to receive their refunds much more quickly than with paper filing. Electronic filing results in faster refunds than paper filing because electronic returns move through the department's computer systems more quickly and are more accurate than paper returns.

The department issued 2,255,167 refunds during the fiscal year ending June 30, 2006 (primarily 2005 returns). The average refund amount was \$593.00. The average refund for 2004 returns was \$524.00. Over 770,000 direct deposit refunds from e-filed returns were issued into taxpayers' accounts.

Here are some other comparisons:

	Returns Received in 2005	Returns Received in 2006
Number of individual income tax returns	2,912,325	2,859,269
Itemized deduction credit		
% of taxpayers claiming	27%	29%
Average credit	\$580	\$668
Homestead credit		
# of claimants	228,599	222,121
Average credit	\$504	\$509
Age 65 or older	40%	38%
Renters*	56%	63%
Homeowners*	48%	51%
*some claimants were both		
Farmland preservation credit		
# of claimants	20,043	19,236
Average credit	\$685	\$670
Earned income credit		
# of claimants	228,413	236,646
Average credit	\$341	\$352
Sales/use tax payments		
Amount collected	\$1,801,268	\$1,620,105
# of payers	25,761	26,234



Approval to Electronically File Made Easier for Tax Practitioners

Beginning January 1, 2007 the Wisconsin Department of Revenue (DOR) will no longer require a separate request for approval to become a Wisconsin Electronic Return Originator (ERO). Instead, DOR will automatically accept EROs approved by the Internal Revenue Service (IRS).

What does this mean for tax practitioners?

- Eliminating the need for a separate approval from DOR will simplify the process of becoming an ERO, thus making it even easier to e-file.
- DOR will maintain a list of EROs approved by the IRS. This will include contact information in the event questions arise relating to an e-filed return.
- The IRS will notify DOR if it withdraws its approval of an ERO. As of the effective date of the IRS action, that ERO will not be eligible to file its client's returns electronically with DOR.

What are the benefits of e-filing?

The success of Wisconsin's e-file program is due in large part to the participation and cooperation of tax practitioners who are approved EROs. During the 2006 tax filing season, EROs filed approximately 1.2 million income tax returns electronically through Wisconsin's Federal/State E-file Program. That represents an increase of over 4%!

Some of the benefits of e-filing are:

- Returns are less likely to be adjusted, because the data on e-filed returns is more accurate; the software performs mathematical calculations.
- Direct deposit is available only for e-filed Wisconsin returns.
- Refunds are issued within one week for returns that need no additional review.
- Taxpayers receive acknowledgement of their returns being filed, both from DOR and the IRS.
- Balance due returns can be filed early in the season, and paid as late as April 15th (April 16th for 2006 returns filed in 2007).
- Wisconsin allows e-filing through October 15th for returns with extensions.

Are you listed as an ERO on DOR's web site?

If you are currently a Wisconsin ERO and are not listed on DOR's "Find a Tax Preparer" web page (located at <http://www.revenue.wi.gov/eserv/city/index.html>), or if you are a new ERO in Wisconsin and would like to be listed, please send an e-mail with your company name, address, and telephone number to efiling@dor.state.wi.us or call us at (608) 264-6886. An ERO may also update or delete their listing through either of these methods.

For more information on electronic filing, visit DOR's web site at www.revenue.wi.gov, send an e-mail message to the Electronic Filing Office at efiling@dor.state.wi.us, or call (608) 264-6886. [☞](#)



Reminders for Tax Practitioners – Mailing Addresses and Direct Deposit Information

With the increase in the number of electronically filed returns received this past filing season, the Department of Revenue (DOR) encountered an increased number of direct deposit rejects from banks and undeliverable refund checks from the Post Office. A majority of the returns that generated the rejects and returned checks were prepared by tax practitioners.

When a direct deposit reject occurs, the refund must be issued via a paper check instead. This adds approximately one month to the time it takes to receive a refund. Undeliverable refund checks are held until DOR is contacted with correct address information.

The following reminders for the upcoming filing season are offered by DOR to tax practitioners, so they may better serve their customers:

- Verify the customer's current mailing address.
- When a customer elects a direct deposit of their refund, verify the accuracy of their bank routing number and account number. A check is the best document to use to verify the routing number, as this information is not always correct on a deposit slip.

Following the above steps will help customers receive their refunds timely, and in the manner they have elected. [☞](#)



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 index will help you locate reference materials including articles, court case summaries, tax

releases, and private letter rulings, to research questions about Wisconsin taxes.

The latest *Wisconsin Tax Bulletin* index available appears in *Wisconsin Tax Bulletin* 146 (February 2006), pages 44 to 78. It includes information for issues 1 to 145 (through November 2005). [☞](#)

Buyer's Claim for Refund – Sales or Use Tax

To obtain a refund of sales or use tax paid in error to a seller, a buyer may either:

- Request the seller to refund the tax, or
- File a claim for refund directly with the Department of Revenue.

A buyer may file a claim for refund directly with the Department of Revenue provided the amount of the claim is at least \$50, including state, county, and stadium (baseball or football) sales tax, for all purchases from all sellers. If the claim is less than \$50, the buyer may still file a claim if one or more of the following conditions apply:

- The seller has ceased doing business,
- The buyer is being field audited, or
- The periods covered in the claim for refund are within the statute of limitations for the buyer and are closed to the seller.

If the amount of the claim is less than \$50 and none of the above conditions apply, the buyer's recourse is to request a refund from the seller.

The deadline for filing a buyer's claim for refund with the Department of Revenue is 4 years from the unextended due date for filing the buyer's corresponding income or franchise tax return. For example, a buyer who is required to file a calendar year individual income tax return has until April 15, 2008 to file a buyer's claim for refund for purchases occurring during the calendar year 2003. (The unextended due date for filing the 2003 individual income tax return was April 15, 2004.)

Form BCR (Buyer's Claim for Refund) is the refund claim form and Schedule P is its companion form. Schedule P provides the basis for the refund claim by detailing the purchases made for which the refund is claimed. The buyer completes Form BCR and Sections 1 and 3 of Schedule P. Schedule P is then sent by the buyer to the seller who completes Section 2 and returns Schedule P to the buyer. The buyer then attaches Schedule P to Form BCR as documentation for the refund being claimed. [☞](#)

Auditors Discover Over \$36 Million in Unpaid Use Tax

As part of its efforts to obtain compliance with Wisconsin use tax laws, Department of Revenue auditors assessed over \$36 million of use tax in the fiscal year ending June 30, 2006.

Field auditors found that many businesses, while properly accounting for tax on sales, do not have a system to keep track of purchases subject to use tax. For example, purchases were made from unregistered out-of-state sellers (e.g., mail order or Internet companies) without sales or use tax being paid . . . until the businesses were audited.

Office audit staff found that many buyers of motor vehicles, all-terrain vehicles (ATVs), aircraft, boats, and snowmobiles failed to pay the proper amount of use tax

because they underreported the purchase price, claimed an invalid exemption, or failed to identify and pay the correct amount of local tax when they registered their motor vehicles, ATVs, aircraft, boats, and snowmobiles purchased from nondealers and out-of-state dealers not registered to collect Wisconsin sales tax.

In addition, discovery projects targeting particular industries and individuals resulted in use tax collections for purchases made from unregistered out-of-state sellers (e.g., mail order or Internet companies).

The \$36 million of use tax assessed does not include interest and penalties that were also imposed.

Purchasers should carefully review their accounting methods to ensure that use tax is properly reported. [☞](#)



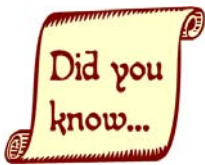
Motor Vehicle Dealers' Measure of Use Tax Increased to \$130

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, 2007, the amount subject to use tax is increased from \$125 to \$130 per plate per month. (Note: The use tax per plate per month is not \$130. Rather, \$130 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 \$130 per plate is that sec. 77.53(1m)(a), Wis. Stats. (2003-04), 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 2005 to June 2006 was 4.32% ($\$125 \times 1.0432 = \130 rounded to the nearest whole dollar). [☞](#)



Primary Purpose May Determine Sales and Use Tax Treatment of Services

In some instances, a service provider making a single combined charge for both taxable and nontaxable services may determine the tax treatment of the charge by using the *primary purpose* of the transaction. Examples include (1) health clubs providing access to athletic or recreational facilities and equipment (taxable service) and access to exercise or fitness facilities and equipment (nontaxable service), and (2) temporary staffing companies furnishing computer programming (nontaxable service) and computer hardware maintenance and repair (taxable service). In making this determination, “primary purpose” means more than 50%.

For example, Temporary Staffing Company A assigns an employee to perform both taxable and nontaxable

services for its customer for a lump sum charge. Temporary Staffing Company A does not keep detailed records of the services furnished to its customer or the time spent doing specific activities. As explained on pages 33 and 34 of *Wisconsin Tax Bulletin* 141 (January 2005) under “Alternative 1 – Primary Nature of Services Performed for Job Description,” one of the acceptable methods for Temporary Staffing Company A to use in collecting and paying tax on the transaction is to determine the primary nature of services in the employee’s job description.

If Temporary Staffing Company A chooses to use this method to determine the tax, and more than 50% of the activities performed by the employee are properly indicated in the employee’s job description as nontaxable services, the primary nature (i.e., primary purpose) of the work of the employee is providing nontaxable services. In this case, the lump sum charge by Temporary Staffing Company A is nontaxable. [☞](#)

Sales and Use Tax Report Available

The latest issue of the *Sales and Use Tax Report* became available in September. The September 2006 *Sales and Use Tax Report* (3-06) contains summaries of recent sales and use tax law changes in addition to other pertinent sales and use tax information. Topics covered in the September 2006 Report include:

- Motor Vehicle Dealers’ Measure of Use Tax Increased to \$130;
- New Tax Laws;
- Reminder – Premier Resort Area Tax Becomes Effective in the City of Eagle River on October 1, 2006;

- TeleFile Taxpayers: Payment by Direct Withdrawal Now Available;
- Truck Owner-Operators: Does the Common or Contract Carrier Exemption Apply?;
- Disaster Relief Payments: Wisconsin Sales and Use Tax Treatment; and
- Filing Sales and Use Tax Returns Electronically.

A copy of the Report appears on pages 21 to 24 of this Bulletin. It is also available on the Department of Revenue’s web site at www.revenue.wi.gov/ise/sales/6-03.pdf.

Electronically Filed Homestead Credit Information

The fifth year for filing homestead credit claims electronically (e-filing) saw a 5% increase over the amount of electronically filed claims for 2004. To date, 94,891 claimants filed their 2005 homestead credit claims electronically, which is more than 41% of the total number of homestead credit claims filed so far for 2005.

Approximately 78,428 (83%) of the claims filed electronically were filed through a preparer, 8,980 (9%) were filed using vendor software, and 7,483 (8%) were filed using the Wisconsin Free-File fill-in-the-form web site application.

Of the 94,891 e-filed homestead credit claims, 85,119 (90%) finished processing **within five business days**. The remaining 9,772 (10%) were selected for review. Of the claims selected for review, 782 (8%) needed letters for additional information, and 1,954 (20%) needed letters to obtain missing Form W-RAs with required attachments.

Avoid delays - Many of the claims selected for review could have avoided selection if the property tax bill information, rent certificate information, household income information, and/or homestead notes and attachments checklist information had been entered completely and correctly before transmitting the claim. For more information on providing the necessary information, see www.revenue.wi.gov/eserv/hcfilling.html.

Follow the tips below to avoid some of the errors and delays experienced this year. (**Note:** Schedule H and rent certificate line references are to the 2006 Schedule H and rent certificate.)

Form W-RA Information Tips

- The Form W-RA, *Required Attachments for Electronic Filing*, must be mailed to the Wisconsin Department of Revenue with the required homestead credit documentation **within 48 hours of Wisconsin acknowledgment**. Not receiving the Form W-RA is the main reason delays occur.
- Put Form W-RA as the front document, with attachments stapled behind. (**Hint:** Attachments include wage statements [Forms W-2] and Forms 1099-R, original rent certificate(s), copy of 2006 property tax bill(s) and/or closing statement, and any other document or note needed per the homestead credit instructions.)
- Do not mail a paper copy of the electronically transmitted income tax return or homestead credit claim. This will cause delays.
- Do not staple two or more claimants' Forms W-RA and attachments together.
- Do not mail Form W-RA before receiving the Wisconsin acknowledgment. (**Hint:** Be sure you mail it to the correct address, listed below.)

Send Form W-RA and ALL of the required attachments to:

Using U.S. Postal Service

Wisconsin Department of Revenue
P.O. Box 8977
Madison, WI 53708-8977

Using another service

Wisconsin Department of Revenue
Mail Opening Mail Drop 1-151
2135 Rimrock Road
Madison, WI 53713.

Property Tax Bill Information Sheet Tips

- Enter the information **exactly** as it is shown on the property tax bill (year, name of owner, type of owner, address of property, assessed land valuation, assessed improvement valuation, number of acres [if shown], taxes before lottery/gaming credit, and lottery/gaming credit [if shown]). (**Hint:** By not providing all of this information, a claim will be rejected because information needed to calculate allowable taxes is missing.)
- Do not reduce the taxes for ownership percentage, personal use percentage, or acreage adjustment when entering the taxes on the property tax bill information sheet. (**Hints:** The property tax reductions for acreage and personal use percentage should be done on Schedules 1 and 2 on page 3 of the Schedule H and then entered on line 13 of Schedule H. The reduction for ownership percentage should be done when allowable taxes are entered on line 13 of Schedule H.)
- Indicate "Self and/or spouse" as the ownership type if the claimant or spouse has a life estate ownership interest in the homestead property.
- Enter the address of the property exactly as shown on the property tax bill. (**Hints:** Enter N, S, E, or W as shown on the property tax bill, and don't enter a rural route address when the property tax bill shows

a street address; for example, use W4459 Center Road rather than RR 2.)

- Use the “Adjoining Property Tax Bill Information” section when there is more than one property tax bill. (**Hint:** Be sure to enter number of acres, assessed valuation of land, assessed valuation of improvements [if any], and the property tax amount.)
- Only enter dates of occupancy when a home was purchased or sold during the year.
- When a home was sold during the year, enter the date of sale, allocated property taxes, selling price, selling expenses from the closing statement, and adjusted basis of the home sold in the correct data fields.
- Do not enter property tax bill information when line 10b of the rent certificate has an amount that should be entered on line 13 of Schedule H. If software requires you to enter property tax bill information when line 10b of the rent certificate has an amount, contact the software company. The software should allow for this situation.

Rent Certificate Information Tips

- Claim only the claimant’s share of rent on lines 14a and 14c of Schedule H.
- Only claim rent that is properly documented by a signed rent certificate or, if the rent certificate is not signed, by copies of money orders or cancelled checks.
- Do not indicate that the landlord will not sign the rent certificate when you have a landlord signed rent certificate. (**Hints:** Do not enter rent certificate information without an original landlord signed rent certificate. If a landlord signed rent certificate is not provided when you are preparing the claim, obtain one from the claimant before proceeding with the claim.)
- If the landlord will not sign a rent certificate, indicate this and complete all of the required information for both the claimant and landlord. Mail copies of each cancelled check or money order receipt to verify the rent paid along with Form W-RA, *Required Attachments for Electronic Filing*.
- Enter the month and day when entering the dates of occupancy on line 4 of the rent certificate (01-January/01-1st). Do not enter the month and year

(01-January/05-2005). (**Hint:** By incorrectly entering the month and year, the days of occupancy and allowable rent cannot be correctly computed.)

- Enter the information exactly as it is shown on the rent certificate. (**Hint:** If software automatically computes and enters the rent for lines 11c, 11e, and 13a of the rent certificate, verify that the amounts are the same as shown on the original rent certificate. If they are not, you must override the amounts so they match the amounts on the original rent certificate.)
- When the box for line 9b of the original rent certificate is checked, be sure to check it on the rent certificate information sheet.
- Each column for line 11b of the electronic rent certificate has 2-byte data fields for months and 2-byte fields for days. (**Hint:** Only use the “days” data fields when the rent certificate shows a fraction of a month or a number of days on line 11b; for example, enter 10 1/2 months as “10” months and “15” days.)
- Complete the “Shared Living Expenses Schedule” section of the electronic rent certificate when the rent certificate shows more than one occupant. Amounts for each type of expense in columns a and b must be listed (rent, food, utilities, AND other).

Tax and Rent Information Tip

Check the boxes above line 13 of Schedule H when applicable. The check boxes are to indicate more than one acre and not part of a farm, more than one acre and part of a farm, non-homestead use of property, and if Wisconsin Works (W2) or county relief was received during the year.

Household Income Information Tips

- Include the distributive share of partnership, limited liability company (LLC), and tax-option (S) corporation depreciation, Section 179 expense, depletion, amortization, and intangible drilling costs on line 11g of Schedule H. (**Hints:** Do not include it on line 11h or 11i. Use Homestead Credit Note #3, if none.)
- Include depreciation from federal Schedules C, C-EZ, E, F, and federal Form 8829 on line 11i of Schedule H. Also include on line 11i depreciation from federal Form 2106 that is claimed in the “Adjusted gross income” section of federal

- Form 1040 as an expense of a reservist, qualified performing artist, or fee-basis government official.
- Include mileage depreciation for car and truck expenses (when the standard mileage rate was used to compute the expense) on line 11h of Schedule H. (**Hints:** Use Homestead Credit Note #4 to indicate the number of miles that were used in computing the expense. Use Homestead Credit Note #6 to indicate the car and truck expenses were computed using actual expenses.)
 - Include nontaxable pension and annuity income on line 9d of Schedule H. (**Hint:** Use Homestead Credit Note #9 if a rollover or tax-free exchange occurred.)
 - Include deferred compensation labeled with D, E, F, G, H, S, or Y (from box 12 on a wage statement) on line 9e of Schedule H.
 - Include the gain from the sale of a home that is excluded under I.R.C. Section 121 on line 11c of Schedule H (even though this is not taxable income, it is includable in household income).
 - Include child support, maintenance payments, and other support money on line 9i of Schedule H.
 - Properly identify “other” subtraction amounts with the correct two-digit code number provided in the Form 1 instructions.

Homestead Notes and Attachments Tip

Use the Homestead Credit Notes when needed. (**Hint:** “Needed” includes situations per the Schedule H instructions such as, (a) relating to low income, (b) either claimant and/or spouse is age 65 or over and did not receive social security, (c) distributive share of tax-option (S) corporation, partnership, and LLC depreciation, Section 179 expense, depletion, amortization, and intangible drilling costs is “None,” (d) less than 12 months of property taxes/rent, (e) IRA/pension/annuity rollovers, (f) married, divorced, or separated during year, (g) lottery/gaming credit not claimed or allowed separately from tax bill, moved during the year, etc.) [↗](#)

FreeFile Wisconsin Free-File Experiences Continued Success

Almost 100,000 taxpayers used Wisconsin Free-File (Free-File), the Department of Revenue’s own electronic form and filing service, to file their 2005 Wisconsin individual income tax returns and homestead credit claims. Free-File provides online instructions and fill-in forms on which taxpayers can enter information and submit their return electronically. This year Free-File was once again very successful, with its use seeing an increase of more than 9% over last year.

Free-File was developed in response to taxpayers’ comments about wanting a free electronic filing alternative. Free-File is for filing Wisconsin income tax returns and homestead credit claims only. Tax filers using Free-File must file their federal return with the Internal Revenue Service (IRS) separately, but they do need to enter some federal information to complete their state filing. While the department intends to eventually expand eligibility, Free-File currently does not support filers who file federal Schedules C, D, E, F, or federal Form 4797.

In most cases, Free-File is a paperless process with no requirement for a signature document. However, when instructions appear asking for supporting documentation, filers are required to submit Wisconsin Form W-RA, *Required Attachments for Electronic Filing*. Anyone claiming homestead credit is required to submit supporting documentation, as well as a few others with specific filing situations.

Free-File is used primarily by taxpayers that do not use a paid preparer. Free-File, like paper instructions and forms, does not compete with paid preparers and other tax professionals since it offers no tax preparation assistance or advice. The department will continue to value the partnerships it has with paid preparers, other tax professionals, and the vendors of full-featured tax preparation software.

Free-File is available from early January through October 15th each year, and may be accessed by visiting the department’s web site at www.revenue.wi.gov. [↗](#)

Making Corporation Estimated Tax Payments

If a corporation's franchise or income tax due (including the recycling surcharge) is \$500 or more, it generally must make quarterly estimated tax payments. The quarterly payments may be made either with a Wisconsin Form 4-ES or by Electronic Funds Transfer (EFT).

Corporate income and franchise tax estimated tax payments are required to be made by EFT when the net tax less refundable credits on the prior year's tax return was \$40,000 or more. Even if it is not required, taxpayers are encouraged to make their estimated payments using EFT. Making estimated tax payments by EFT eliminates the need to complete Form 4-ES. Also, EFT is quick, easy, and provides confirmation that

a payment was received. For more information about EFT payments, call (608) 264-9918; write to Wisconsin Department of Revenue, P.O. Box 8949, Madison, WI 53708-8949; or visit the department's web site, www.revenue.wi.gov. This site also provides information about forms and filing requirements.

Corporations that made an estimated tax payment with a Form 4-ES in the current year will automatically receive estimated tax vouchers (Form 4-ES) before the next year's tax is due. Taxpayers that receive the Form 4-ES in the mail but have no estimated tax payment obligation for the next year **should not** complete and return the form. (Some taxpayers think that because the department sends them the pre-printed vouchers they are obligated to complete and return them, even though they are not making estimated payments.) [✎](#)

Pointers for Withholding Tax Reporting



- ❑ Withholding payments are required to be made by Electronic Funds Transfer (EFT) when the required deposits were \$10,000 or more in the prior calendar year. Even if it is not required, you are encouraged to make withholding deposits using EFT. Making withholding deposits by EFT is quick, easy, and provides confirmation that your payment was received. For more information visit <http://www.revenue.wi.gov/eserv/eftgen.html>.
- ❑ If you can't use EFT to report a liability and make deposits, use the department pre-printed vouchers (WT-6). The pre-printed vouchers should be used whenever possible, as vouchers need to be a specific size and have information in specific places in order to process through imaging equipment.
- ❑ Write your six-digit Wisconsin Employer Identification Number (WEIN) on the memo portion of your check or check stub.
- ❑ Do not include correspondence with Form WT-6 unless it is absolutely necessary. Correspondence slows down the processing of the payment. If you need to report an address change, use the pink address change cards provided with the vouchers.

- ❑ If you no longer have employees, contact the department at (608) 266-2776 to inactivate your account. Do **not** send WT-6 vouchers reporting zero liability. If your account is not inactivated in a timely manner, you may receive an estimated withholding tax assessment.
- ❑ The department is beginning a new requirement for employers registered to withhold Wisconsin income tax to file their annual reconciliation (Form WT-7) electronically. The department will notify employers subject to the requirement at least 90 days prior to the due date of the first Form WT-7 required to be filed electronically. A waiver may be requested in writing if the requirement to file electronically causes an undue hardship.

Even if it is not required, you are encouraged to file your Form WT-7 using one of the department's electronic filing options at <http://www.revenue.wi.gov/html/with.html>. It is free, fast, and safe! It also provides confirmation that the department received your return.

- ❑ If you can't file Form WT-7 electronically, use the department pre-printed Employers Annual Reconciliation (WT-7) form. The pre-printed form should be used whenever possible, as this form is processed through data imaging equipment and needs to be printed with specific spacing and data. [✎](#)



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 issue, 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 52 of this Bulletin. The Index is also on the department’s Internet web site at www.revenue.wi.gov. Just click on “Publications.” [↗](#)



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 Dale Kleven, Wisconsin Department of Revenue, Mail Stop 6-40, P.O. 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 isetechsvc@dor.state.wi.us or (608) 266-8253. We’d like to hear from you! [↗](#)

Question and Answer



Caution: *The answers in this article reflect interpretations by the Wisconsin Department of Revenue, of laws enacted by the Wisconsin Legislature as of the date of this Bulletin. Laws enacted after that date, new administrative rules, and court decisions may change the interpretations.*

(Individual Income Tax)

Q Are distributions from a qualified retirement or deferred compensation plan (e.g., IRA, 401(k), 403(b), etc.) or from a nonqualified plan received while a Wisconsin resident taxable by Wisconsin?

A Yes. Distributions received while a Wisconsin resident are taxable by Wisconsin regardless of whether they may be attributable to services performed outside of Wisconsin. For example, a distribution from an IRA received while a Wisconsin resident is taxable to Wisconsin even though the contributions were made to the IRA while a resident of another state.

Q Are distributions from a qualified retirement or deferred compensation plan received while not a Wisconsin resident taxable by Wisconsin?

A No. Distributions received from a qualified plan while not a Wisconsin resident are not taxable by Wisconsin regardless of whether they may be attributable to services performed in Wisconsin.

Q Are distributions from a nonqualified retirement or deferred compensation plan received while not a Wisconsin resident taxable by Wisconsin?

A Distributions from a nonqualified plan received while not a Wisconsin resident are taxable by Wisconsin to the extent they are attributable to services performed in Wisconsin. There are, however, exceptions to this treatment. See Wisconsin Publication 122, *Tax Information for Part-Year Residents and Nonresidents of Wisconsin*, for more information. [↗](#)

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 and the Taxpayer Services Division. A comprehensive listing of telephone numbers and addresses appears in Wisconsin Tax Bulletin 147 (April 2006), pages 26 to 30.

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	266-2772
Delinquent Taxes	266-7879
Electronic Filing:	
Individual Income Tax	264-6886
Sales Tax	266-2776
Electronic Funds Transfer (EFT).....	264-9918
Estimated Taxes.....	266-2772
Fiduciary, Estate Taxes.....	266-2772
Forms Request:	
By mail.....	266-1961
Fax-A-Form	261-6229
Homestead Credit	266-8641
Individual Income Tax.....	266-2772
Motor Vehicle Fuel Tax.....	266-3223
Refunds.....	266-8100
Sales, Use, Withholding Taxes	266-2776
Sales Internet Process (SIP)	261-6261
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



EFT Payment Options for Corporations

There are three Electronic Funds Transfer (EFT) payment options for corporation franchise and income tax. Corporations registered to pay by EFT may pay **estimated taxes, tax due** with their returns, and **bills** using EFT, simply by choosing the appropriate tax type code when making their payment:

- Corporation Estimated Payment 02100
- Corporation Tax Due with Return 02200
- Corporation Bill 02540

To learn more about paying by EFT or registering to pay by EFT visit www.revenue.wi.gov/eserv/eftgen.html.



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 25 through 28 of this Bulletin. The guidelines are also on the department’s web site at www.revenue.wi.gov. Click on “Forms” and then “Reproduced and Substitute Tax Forms,” which may be found under the heading “Tax Return Guidelines.”



State Election Campaign Fund Checkoffs Decrease for 2006

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

During July 2005 through June 2006 (primarily 2005 tax returns), taxpayers designated \$239,879 to the election campaign fund on their Wisconsin tax returns. This compares to \$246,836 for the prior year.



Integrated Tax System Moving Forward

The Department of Revenue continues to take steps toward integrating its tax computer systems. The Wisconsin Income Processing and Audit System (WINPAS), which was first put into production on December 31, 2005 for corporation income and franchise tax, has been expanded twice already in 2006 and is currently growing much larger. This system processes tax returns and payments, maintains customer accounts, performs accounting and correspondence functions, supports office and field audit, and manages collection cases.

2006 Expansions to Date

On April 3, 2006 WINPAS began to process premier resort area tax returns and payments for the districts of Lake Delton, Wisconsin Dells, and Bayfield. A fourth district, Eagle River, was created effective October 1, 2006 and was added to WINPAS at that time.


On June 26, 2006 WINPAS began to process returns and payments for the local exposition center tax and for the state rental vehicle fee. The rental vehicle fee return (Form RV-012) was expanded to allow reporting of the regional transit authority fee, which became effective on June 1, 2006 in the counties of Milwaukee, Racine, and Kenosha.

Current Income Tax Expansion

WINPAS began processing individual and fiduciary income tax returns on November 13, 2006. This is the largest tax program that will be migrated into the WINPAS system, and involves many subprocesses. Income tax customers will notice some changes, including the following:

- The look and content of bills, notices, and letters have changed;
- Individual customers have been assigned Wisconsin tax account numbers, which to protect privacy are used in place of social security numbers on bills, notices, letters, and refund checks sent out from WINPAS;
- Notices issued to customers are now identified by a letter identification number, which allows a customer service person to immediately access the text of the notice;
- Updated addresses for customers who have moved can be entered into the system more promptly, reducing the amount of undeliverable mail;
- Customers will receive separate monthly statements for overdue tax liabilities for tax programs managed by WINPAS and those managed by other tax programs; and
- Individual income tax returns have been redesigned so that a customer may allow a third party designee to discuss their return with the department.

What's Next?


Following the individual and fiduciary income tax expansion, WINPAS will be expanded to handle partnership and estate tax returns in early 2007. When fully implemented, WINPAS will reduce computer system maintenance, since many tax programs will be supported by the same computer system. It will also allow the department to provide customer service more efficiently, since all taxpayer records will be located in one place. 

2006 Package WI-X Available in January

Wisconsin's Package WI-X will be available in January of 2007. It will contain actual size copies of most 2006 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. Most of the forms in Package WI-X may be reproduced and used in lieu of forms printed by the Department of Revenue (DOR), provided the reproductions are of good quality.

The 2006 Package WI-X may be ordered online on DOR's web site at www.revenue.wi.gov. It is available

for a cost of \$7.00, plus sales tax, and will be mailed in late January. Starting sometime in mid-January, it may also be downloaded at no cost from a zip file on DOR's web site. Click on "Forms," then "2006 Income Tax." Use the "[Request Form](#)" link to place an online order or the "Package WI-X" link to access the zip file.

If you want to purchase copies of the 2006 Package WI-X and do not have Internet access, you may request an order blank by writing to Wisconsin Department of Revenue, Forms Request Office, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949; or calling (608) 266-1961. 

Tax Publications Available

Listed below are 74 publications that are available, free of charge, from the Department of Revenue. Copies are available at any department office, or by mail, phone, fax, or the Internet.

By Mail

Write to Wisconsin Department of Revenue, Forms Request Office, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949.

By Phone

Call (608) 266-1961.

Via Your Fax Machine

Fax a request to (608) 267-1030 or 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 web site at www.revenue.wi.gov, and click on "Publications" and then "Tax Publications" to either download publications or request them using the online order form.

Note: The numbers of some publications may be 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 (12/05)
- 103* Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, and Trusts (11/06)
- 104* Wisconsin Taxation of Military Personnel (10/06)
- 106* Wisconsin Tax Information for Retirees (11/06)
- 109* Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2006 (11/06)
- 112 Wisconsin Estimated Tax and Estimated Surcharge for Individuals, Estates, Trusts, Corporations, Partnerships (11/02)
- 113* Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (11/06)

- 116 Income Tax Payments are Due Throughout the Year (1/06)
- 119 Limited Liability Companies (LLCs) (12/05)
- 120* Net Operating Losses for Individuals, Estates, and Trusts (11/06)
- 121* Reciprocity (10/06)
- 122* Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 2004 (11/06)
- 123 Business Tax Credits for 2005 (12/05)
- 125* Credit for Tax Paid to Another State (11/06)
- 126* How Your Retirement Benefits Are Taxed (11/06)
- 600 Wisconsin Taxation of Lottery Winnings (12/03)
- 601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (1/02)

Sales and Use Taxes

- 200 Electrical Contractors – How Do Wisconsin Sales and Use Taxes Affect Your Business? (11/02)
- 201 Wisconsin Sales and Use Tax Information (11/02)
- 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)
- 204 Sales and Use Tax Information for Colleges, Universities and Technical Colleges (3/01)
- 205 Use Tax Information for Individuals (4/03)
- 206 Sales Tax Exemption for Nonprofit Organizations (1/06)
- 207 Sales and Use Tax Information for Contractors (9/04)
- 210 Sales and Use Tax Treatment of Landscaping (11/03)
- 211 Cemetery Monument Dealers – How Do Wisconsin Sales and Use Taxes Affect You? (6/06)
- 212 Businesses: Do You Owe Use Tax on Imported Goods? (4/03)
- 213 Travelers: Don't Forget About Use Tax (4/03)
- 214 Businesses: Do You Owe Use Tax? (4/03)
- 216 Filing Claims for Refund of Sales or Use Tax (2/03)

- 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? (2/03)
- 220 Grocers – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (10/01)
- 221 Farm Suppliers and Farmers – How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (3/02)
- 222 Motor Vehicle Fuel Users: Do You Owe Use Tax? (3/06)
- 223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (1/03)
- 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? (3/06)
- 226 Golf Courses – How Do Wisconsin Sales and Use Taxes Affect Your Operations? (4/04)
- 227 E-file Sales Tax returns with S.I.P. (3/01)
- 228 Temporary Events (6/06)
- 229 Brackets for Collecting Wisconsin Sales or Use Tax on Retail Sales (6/06)
- 230 Sales and Use Tax Information for Sellers of Antiques, Crafts, and Artwork (12/02)

Excise Tax

- AB-103 Alcohol Beverage Tax Information (7/05)
- MF-106 Alternate Fuel Tax Information (3/06)
- MF-107 Motor Vehicle Fuel Tax Information (3/06)
- MF-108 General Aviation Fuel Tax Information (3/06)
- 302 Wisconsin Alcohol Beverage and Tobacco Laws for Retailers (4/06)

Other Taxes and Credits

- 127 Wisconsin Homestead Credit Situations and Solutions (12/05)
- 400 Wisconsin's Recycling Surcharge (12/05)

- 403* Premier Resort Area Tax (7/06)
- 410 Local Exposition Taxes (3/06)
- 503 Wisconsin Farmland Preservation Credit (12/05)
- 508 Wisconsin Tax Requirements Relating to Nonresident Entertainers (3/05)
- W-166 Wisconsin Employer's Withholding Tax Guide (2/04)

Audits and Appeals

- 501 Field Audit of Wisconsin Tax Returns (2/04)
- 505 Taxpayers' Appeal Rights of Office Audit Adjustments (12/04)
- 506 Taxpayers' Appeal Rights of Field Audit Adjustments (10/03)
- 507 How to Appeal to the Tax Appeals Commission (6/03)
- 515 Non-Statistical Sampling (2/06)

Other Topics

- 111 How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (2/01)
- 114* Your Wisconsin Taxpayer Bill of Rights (10/06)
- 115 2006 Handbook for Federal/State Electronic Filing (11/05)
- 117* Guide to Wisconsin Information Returns (11/06)
- 124* Petition for Compromise of Taxes (8/06)
- 130 Fax A Form (2/06)
- 401 Extensions of Time to File (1/06)
- 405 Wisconsin Taxation of Native Americans (12/01)
- 500 Tax Guide for Wisconsin Political Organizations and Candidates (12/03)
- 502 Directory of Wisconsin Tax Publications (11/03)
- 504 Directory for Wisconsin Department of Revenue (2/05)
- 509 Filing Wage Statements and Information Returns on Magnetic Media or by Electronic Transmission (11/04)
- 700 Speakers Bureau presenting . . . (1/06) [🔗](#)



Administrative Rules in Process

Listed below are administrative rules that are currently in the rule promulgation process. The rules are shown at their stage in the process as of November 1, 2006, and at each step where action occurred during the period from July 1, 2006, through November 1, 2006.

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 order up-to-date administrative rules of the Department of Revenue, you can use the order blank on page 52 of this Bulletin to order the Tax section of the Wisconsin Administrative Code.

Sent to Legislative Council Rules Clearinghouse

- 1.15 Enforcement of rules and guidelines as they apply to a small business – NR
- 9.70 Cigarette and tobacco products tax bad debt deductions – NR

Reviewed by Legislative Council Rules Clearinghouse

- 1.15 Enforcement of rules and guidelines as they apply to a small business – NR
- 9.70 Cigarette and tobacco products tax bad debt deductions – NR

Sent to Revisor for Publication of Notice (published July 31, 2006)

- 1.15 Enforcement of rules and guidelines as they apply to a small business – NR
- 2.39 Apportionment method – A

Public Hearing Held (August 14, 2006)

- 1.15 Enforcement of rules and guidelines as they apply to a small business – NR
- 2.39 Apportionment method – A

Sent for Legislative Committee Review

- 1.15 Enforcement of rules and guidelines as they apply to a small business – NR
- 2.39 Apportionment method – A
- 8.63 Liquor wholesaler warehouse facilities – NR

Adopted but Not Yet Effective (anticipated effective date December 1, 2006)

- 1.15 Enforcement of rules and guidelines as they apply to a small business – NR
- 2.39 Apportionment method – A

Adopted and in Effect (October 1, 2006)

- 8.63 Liquor wholesaler warehouse facilities – NR

Additional information concerning the rule that has been adopted and is effective October 1, 2006 may be found in the article below titled “Recently Created Rule Summarized”. [↗](#)

Recently Created Rule Summarized

Summarized below is information regarding an administrative rule created effective October 1, 2006. Included is information relating to Tax 8.63, relating to liquor wholesaler warehouse facilities. In addition to a summary of the rule, the text of the rule is reproduced.

To order up-to-date administrative rules of the department, you can use the order blank that appears on page 52 of this Bulletin to obtain the Tax section of the Wisconsin Administrative Code.

Tax 8.63 Liquor wholesaler warehouse facilities. This rule requires that a liquor wholesaler warehouse facility described in a wholesalers’ permit be a minimum of 4,000 square feet of floor space and be located in a free-standing building that is not part of or connected to a

liquor retailer facility. It also requires permit-holding liquor wholesalers to retain invoices of their liquor purchases and complete a monthly inventory of their liquor stock. The invoices and inventory records must be kept at the warehouse facility described in the permit for two years, and must be open to inspection at all reasonable times by any representative of the department.

In addition to the requirements concerning liquor wholesaler warehouse facilities and liquor wholesalers, the rule requires the department to conduct a site inspection of the warehouse facility and a background investigation of the applicant before issuing a wholesalers’ permit. It also requires the department to conduct periodic site inspections of warehouse facilities described in wholesalers’ permits. Applications for wholesalers’ permits must be processed by and site

inspections of warehouse facilities must be conducted by department personnel generally familiar with the activities of liquor wholesalers.

The text of Tax 8.63 is as follows:

Tax 8.63 Liquor wholesaler warehouse facilities.

(1) **MINIMUM REQUIREMENTS FOR WAREHOUSE FACILITIES.** The premises described in a permit issued under s. 125.54, Stats., shall be a minimum of 4,000 square feet of floor space and shall be located in a free-standing building that is not part of or connected to a premises covered by a retail license or permit issued under s. 125.51, Stats.

(2) **PURCHASES BY A WHOLESALER.** Every permittee under s. 125.54, Stats., shall retain invoices covering all purchases of intoxicating liquor stored at the premises described in the permit for a period of 2 years from the date of the invoice. Such invoices shall be retained on the premises described in the permit and shall be open to inspection at all reasonable times by any representative of the department.

(3) **INVENTORY RECORDS.** Every permittee under s. 125.54, Stats., shall complete a written inventory listing the entire stock of intoxicating liquor stored at the premises described in the permit as of the close of business on the last day of every month. A copy of the inventory listing shall be retained on the premises described in the permit for 2 years from the date the inventory is completed and shall be open to inspection at all reasonable times by any representative of the department.

(4) **INSPECTIONS OF WAREHOUSE FACILITIES.** Before issuing a permit under s. 125.54, Stats., the department shall conduct a site inspection of the premises described in the permit application to determine if such premises meets the minimum requirements described in sub. (1). The department shall also conduct periodic site inspections of premises described in permits issued under s. 125.54, Stats. Site inspections shall be conducted by department personnel generally familiar with activities of intoxicating liquor wholesalers.

(5) **BACKGROUND INVESTIGATIONS OF APPLICANTS.** Before issuing a permit under s. 125.54, Stats., the department shall conduct a background investigation to determine that the applicant is qualified to hold the permit. The background investigation shall be limited to obtaining information that is necessary to enable the department to verify that the applicant meets the eligibility requirements described in s. 125.54 (2), Stats.

(6) **PROCESSING OF PERMITS BY THE DEPARTMENT.** All applications for issuance or renewal of permits under s. 125.54, Stats., shall be processed by department personnel generally familiar with activities of intoxicating liquor wholesalers. The issuance and renewal of permits shall be done in coordination with the enforcement of the requirements of s. 125.54 (7), Stats., including the inspections under sub. (4) and the background investigations under sub. (5).

Note: Section Tax 2.99 interprets s. 125.54 (7), Stats.

Note: Section 125.54 (7), Stats., was created by 2005 Wis. Act 25, effective July 27, 2005. [§](#)



Enforcement Report

U.S. Attorney Announces Conviction for Tax Fraud

Erik C. Peterson, United States Attorney for the Western District of Wisconsin, announced in July 2006 that You Bin Yang, 30, and You Lin Yang, 32, of Las Vegas, Nevada, and formerly of Eau Claire, Wisconsin, were each sentenced by U.S. District Judge John C. Shabaz to 34 months in prison for conspiracy to commit income tax fraud and conspiracy to structure financial transactions. They pleaded guilty to these charges in May 2006.

Their terms of imprisonment are to be followed by a 3-year period of supervised release. In addition, they were each ordered to pay a \$60,000 fine and were ordered jointly and severally liable for a money judgement in the amount of \$366,800, representing the amount of money they illegally structured. The defendants' father was also indicted, but remains a fugitive.

The Yangs owned and operated the China Buffet restaurant in Eau Claire, Wisconsin, from 1997 to September 2004. During this time frame, the defendants conspired to defraud the Internal Revenue Service (IRS) of taxes by committing numerous acts, including:

- Making daily bank deposits into the China Buffet business bank account at Royal Credit Union, located near the restaurant. The defendants deposited the receipts from credit cards and checks into the China Buffet bank account. The defendants failed, however, to deposit any of the cash receipts from China Buffet into the business bank account. Cash receipts accounted for over 65% of the total business receipts for China Buffet. Instead, the defendants brought cash to the credit union and asked the tellers to convert the cash into larger bills (e.g., \$50 and \$100 bills).
- The defendants evaded paying \$761,457 in federal income taxes for the years 1997 to 2001.
- The defendants filed false sales tax returns with the State of Wisconsin that did not include cash receipts.
- The defendants reported the same gross receipts numbers on the China Buffet federal income tax returns, Schedule C, as they had reported to the State of Wisconsin on the state sales tax returns. The state and federal returns for gross receipts matched; both failed to include any cash receipts. For the years 1997 through 2001, the defendants underreported over \$2,600,000 in gross receipts for China Buffet to the IRS.
- Every month the defendants would phone in the false gross receipts numbers to their accountants in New York.
- The defendants would sometimes not use the cash register at China Buffet and handle the customer sales by hand. If the customer asked for a receipt, the defendants would give the customer their food bill back stamped with a China Buffet stamp, rather than keep the copy for their records.
- The defendants hired illegal aliens to work at China Buffet. The defendants failed to report the wages for these illegal aliens to the IRS, and did not pay the employment taxes associated with these wages.
- On the federal tax returns, Schedule C, for China Buffet, the defendants reported false “cost of goods sold” figures that were lower than the actual costs in order to make sure the ratio between gross receipts and “cost of goods sold” did not appear abnormal and draw attention to the cash skim.
- The defendants threw away numerous business and tax records relating to China Buffet for the years 1999-2003. The defendants put the records in dumpsters after having been contacted by IRS agents one day prior and informed that they were all subjects of a criminal tax investigation.

The charges against the defendants are the result of an investigation conducted by the Eau Claire Police Department, the Wisconsin Department of Revenue – Criminal Investigation Division, Eau Claire office, and the Internal Revenue Service – Criminal Investigation Division, Eau Claire office. Prosecution of the case has been handled by Assistant U.S. Attorneys Daniel J. Graber and Elizabeth Altman. [☞](#)

Refund Interception Program Continues to Grow

The fiscal year ending June 30, 2006, saw continued growth for the Wisconsin Department of Revenue’s refund interception program for state agencies and local governments. The program brought in more than \$40 million for the 444 state, federal, county, and municipal agencies that participated in the program, up 18% from last year, while enrollment increased by 45%.

First authorized in the early 1980’s, the program was initiated to allow the department to intercept state tax refunds and refundable credits for debts owed to other state agencies. The program, later expanded to include local governments and the IRS, replaced the original modem-based information exchange system with an Internet-based application that made data exchange considerably easier. This change in technology, as well

as other modifications, resulted in tremendous growth for the program, and new agencies continue to enroll at a steady pace.

The program underwent a complete facelift in August 2006, making participation even easier and more efficient. Participating agencies now have increased reporting options and more “user friendly” information displays. Additionally, the updated technology architecture behind the program has eliminated system limitations and made administration of the program easier for both the Department of Revenue and the agencies.

For more information about the refund interception program, please contact the department at (608) 266-8517, or via e-mail at trip@dor.state.wi.us. [☞](#)



Tax Return Donations for 2006

The 2005 Wisconsin income tax returns included lines for taxpayers to designate donations to the Endangered Resources Fund, the Packers football stadium, breast cancer research, and a veterans trust fund. This article summarizes the amounts donated by taxpayers for the period July 2005 through June 2006 (primarily 2005 returns) and how the donations will be used.

Endangered Resources Donations

Donations of \$483,590 will be used to support the preservation and management of over 200 endangered and threatened Wisconsin plants and animals and our finest remaining examples of prairies, forests, and wetlands.

Magnetic Media/Electronic Filing Required for Some Forms

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

- Comparable wage statements or information returns are required to be filed on magnetic media or electronically with the Internal Revenue Service or Social Security Administration.

Packers Football Stadium Donations

Donations of \$63,286 will be used for maintenance and operating costs of the professional football stadium in Green Bay.

Breast Cancer Research Donations

Donations of \$280,275 will be divided equally between the Medical College of Wisconsin, Inc., and the University of Wisconsin Comprehensive Cancer Center for breast cancer research projects.

Veterans Trust Fund Donations

Donations of \$129,908 will be used by the Wisconsin Department of Veterans Affairs for the benefit of veterans or their dependents. [↗](#)

- The income on the form is required to be reported to Wisconsin.
- 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 or by Electronic Transmission*, provides more information about magnetic media and electronic filing. For information about how to obtain this publication, see the article titled “Tax Publications Available” on page 15 of this Bulletin. [↗](#)