

Wisconsin TAX BULLETIN

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Wisconsin Tax Forms, Streamlined Await Budget Bill

As of when this issue of the *Wisconsin Tax Bulletin* went to print, the Governor's 2007-2009 Budget Bill and other bills affecting Wisconsin taxes were still pending. This includes provisions affecting many Wisconsin tax forms, as well as those necessary for Wisconsin to conform to the provisions of the Streamlined Sales and Use Tax Agreement.

As draft and final versions of Wisconsin tax forms become available, they will be posted to the department's website at www.revenue.wi.gov. Additionally, the provisions of the Governor's 2007-2009 Budget Bill and any other pending bills affecting Wisconsin taxes that become law will be published in a special issue of the *Wisconsin Tax Bulletin*. [↗](#)

Annual Fall Tax Practitioner Meetings to be Held in November

The Wisconsin Department of Revenue (DOR) will be holding a series of tax practitioner meetings in November. The purpose of the meetings is to provide information about processing and tax law changes for the 2008 tax processing season. The meetings also provide a forum for tax practitioners to provide feedback to tax administrators. All interested tax practitioners are invited. All of the meetings begin at 9:00 a.m., and will be held at the DOR offices in Green Bay, Wisconsin Rapids, Eau Claire, Madison, and Waukesha.

Monday, November 5, 2007
200 N. Jefferson Street
Green Bay, WI 54301

Thursday, November 8, 2007
1681 Second Avenue, S.
Wisconsin Rapids, WI 54495

Friday, November 9, 2007
718 W. Clairemont Avenue
Eau Claire, WI 54701

Monday, November 12, 2007
2135 Rimrock Road, Events Room
Madison, WI 53713

Thursday, November 15, 2007
141 N.W. Barstow
Waukesha, WI 53188

**2007
Tax
Filing**

Season at a Glance

Number of returns

2,794,839

2006 returns – 2,715,373

Number of refunds

2.1 million

Electronic filing

Fed/State E-file

Preparer 1,243,775 - up 7%

Taxpayer 382,259 - up 12%

TeleFile 39,894 -down 1%

FreeFile 91,303 -down 8%

Total* 1,757,231 -up 7%

* 66% of original 2006 returns filed



Please consider attending one of the meetings listed above. To RSVP, send an e-mail to DORTax-Practitioner@revenue.wi.gov indicating the session you are interested in attending. A confirmation acknowledgement and agenda will be e-mailed to you prior to the meeting. [↗](#)

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Wisconsin Tax Relief for Flood Victims

Fourteen Wisconsin counties were officially declared an "IRS Designated Disaster Area" since storms in late August. The affected counties are Columbia, Crawford, Dane, Grant, Green, Iowa, Jefferson, Kenosha, La Crosse, Racine, Richland, Rock, Sauk, and Vernon. Affected taxpayers in these counties will qualify for federal tax relief. If the Federal Emergency Management Agency (FEMA) or the President declares additional counties eligible for assistance, the relief provisions described below will also apply to affected taxpayers in those counties.

"Affected taxpayers" include taxpayers whose principal residence or principal place of business is located in the IRS Designated Disaster Area, taxpayers whose books or tax records or whose tax professionals' offices are located in the IRS Designated Disaster Area, and relief workers affiliated with a recognized government or philanthropic organization assisting with the relief activities in the IRS Designated Disaster Area.

For income tax returns of taxpayers other than corporations, affected taxpayers have until November 15, 2007, to file their return for the tax year 2006 for both federal and Wisconsin purposes. When filing the Wisconsin income tax return with the extension to November 15, 2007, taxpayers should enter the numbers "03" in the Special Conditions box on the front of the return and write "Wisconsin flooding" on the line provided.

For federal income tax returns of corporations, affected taxpayers that have an extended return due date or original return due date that falls on or after August 18, 2007, and before November 15, 2007, are granted an extension of time to file. These corporations are allowed an additional 30 days beyond November 15, 2007, to file their corresponding Wisconsin income or franchise tax returns. Corporations using the federal extension due to flooding should write "Wisconsin flooding" in the area above the heading on page one of their tax form.

(continued on page 3)

Wisconsin Tax Bulletin

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Wisconsin Tax Relief for Flood Victims (continued from page 2)

It is important to note that although the taxpayer is allowed additional time to file the Wisconsin return, interest at the rate of 1% per month from the original unextended due date will apply to any tax due with the return. Per sec. 71.82, Wis. Stats. (2005-06), Wisconsin must charge interest from the original due date of the return.

For sales and use tax returns, reports, and payments for reporting periods with a due date that falls on or after August 18, 2007, and before November 15, 2007, an affected taxpayer may request a 30-day extension of

time to file sales and use tax returns or reports. Requests for an extension should be sent to:

Registration Unit
Wisconsin Department of Revenue
P.O. Box 8949
Madison, WI 53708-8949

Any tax not paid by the unextended due date of the return or report will be subject to interest at the rate of 1% per month until paid (within the 30-day extension period). Taxes not paid by the extended due date will be subject to interest at the rate of 1.5% per month from the extended due date until paid. [☞](#)



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. [☞](#)

E-Mail News Available

Did you know that you can receive news from the Wisconsin Department of Revenue (DOR) and the Internal Revenue Service (IRS) on a wide variety of subjects, sent directly to you through the speed and convenience of e-mail? These news services are free of charge, and are available by subscription through the DOR and IRS websites.

DOR has several electronic mailing lists available to the public, the most recent addition of which is the Wisconsin and U.S. quarterly economic outlook. This mailing list provides quarterly and annual forecasts of income and employment; details of U.S. consumption, housing, business investment, and international trade and inflation; Wisconsin General Purpose Revenue (GPR) tax collections; and special reports. For more

information or to subscribe to any of DOR's electronic mailing lists, go to www.revenue.wi.gov/html/lists.html.

In August 2007, the IRS added the "e- News for Small Businesses" newsletter to its e-News topics. "e-News for Small Business" is distributed each Wednesday and includes reminders about upcoming deadlines, highlights of what's new at IRS.gov, tips on how businesses can remain compliant, news releases, and special announcements. For this or any other e-News subscription, visit the IRS website at www.irs.gov/newsroom/content/0,,id=103381,00.html. [☞](#)




Fax-A-Form to be Eliminated

Fax-A-Form, a method of obtaining Wisconsin forms and publications using a fax telephone, will be eliminated effective December 17, 2007.

In most cases, the instructions and retrieval codes necessary to use the Fax-A-Form system are obtained by either calling the department or accessing the department's website. It was determined that it is more

efficient to obtain forms and publications directly through these methods.

To order forms and publications by phone, call (608) 266-1961. To obtain them through the Internet, access the department's website at www.revenue.wi.gov and click on "Forms" or "Publications" to either download them or request them using the online order form. 




Reminder: Standard Mileage Rates for 2007

The optional standard mileage rates provided by the Internal Revenue Service (IRS) for 2007, for computing automobile expenses for business, charitable, medical, and moving expense purposes, also apply for Wisconsin.

For 2007 the business standard mileage rate is 48.5¢ per mile for all business miles driven. The new rate compares to a rate of 44.5¢ per mile for 2006. The 48.5¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 48.5¢ per mile is used, depreciation is considered to be allowed at 19¢ per mile for 2007, an increase from 17¢ per mile for 2006. However, no portion is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 2007 the allowable standard mileage rate for medical expense and moving expense deductions is 20¢ per mile. The new rate compares to a rate of 18¢ per mile for 2006.

For 2007 the allowable standard mileage rate for charitable use of a vehicle is 14¢ per mile, the same as was allowed for 2006. (**Note:** The increased rate for charity work related to Hurricane Katrina expired for federal purposes on December 31, 2006. This increased rate did not apply for Wisconsin purposes.) 

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.

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 John.F.Lulay@IRS.gov

or

Rick Dilley 1-608-266-2606 Richard.Dilley@revenue.wi.gov



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 “Electronic Filing/Magnetic Media Required for Some Forms” on page 10 of this Bulletin), any employer or payer may file these forms electronically through the Department of Revenue’s (DOR’s) website rather than furnishing paper copies or magnetic media.

Beginning in January of 2008, employers will be able to submit W-2 files created on the Social Security Administration’s (SSA’s) website in Portable Document Format (PDF) to DOR through its existing file transfer site at www.revenue.wi.gov/eserv/w-2.html. (Note: PDF generated W-2s that are scanned or created with any other software product cannot be accepted by DOR through this site.) Before creating W-2s, employers will need to go to SSA’s website at www.ssa.gov/employer/ and click on [Business Services Online](#) to either register or complete a phone registration to obtain a PIN and

password. There are tutorials available for the registration process (www.ssa.gov/employer/BSO%20RegSvc.pdf) and the filing process (www.ssa.gov/employer/bsotut.htm).

Employers and payers will also continue to be able to submit their W-2 and 1099 files in the EFW2 (formerly MMREF-1) format at www.revenue.wi.gov/eserv/w-2.html. No PIN or password is required to transfer files using this method. Specifications for the EFW2 format are available on SSA’s website at www.ssa.gov/employer/R07efw2.pdf. Specifications for electronic filing are outlined in Wisconsin Publication CO-001, *Annual W-2 Reporting and Annual 1099-R, 1099-MISC, and W2-G Reporting*, which is available through DOR’s website at www.revenue.wi.gov/pubs/co-001.pdf.

Employers and payers are strongly encouraged to file Forms W-2 and 1099 electronically through DOR’s secure website. Additional information concerning filing Forms W-2 and 1099 electronically may be obtained by calling (608) 267-3327 or e-mailing w2data@revenue.wi.gov. [✉](#)



Tax Return Donations for 2007

The 2006 Wisconsin income tax returns included lines for taxpayers to designate donations to the Endangered Resources Fund, the Packers football stadium, breast cancer research, a veterans trust fund, the National Multiple Sclerosis Society, a firefighters memorial, and prostate cancer research. This article summarizes the amounts donated by taxpayers for the period July 2006 through June 2007 (primarily 2006 returns) and how the donations will be used.

Endangered Resources Donations

Donations of \$410,277 will be used to protect and manage native plant and animal species, natural communities, and other natural features.

Packers Football Stadium Donations

Donations of \$58,909 will be used for maintenance and operating costs of the professional football stadium in Green Bay.

Breast Cancer Research Donations

Donations of \$228,944 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 \$102,497 will be used by the Wisconsin Department of Veterans Affairs for the benefit of veterans or their dependents.

Multiple Sclerosis Donations

Donations of \$84,956 will be forwarded to the National Multiple Sclerosis Society to be distributed to entities located in Wisconsin that operate health-related programs for people in Wisconsin with multiple sclerosis.

Firefighters Memorial Donations

Donations of \$44,206 will be used for a firefighters memorial.

Prostate Cancer Research Donations

Donations of \$80,534 will be divided equally between the Medical College of Wisconsin, Inc., and the University of Wisconsin Comprehensive Cancer Center for prostate cancer research projects. [✉](#)

Auditors Discover Over \$33 Million in Unpaid Use Tax

As part of its efforts to obtain compliance with Wisconsin use tax laws, Department of Revenue auditors assessed over \$33 million of use tax in the fiscal year ending June 30, 2007.

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 continued to find 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. Taxable transportation, gratuity, and labor charges were also found to be underreported in many cases.

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 \$33 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 \$133

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, 2008, the amount subject to use tax is increased from \$130 to \$133 per plate per month. (Note: The use tax per plate per month is not \$133. Rather, \$133 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 \$133 per plate is that sec. 77.53(1m)(a), Wis. Stats. (2005-06), 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 2006 to June 2007 was 2.69% ($\$130 \times 1.0269 = \133 rounded to the nearest whole dollar). [🔗](#)

Sales and Use Tax Report Available

The latest issue of the *Sales and Use Tax Report* became available in September. The *Sales and Use Tax Report* 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 2007 *Sales and Use Tax Report* (2-07) include:

- Motor Vehicle Dealers' Measure of Use Tax Increased to \$133;
- New Tax Laws;
- Reminder – New Exemptions That Became Effective July 1, 2007; and

- Merchandise Deliveries Across State Lines.

A copy of the Report appears on pages 21 to 24 of this Bulletin. It is also available on the Department of Revenue's website at www.revenue.wi.gov/ise/sales/07-2.pdf. [🔗](#)





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 25 of this Bulletin. The Index is also available on the department’s website 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@revenue.wi.gov or (608) 266-8253. We’d like to hear from you! 

Question and Answer ?

Caution: The answers in this article are based on laws enacted by the Wisconsin Legislature as of the date of this Bulletin. They may be subject to change based on laws enacted after that date, new administrative rules, and court decisions.


(Individual Income Tax)

Q What is a person’s reporting responsibility to the Wisconsin Department of Revenue (DOR) after the Internal Revenue Service (IRS) has made adjustments to the person’s federal income tax return?

A For adjustments that affect Wisconsin income, deductions, or credits, a person should amend his or her Wisconsin income tax return to report any adjustments made by the IRS. The amended return should be filed within 90 days after the final determination by the IRS.

Q What if a person does not timely report the federal adjustments to DOR?

A DOR has 4 years from the date of discovery of the federal adjustments to adjust the person’s Wisconsin income tax return. Generally, discovery is when DOR receives a copy of the federal assessment from the IRS. The IRS forwards to DOR on a regular basis adjustments it makes to federal income tax returns that affect Wisconsin income, deductions, and credits.

In addition to the tax that is due, interest at the rate of 12% per year will be imposed and underpayment interest and penalties may be applied. 



Integrated Tax System Implementation Continues

In the July 2007 issue of the *Wisconsin Tax Bulletin*, it was announced that in December 2007 the Wisconsin Department of Revenue's (DOR's) new computer system, the Wisconsin Processing and Audit System (WINPAS), will assume the handling of sales and use tax, business tax registration, and occasional consumer use tax. Although after this change customer accounts will continue to be identified by a 15-digit number, certain elements of some customer account numbers may change. A customer whose account number changes as a result of the December rollout should be aware of the following:

- The new number will be used on returns, letters, notices, and certificates as they are issued by WINPAS. DOR, however, will continue to recognize the old number if used on tax filings or in correspondence, as a link between the old and new number will be maintained.
- There is no need for a business customer to reissue a resale certificate to a vendor just to record a new account number. A certificate using either the old or new number is acceptable.

Additionally, after the December rollout a customer who is a fiscal year filer for income or franchise tax purposes will be able to use the same fiscal year end for purposes of their sales and use tax account. A customer wishing to make this change must send a written request to Wisconsin Department of Revenue, P. O. Box 8902, Madison, WI 53708-8902. [✉](#)

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 in lieu of inactivating your account. If your account is not inactivated in a timely manner, you may receive an estimated withholding tax assessment.
- ❑ Per Administrative Code Section Tax 2.04, the department may require an employer registered to withhold Wisconsin income tax to file the annual reconciliation (Form WT-7) electronically. The department will notify an employer 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.

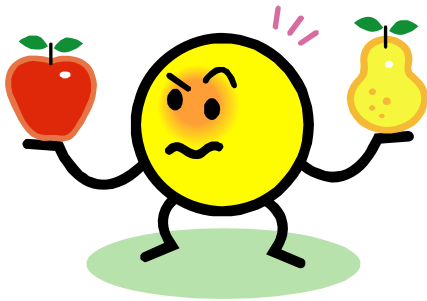
- ❑ If you can't file Form WT-7 electronically, use the department pre-printed Employers Annual Reconciliation (WT-7) form. The pre-printed form should be used whenever possible, as this form is processed through data imaging equipment and needs to be printed with specific spacing and data. [✉](#)



Income Tax Refunds Issued

The 2007 income tax processing season once again saw direct deposit refunds for electronically filed returns achieve an average of 5 days to complete. Electronic filing resulted 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 2,193,173 refunds during the fiscal year ending June 30, 2007 (primarily 2006 returns). The average refund amount was \$673.00. The average refund for 2005 returns was \$593.00. Over 877,000 direct deposit refunds from e-filed returns were issued into taxpayers' accounts.



Here are some other comparisons:

	Returns Received in 2006	Returns Received in 2007
Number of individual income tax returns	2,859,269	2,912,302
Itemized deduction credit		
% of taxpayers claiming	29%	27%
Average credit	\$668	\$782
Homestead credit		
# of claimants	222,121	217,436
Average credit	\$509	\$499
Age 65 or older	38%	40%
Renters*	63%	54%
Homeowners*	51%	48%
*some claimants were both		
Farmland preservation credit		
# of claimants	19,236	18,347
Average credit	\$670	\$668
Earned income credit		
# of claimants	236,646	234,066
Average credit	\$352	\$364
Sales/use tax payments		
Amount collected	\$1,620,105	\$1,627,508
# of payers	26,234	28,437



FreeFile Wisconsin Free-File Experiences Continued Success

Almost 92,000 taxpayers used Wisconsin Free-File (Free-File), the Department of Revenue's own electronic form and filing service, to file their 2006 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.

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. 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 website at www.revenue.wi.gov.



Electronic Filing/Magnetic Media Required for Some Forms

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

- Comparable wage statements or information returns are required to be filed electronically or on magnetic media with the Internal Revenue Service or Social Security Administration.
- The income on the form is required to be reported to Wisconsin.
- The 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. More information about filing information returns is available in Publication 117, *Guide to Wisconsin Information Returns*. Publications 509 and 117 are available on DOR's website at www.revenue.wi.gov/pubs/pb509.pdf and www.revenue.wi.gov/pubs/pb117.pdf, respectively.

Employers and payers are strongly encouraged to file wage statements and information returns electronically. See the article titled "Use the Internet to File W-2s and 1099s Electronically" on page 5 of this Bulletin. [↗](#)

Using Technology to Improve Tax Compliance

A primary goal of the Wisconsin Department of Revenue (DOR) is to ensure fair and equitable tax compliance by reasonably and justly administering Wisconsin's tax laws. Taxpayers should be confident that they are being treated fairly and paying only what is owed – no more and no less.

Most of us do the right thing – we pay our taxes. There are, however, taxpayers who don't report and pay the taxes they owe. This non-compliance creates a "tax gap" – the total amount of taxes owed but not paid. DOR has built a Tax Compliance Infrastructure system to help identify taxpayers who do not comply with Wisconsin tax laws. The Tax Compliance Infrastructure system combines multiple internal and external data sources and applies business rules to identify individuals and businesses who are not filing required tax returns or underreporting their income and taxes. Additional data

sources will continue to be added to the system, making it more and more useful.

The Tax Compliance Infrastructure was designed to create a more effective technology and information environment, increasing revenue collected by using better information to direct DOR staff activity. The environment has tools available for department staff to view and analyze data in a more efficient manner. For example, the system can be used to identify shareholders of S corporations and partners of partnerships that are not filing required income tax returns. As another example, information obtained from other state agencies helps to identify businesses that are not filing franchise/income tax returns despite having employees located in Wisconsin.

The objective of the project is to increase fairness in tax administration by identifying individuals and businesses who are not complying with Wisconsin's tax laws and bringing them into compliance. [↗](#)



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* 150 (January 2007), pages 42 to 76. It includes information for issues 1 to 149 (through November 2006). [↗](#)

Electronically Filed Homestead Credit Information

The sixth year for filing homestead credit claims electronically (e-filing) saw a 7% increase over the amount of electronically filed claims for 2005. As of July 31, 2007, 101,430 claimants filed their 2006 homestead credit claims electronically, which is more than 47% of the total number of homestead credit claims filed to that point.

Approximately 93,807 (92%) of the claims filed electronically were filed through the federal/state program and 7,623 (8%) were filed using the Wisconsin Free-File fill-in-the-form website application.

Of the 101,430 e-filed homestead credit claims, 89,764 (89%) finished processing **within five business days**. The remaining 11,666 (11%) were selected for review. Of the claims selected for review, 933 (8%) needed letters for additional information, and 3,371 (29%) needed letters to obtain missing Forms W-RA 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/hcfiling.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. (**Hints:** Submitting attachments without Form W-RA causes delays. Attachments include wage statements [Forms W-2] and Forms 1099-R, original rent certificate(s), copy of 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.)
- When a homestead credit claim, either with or without an income tax return, is not electronically filed, do not include a Form W-RA. (**Hint:** When tax preparation software is used to prepare an income tax return and homestead credit claim that will be paper filed, remove the Form W-RA before mailing.)
- 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/06-2006). (**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, E, F, and federal Forms 4835 and 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.) [🔗](#)

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 website, 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.) [🔗](#)

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 151 (April 2007), pages 25 to 29.

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.dor.state.wi.us/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.

The "Guidelines for Reproduced and Substitute Tax Forms" are available on the department's website 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 2007

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

During July 2006 through June 2007 (primarily 2006 tax returns), taxpayers designated \$219,939 to the election campaign fund on their Wisconsin tax returns. This compares to \$239,879 for the prior year.

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. (**Note:** Fax-A-Form is being eliminated effective December 17, 2007. See related article on page 4 of this Bulletin.)

Via the Internet

Access the department's website 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

- | | |
|--|---|
| <p>102 Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (11/06)</p> <p>103 Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, and Trusts (11/06)</p> <p>104 Wisconsin Taxation of Military Personnel (10/06)</p> <p>106 Wisconsin Tax Information for Retirees (11/06)</p> <p>109 Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2006 (11/06)</p> <p>112 Wisconsin Estimated Tax and Estimated Surcharge for Individuals, Estates, Trusts, Corporations, Partnerships (1/06)</p> <p>113 Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (11/06)</p> | <p>116 Income Tax Payments are Due Throughout the Year (1/06)</p> <p>119 Limited Liability Companies (LLCs) (12/06)</p> <p>120 Net Operating Losses for Individuals, Estates, and Trusts (11/06)</p> <p>121 Reciprocity (10/06)</p> <p>122 Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 2004 (11/06)</p> <p>123 Business Tax Credits for 2006 (12/06)</p> <p>125 Credit for Tax Paid to Another State (11/06)</p> <p>126 How Your Retirement Benefits Are Taxed (11/06)</p> <p>600 Wisconsin Taxation of Lottery Winnings (12/03)</p> <p>601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (1/02)</p> |
|--|---|

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? (4/07)
- 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? (7/07)
- 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 (2/07)
- 229 Brackets for Collecting Wisconsin Sales or Use Tax on Retail Sales (2/07)
- 230 Sales and Use Tax Information for Sellers of Antiques, Crafts, and Artwork (12/02)

Excise Tax

- AB-103 Alcohol Beverage Tax Information (12/06)
- 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 (3/07)

Other Taxes and Credits

- 127 Wisconsin Homestead Credit Situations and Solutions (12/06)
- 400 Wisconsin's Recycling Surcharge (12/06)

- 403 Premier Resort Area Tax (7/06)
- 410 Local Exposition Taxes (3/06)
- 503 Wisconsin Farmland Preservation Credit (12/06)
- 508 Wisconsin Tax Requirements Relating to Nonresident Entertainers (3/07)
- 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 (11/06)
- 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 (8/07)
- 115 2007 Handbook for Federal/State Electronic Filing (11/06)
- 117 Guide to Wisconsin Information Returns (11/06)
- 124 Petition for Compromise of Taxes (8/06)
- 130 Fax A Form (1/07)
- 401 Extensions of Time to File (3/07)
- 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 (3/07)
- 504 Directory for Wisconsin Department of Revenue (2/05)
- 509 Filing Wage Statements and Information Returns on Magnetic Media or by Electronic Transmission (12/06)
- 700 Speakers Bureau presenting . . . (1/06) [🔗](#)

Refund Interception Program Continues to Grow

The Tax Refund Interception Program, also known as TRIP, allows the Wisconsin Department of Revenue (DOR) to intercept state tax refunds and refundable credits for debts owed to other state agencies, counties, and municipalities. DOR also intercepts refunds for debts owed to the Internal Revenue Service.

The fiscal year ending June 30, 2007 again saw growth for TRIP. Collections increased by 1.42%, to \$41,206,000. The number of state agencies, counties, and municipalities enrolled in the program increased by 48.4%, to 659.

In addition, the Vendor Setoff Program was recently implemented. This program, authorized by 2005 Act 25, allows DOR to certify the debt of a vendor to the Department of Administration. A vendor is defined under sec. 73.12(1)(b), Wis. Stats., as "a person providing goods or services to this state." A vendor who owes a debt to a state agency, county, or municipality may have their payment reduced by the amount of the debt. A \$5.00 administrative fee is charged to the vendor for each amount that is intercepted from their payment, at the time the interception(s) occur. A vendor will be notified in advance by the state agency, county, or municipality that their debt may be certified. [Go](#)

Enforcement Report

Madison Woman Sentenced in Dane County Circuit Court

Angela D. Roloff, 31, of Madison was sentenced in June 2007 by Dane County Circuit Court Judge Patrick J. Fiedler. Ms. Roloff was found guilty on two felony counts of theft in a business setting, one felony count of misconduct in office, and one felony count of filing a fraudulent state income tax return. The criminal charges were brought by the Dane County District Attorney's Office after an investigation by the City of Madison Police Department and the Fraud Unit of the Wisconsin Department of Revenue.

According to the complaint, Ms. Roloff was the Monona Terrace Community Relations Manager and embezzled over \$100,000 from the Friends of Monona Terrace and the City of Madison from 2001 through 2006. Ms. Roloff wrote checks to herself and charged personal items to a purchasing card.

Judge Fiedler withheld sentence and gave Ms. Roloff five years probation. As a condition of probation, Ms. Roloff was ordered to serve three months in jail with Huber privileges, complete 50 hours of community service for each year of probation, make restitution, pay court costs, maintain full employment, and continue to receive counseling.

According to the complaint, Hoffman filed Wisconsin income tax returns on which he reported \$0 tax liability on \$0 income. He attached correspondence to the returns in which he argued that the Internal Revenue Code does not define income nor establish an income tax liability and does not state that wages, salaries, or compensation for personal services are taxable income.

The complaint alleges that in the four years 2002 through 2005, Hoffman worked as a construction contractor and earned gross income of \$41,125, \$84,805, \$73,248, and \$101,906, respectively.

Hoffman worked for two Wisconsin companies in 2002. Midwest Siding and Windows issued a Form 1099 to Hoffman which reported income of \$16,047. Cover-All of Wisconsin issued a 1099 to Hoffman reporting \$25,078 of income. For the years 2003 through 2005, Hoffman's income was reported to him on Forms 1099 from Cover-All. The complaint states that Hoffman evaded Wisconsin income tax in excess of \$17,000 for the four years.

Information in the complaint disclosed that Hoffman filed a typical Wisconsin income tax return for the year 1999 as proof that Hoffman was aware of the requirement to file and how to correctly file.

The charges are the result of an investigation by the Wisconsin Department of Revenue's Criminal Investigation Section. If convicted on all counts, Hoffman faces 24 years in prison and \$40,000 in fines.

Contractor Charged With Tax Fraud

Shawn M. Hoffman, 36, of Stratford was charged in July 2007 by the Marathon County District Attorney's Office with four felony counts of filing fraudulent Wisconsin income tax returns.

Minnesota Woman Sentenced for Wisconsin Tax Crimes

In August 2007, Amy James Shanaa of Blaine, Minnesota was fined \$4,000 in Dane County Circuit Court after pleading guilty to criminal charges of failure to file state tax returns for corporations that operated retail cigarette stores in Wisconsin.

Shanaa was the fourth person charged in the “Tobacco Deals” scheme which bilked the State out of \$1.2 million in sales tax monies between 1998 and 2002.

Shanaa’s husband, Ali, and his brother, Assem, were both convicted and sentenced to prison terms in March 2006 for their part in the theft. Wissam Mohammad Mehdi was also charged in March 2006. An arrest warrant has been issued against Mehdi since authorities believe he has left the country.

Between 1998 and 2002, the family set up 11 retail cigarette stores in several Wisconsin cities including Madison, Milwaukee, and Janesville. During these years

they falsified monthly sales tax returns and skimmed off an estimated \$1.2 million in sales tax monies while operating under seven different corporate names and using eleven different bank accounts.

Department of Revenue investigators traced over \$300,000 that was transferred to an account at the Bank of Beirut in Lebanon between 2000 and 2002.

Shanaa stated that while she did not take part in the daily operation of the businesses, she let her name be used in conjunction with the corporations. According to the criminal complaint filed on June 29, 2007, Shanaa opened the first bank account for the business in 1998, signed the applications for several of the state seller’s permits, and was listed as president of the various corporations on the bank signature cards.

Failure to file state income tax or corporate income or franchise tax returns is a misdemeanor, punishable by imprisonment of up to nine months, a fine up to \$10,000, or both. [§ 77.01](#)



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 October 1, 2007, and at each step where action occurred during the period from July 1, 2007, through October 1, 2007.

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 (DOR), you can use the order blank on page 25 of this Bulletin to order the Tax section of the Wisconsin Administrative Code.

Information concerning administrative rules of DOR, as well as other state agencies, is also available at <https://apps4.dhfs.state.wi.us/admrules/public/Home>. At this website you can:

- search for rules,
- view the status of current rulemaking,
- view documents associated with rulemaking,
- submit and view comments on rules, and

- subscribe to receive notification of rulemaking.

A link to this site is also available on DOR’s website at www.revenue.wi.gov. Click on “Practitioners” and then “Text and Status of Proposed Rules.”

Scope Statement Published

- 2.49 Apportionment of apportionable income of interstate financial institutions – A (published August 31, 2007)
- 2.505 Apportionment of net business income of interstate professional sports clubs – A (published July 15, 2007)

Sent for Legislative Committee Review

- 1.12 Electronic funds transfer – A

Adopted but Not Yet Effective (anticipated effective date November 1, 2007)

- 1.12 Electronic funds transfer – A

Additional information concerning the rule that has been adopted and is anticipated to be effective November 1, 2007 may be found in the article titled “Recently Adopted Rule Summarized” on page 19 of this Bulletin.



Recently Adopted Rule Summarized

Summarized below is information regarding a rule that has been revised. Included is information concerning Tax 1.12, relating to electronic funds transfer (EFT). It is anticipated that the effective date of the revisions will be November 1, 2007.

In addition to a summary of the changes to the rule, the text of the revisions to the rule is reproduced. In the amendments, material lined through (~~lined through~~) represents deleted text, and underscored (underscored) material represents new text.

To order up-to-date administrative rules of the department, you can use the order blank that appears on page 25 of this Bulletin to obtain the Tax section of the Wisconsin Administrative Code.

Tax 1.12 Electronic funds transfer. This rule order creates a provision specifying that withholding payments by an employer of the delinquent tax of an employee (also known as wage certification payments) are required to be made by electronic funds transfer (EFT). It also updates notes to provide current contact information for the department's EFT Unit.

The text of the revisions to Tax 1.12 is as follows:

SECTION 1. Tax 1.12(1), (2), (3)(g), and (4)(a)(intro.) are amended to read:

Tax 1.12(1). SCOPE. This section applies to any person who is required to or elects to pay or deposit taxes ~~or~~ fees, or other amounts by electronic funds transfer, or "EFT."

Tax 1.12(2). PURPOSE. The purpose of this section is to specify which taxes ~~and~~ fees, and other amounts are required to be paid or deposited using the EFT payment method, to provide that certain persons not required to use the EFT payment method may elect to do so and to explain the procedures for using EFT.

Tax 1.12(3)(g). "Payer" means any person who is required to or elects to pay or deposit taxes ~~or~~ fees, or other amounts by electronic funds transfer.

Tax 1.12(4)(a)(intro.). Except as provided in sub. (11), the department requires a person who owes taxes ~~and~~ fees, and other amounts as described in subds. 1. to ~~13.~~ 14. to pay or deposit the taxes ~~and~~ fees, and other amounts using the EFT payment method. The following taxes ~~and~~ fees, and other amounts are included in the EFT payment requirement:

SECTION 2. Tax 1.12(4)(a)14. is created to read:

Withholding by an employer of the delinquent tax of an employee under s. 71.91(7), Stats.

SECTION 3. Tax 1.12(4)(b) is amended to read:

Tax 1.12(4)(b). Any person not required to use the EFT payment method under par. (a) may elect to use the EFT payment method to pay or deposit the taxes ~~or~~ fees, or other amounts specified in par. (a).

Note to Revisor: Replace the note at the end of Tax 1.12(6)(a) with the following:

Note: A request for an EFT registration packet may be made by calling the department's EFT unit at (608) 264-9918; by writing to EFT Unit, Wisconsin Department of Revenue, P.O. Box 8949, Madison WI 53708-8949; or by submitting an online form via the department's website at www.revenue.wi.gov.

SECTION 4. Tax 1.12(7)(intro.) is amended to read:

Tax 1.12(7)(intro.). EFT PAYMENT PROCEDURES. EFT payments or deposits shall be credited by the department directly to the payer's tax account or, for amounts described in sub. (4)(a)14., to the employee's delinquent tax account. The payer may use the ACH debit or ACH credit transfer option, or both, as follows:

Notes to Revisor: Replace the note at the end of Tax 1.12(7)(a) with the following:

Note: Written requests for department approval of another ACH debit transfer method should be addressed to EFT Unit, Wisconsin Department of Revenue, P.O. Box 8949, Madison WI 53708-8949.

Replace the note at the end of Tax 1.12(11)(a)1. with the following:

Note: Written waiver requests should be addressed to EFT Unit, Wisconsin Department of Revenue, P.O. Box 8949, Madison WI 53708-8949.

[↩](#)



Report on Litigation

Summarized below are recent significant Wisconsin Tax Appeals Commission (WTAC) and Wisconsin Court decisions. The last paragraph of each decision indicates whether the case has been appealed to a higher Court.

The following decision is included:

Individual Income Taxes

Gambling losses

Dennis C. and Jacqueline S. Mahoney..... 20

INDIVIDUAL INCOME TAXES



Gambling losses. *Dennis C. and Jacqueline S. Mahoney vs. Wisconsin Department of Revenue* (Wisconsin Tax Appeals Commission, June 6, 2007). The issue in this case is whether the department properly disallowed the deduction for gambling losses claimed by the taxpayer.

The taxpayers filed a Wisconsin income tax return for 2003, which included the federal income tax return for the year at issue. The federal income tax return reported \$50,521 of winnings from gambling activities as “other income” on line 21 of Form 1040. \$50,521 of losses from gambling activities were reported as “other miscellaneous deductions...gambling losses” on line 27 of Schedule A. The Wisconsin Form 1 filed by the taxpayers reported the winnings from gambling activities as part of line 1, “Federal adjusted gross income,” and the losses from gambling activities as an “other subtraction” on line 11.

By notice dated December 21, 2004, the department issued an income tax assessment against the taxpayers disallowing the deduction for gambling losses claimed on the 2003 Wisconsin income tax return. The taxpayers filed a timely petition for redetermination of the department’s assessment, which was denied by the department by notice dated August 8, 2005. The taxpayers filed a timely petition for review with the Commission on September 20, 2005.

The taxpayers argued that although the gambling losses could not be deducted as a miscellaneous itemized deduction for Wisconsin income tax purposes, they could be subtracted from federal adjusted gross income under sec. 71.05(6)(b)5, Wis. Stats. This statute permits a tax-

payer to subtract from his or her federal adjusted gross income “[a]ny amounts that are recoveries of federal itemized deductions for which no tax benefit was received for Wisconsin purposes.”

The Commission concluded that the taxpayers failed to demonstrate that sec. 71.05(6)(b)5, Wis. Stats., allows a deduction for gambling losses and failed to show that the department’s assessment was in error. The plain meaning of sec. 71.05(6)(b)5, Wis. Stats., does not support the taxpayers interpretation. Under this statute, the recovery amount must be “included in federal taxable or adjusted gross income.” In other words, the taxpayer must already have recovered it, not simply be *seeking* to recover it. The taxpayer’s federal adjusted gross income does not include a recovery amount, as required by sec. 71.05(6)(b)5, Wis. Stats., because they have received no recovery amount to include.

The Internal Revenue Service also defines “recoveries,” and this definition does not include gambling losses for the current year. Viewed in this context, it is clear that sec. 71.05(6)(b)5, Wis. Stats., is designed to address a recovery amount received with respect to a prior tax year, not a recovery amount one is seeking for the same tax year during which the taxpayer took a federal deduction for that same item.

The taxpayers have appealed this decision to the Circuit Court. [↗](#)