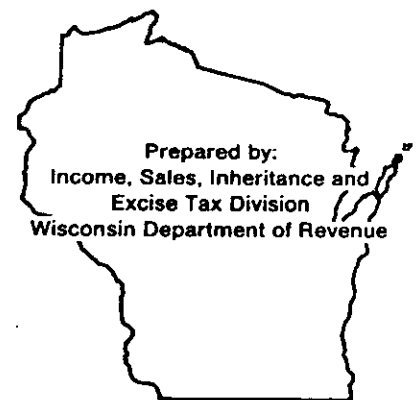


WISCONSIN TAX BULLETIN

December 1989
NUMBER 64

Subscriptions available from:

Wisconsin Department of
Administration
Document Sales
P.O. Box 7840
Madison, WI 53707
Annual cost \$5.00



QUICK REFUND PROGRAM FOR 1989 INCOME TAX RETURNS

"State tax refund checks will be mailed to thousands of Wisconsin tax filers in as little as two weeks," according to State Revenue Secretary Mark D. Bugher.

Qualifying 1, 1A, and WI-Z forms mailed to a special post office box before April 1, 1990, will be processed through a new Quick Refund Program designed to dramatically reduce the time required to issue a tax refund check. "We understand how important tax refund checks are and we know that long delays contribute to an overall negative impression that people have of the government. Reducing the wait for a refund check from as long as 8 weeks to as little as 2 weeks is a service improvement that I know taxpayers will understand and appreciate."

Bugher indicated that based on past filing experience, about 380,000 tax filers will receive Quick Refunds. The state issues 1.7 million refund checks annually. "Over 1.2 million taxpayers could qualify for Quick Refunds, but in order to participate they will have to change their tax filing habits. The most important change would be to file earlier. Each year, a growing percentage of filers mail their returns at the last minute. This influx of returns has resulted in longer processing times. Therefore, one of our central goals is to encourage people to file before April 1.

"Another step taxpayers can take is to use an unaltered pre-printed mailing label. Our

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Quick Refund Program relies on information included on the label and, therefore, it can only work for filers who use them. Finally, taxpayers will have to look at the form and instructions closely to ensure that they complete the Quick Refund claim box and mail the completed return to the correct post office box," Bugher explained.

Bugher notes that the Quick Refund Program is designed to expedite handling of the majority of tax returns that do not require special processing. This means, for example, that Quick Refunds will not be available for returns that include a Homestead Credit.

Requirements

The following are requirements that must be met for an individual to qualify for a Quick Refund:

- File a 1989 Form 1, Form 1A, or Form WI-Z on or before April 1, 1990.

- Use the department-printed mailing label and all the information on the label is unchanged.
- Have a Wisconsin address on the department-printed mailing label.
- File a signed and complete return, including all attachments.
- Have a refund due and enter that refund amount in the quick refund box on the return.
- Claim no homestead credit and owe no delinquent taxes or delinquent debts to other state agencies.
- Mail the return to Post Office Box 38, Madison, WI 53787.

Questions and Answers

Questions and answers regarding the Quick Refund Program are provided on pages 3 to 5 of this Bulletin.

FORMS CHANGES FOR 1989

Following is a brief description of the major changes to the 1989 Wisconsin individual income tax and homestead credit forms. No major changes have been made to the farmland preservation credit forms.

1. Forms 1, 1A, WI-Z, and 1NPR

- A box is added for a taxpayer to complete if he or she qualifies for a quick refund (Form 1NPR excluded). See the preceding article for more information.

- A line is added to enter the amount of the new earned income credit (Form WI-Z excluded).
- The election campaign fund contribution area is relocated.
- A line is added to enter the amount of the new farmland tax relief credit (Forms 1A and WI-Z excluded).

2. Schedule WD

- Lines are deleted and wording revised to reflect that the long-term capital gain holding period for federal purposes is now the same for Wisconsin.
- A line is added to Part III clarifying that the amount of capital loss used for Wisconsin income tax purposes is limited to the smaller of:
 - (a) the net loss,
 - (b) \$500, or
 - (c) Wisconsin ordinary income.

3. Schedule H

- Lines 7a and 7c on the 1988 Schedule H have been combined for 1989.
- Railroad retirement benefits will be reported on the same line as social security benefits.
- Lines for reporting Indian income, clergy housing allowance, and resident managers' rent reduction have been moved to Schedule 1 on back of the form.
- Line 12b is new to allow for the dependent deduction.
- A line is added to Schedule 1 on back of the form to report standard mileage rate depreciation.

Copies of the 1989 Forms 1, 1A, WI-Z, and 1NPR and Schedules WD and H can be found on pages 7 to 19 of this Bulletin. Note that all the forms are final.

NEW WISCONSIN TAX LAWS

The Wisconsin Legislature passed 1989 Senate Bill 361 on November 10, 1989, which contains 3 changes to the Wisconsin tax laws. Following are brief descriptions of these tax provisions.

Note: This bill, although passed by the Wisconsin Legislature, still requires the Governor's signature to become law. More information about these provisions will be provided in the January 1990 issue of the Wisconsin Tax Bulletin.

1. Correct Definition of Wisconsin Net Operating Loss (1989 SB 361, amend sec. 71.01(14), effective for the computation of net operating losses for taxable year 1988 and thereafter.)

The amendment to sec. 71.01(14), Wis. Stats., by 1989 Wisconsin Act 31, inadvertently provided that the modifications for the farm loss carryover, recapture of development zone investment credit, and gain from the exchange of interests in marital property between a surviving spouse and distributee under secs. 71.05(6)(b)10, 11, and 12, Wis. Stats., do not reduce the federal net operating loss when computing the Wisconsin net operating loss. Therefore, it is provided that in determining the Wisconsin net operating loss for taxable year 1988 and thereafter, the federal net operating loss is reduced by the modifications provided in sec. 71.05(6)(b)10, 11, and 12, Wis. Stats.

2. Clarify Farmland Tax Relief Credit Provisions (1989 SB 361, amend secs. 71.07(3m)(a)6 and (c)2, 71.28(2m)(a)6 and (c)2, 71.47(2m)(a)6 and (c)2, and 71.52(5), effective for claims based on property taxes accrued in 1989.)

It is clarified that the 10% farmland tax relief credit first applies for property taxes levied in December 1989 (the 1989 property tax bill which is payable in 1990), and the supplemental 4.2% credit applies only to the property taxes levied in December 1989.

For purposes of computing the supplemental 4.2% farmland tax relief credit based on property taxes levied in 1989, the

maximum amount of property taxes that may be used is \$10,000 for a total supplemental credit of \$420.

3. Clarify "Same Principal Abode" Requirement for Homestead Credit Dependent Deduction (1989 SB 361, amend sec. 71.52(5), effective for claims filed in 1990 and based on property taxes accrued during 1989.)

It is clarified that for the principal abode requirement to be met for purposes of computing household income, the dependent must have the same principal abode as the claimant for more than 6 months during the year to which the claim relates.

ADDITIONAL SCHOOL PROPERTY TAX CREDIT — SUBMIT CHANGES OF ADDRESS NOW

The Wisconsin Legislature enacted a provision to increase the school property tax credits for 1987 and 1988. The 1987 school property tax credit will be increased from 6.9% to 13.4% of the first \$2,000 of property taxes or rent constituting property taxes paid during the taxable year. The 1988 school property tax credit will be increased from 8.5% to 15% of the first \$2,000 of property taxes or rent constituting property taxes paid during the taxable year.

Taxpayers are not required to file a separate claim to obtain a refund for the additional credits. The Department of Revenue will automatically issue the refund, generally in one check, in April 1990.

A refund will be mailed to the address provided on the 1988 income tax return, unless a taxpayer files a change of address with the department before January 31, 1990. Taxpayers file a change of address by providing the name(s), social security number(s), the old address, and the new address. A change of address should be mailed to the Department of Revenue, Shipping and Mailing Section, Attention: Address Change, Post Office Box 8903, Madison, Wisconsin 53708. Taxpayers may also call the department at (608) 266-8047.

QUICK REFUND PROGRAM QUESTIONS & ANSWERS

1. WHAT IS THE QUICK REFUND PROGRAM?

The quick refund program is designed to reduce the time required to issue individual income tax refunds. Qualifying taxpayers may receive their refunds in as little as two weeks after the return is received by the department. Clerical and automated tests will be performed on a return before the refunds are issued. The returns will be checked for computation errors at a later date and, if necessary, adjustment notices will be mailed.

2. HOW MANY QUICK REFUNDS WILL BE ISSUED?

More than 1.2 million taxpayers of the 1.7 million taxpayers who receive refunds each year could qualify for a quick refund. Based on past filing experience, we expect about 380,000 taxpayers to actually participate.

3. WHO BENEFITS FROM A QUICK REFUND PROGRAM?

Most taxpayers entitled to a refund will benefit. Quick refunds will be issued in as little as two weeks. The average time to process regular refunds will be reduced by one to two weeks.

4. WHO QUALIFIES FOR A QUICK REFUND?

Full year Wisconsin residents who:

- File an original current year income tax return which is received by the department with a postmark on or before April 1.
- Use Form 1, Form 1A or Form WI-Z
- Do not file a homestead credit claim (Schedule H)
- Claim a refund and enter the refund amount in the quick refund box
- Use the department printed label and all the information on the label is unchanged
- Attach required withholding statements
- Attach a Form 1040 if filing a Form 1
- Sign and mail the return to the quick refund box, i.e., P. O. Box 38, Madison, WI, 53787
- Owe no delinquent taxes or other state agency debts.

Part-year residents and nonresidents (Form 1NPR), persons claiming homestead credit (Schedule H), and fiduciaries (Form 2) will not qualify.

5. WHY AREN'T ALL REFUND RETURNS INCLUDED IN THE QUICK REFUND PROGRAM?

- Returns with department printed labels require less data entry and, therefore, can be processed faster and at less cost.
- Homestead credit claims, part-year resident and nonresident returns, and fiduciary returns require additional review before checks can be issued.
- Refund returns filed by taxpayers owing delinquent taxes or other state agency debts require additional review. The delinquent tax or other state agency debt must be paid before a refund can be issued.
- The volume of returns received after April 1 does not permit special attention to refund returns.

6. WHY ARE RETURNS OF PART-YEAR RESIDENTS AND NONRESIDENTS EXCLUDED?

Because of the complexities of these returns and the higher error rates associated with them, additional reviews are required before a refund is issued.

7. WHY ARE HOMESTEAD CREDIT CLAIMS EXCLUDED?

Additional reviews are required before a check is issued because of high error rates. For example, many renters fail to submit proper rent certificates, while homeowners forget to attach their property tax bill or submit one for the wrong year.

8. CAN TAXPAYERS WITH A DELINQUENT ACCOUNT GET QUICK REFUNDS?

No. Taxpayers owing delinquent taxes or other state agency debts, e.g., child support, do not qualify.

9. WILL A QUICK REFUND BE ISSUED ON AN AMENDED RETURN?

No.

10. CAN FISCAL FILERS GET A QUICK REFUND?

Yes, if they meet all qualifications.

11. WHAT MUST A TAXPAYER DO TO REQUEST A QUICK REFUND?

A taxpayer must file a current year return postmarked on or before April 1, 1990, use a department printed label and enter the quick refund amount in the quick refund box.

12. HOW DOES A TAXPAYER GET A DEPARTMENT PRINTED LABEL?

Labels are affixed to the income tax return booklet sent to all taxpayers who filed returns in the previous year. Taxpayers who have someone else prepare their returns should advise the preparer to use the label provided by the department.

13. WILL A PHOTOCOPY OF THE LABEL QUALIFY?

Yes.

14. IS A SPECIAL FORM REQUIRED?

A taxpayer must file a Form WI-Z, Form 1A, or Form 1.

15. WHEN IS THE QUICK REFUND PROGRAM IN EFFECT?

The quick refund program is in effect for 1989 individual income tax returns processed in 1990. To qualify for the quick refund, the return must be postmarked on or before April 1.

16. WHY CAN'T QUICK REFUND RETURNS BE FILED AFTER APRIL 1?

The volume of returns received after April 1 does not permit giving special attention to refund returns.

17. WHEN WILL TAXPAYERS FILING QUICK REFUND RETURNS RECEIVE THEIR REFUND?

A quick refund will be issued in as little as two weeks after the return is received by the department.

18. WHEN WILL TAXPAYERS FILING A REGULAR REFUND RETURN RECEIVE THEIR REFUND?

The average time to process regular refunds will be reduced by one to two weeks. The actual time to process regular refunds varies depending on a variety of reasons, including when the return is filed, whether all necessary documents are attached to the return, whether the return is signed, whether the return has computation errors and whether correspondence is attached to the return.

19. WHAT WILL HAPPEN IF THE RETURN IS INCOMPLETE?

Incomplete returns will be sent back to the taxpayer if they are missing a Form 1040, withholding tax statements, or signature(s).

20. MUST THE AMOUNT IN THE QUICK REFUND BOX BE EQUAL TO THE REQUESTED REFUND?

Yes. The amount entered in the quick refund box is the amount being requested. If part of the refund is applied to estimated tax, the amount to be entered in the quick refund box is the refund claimed minus the amount to be carried forward to the 1990 estimated tax.

21. HOW IS THE ESTIMATED TAX CREDIT CARRYOVER AFFECTED?

The estimated tax credit carryover is not affected. A taxpayer wishing to claim a credit carryover and a refund will enter in the quick refund box the refund claimed minus the amount to be carried forward to the 1990 estimated tax.

22. WHAT IF A RETURN IS ADJUSTED AFTER A QUICK REFUND HAS BEEN ISSUED?

If a return is adjusted after a quick refund is issued, an additional refund or a billing will be sent to the taxpayer.

23. WILL INTEREST BE CHARGED WHEN AN ADJUSTMENT TO A RETURN RESULTS IN A BILLING/ASSESSMENT AFTER A QUICK REFUND HAS BEEN ISSUED?

If the due date of the billing/assessment is after April 16, 1990, interest will be charged.

24. WILL INTEREST BE PAID WHEN AN ADJUSTMENT TO A RETURN RESULTS IN AN ADDITIONAL REFUND AFTER A QUICK REFUND HAS BEEN ISSUED?

Interest will be paid if the additional refund is issued on or after July 15.

25. HOW WILL A QUICK REFUND BE SHOWN ON AN ADJUSTMENT NOTICE?

There is a separate line on the adjustment notice which indicates the amount previously refunded.

26. WILL THERE BE A SEPARATE POST OFFICE BOX?

Yes. Post Office Box 38 will be used for quick refund returns to assure the fastest processing possible.

27. WILL THERE BE A SEPARATE CHECK TITLE?

Yes. The check will be titled "Quick Refund" to distinguish from a regular refund.

28. WHAT IS THE TELEPHONE NUMBER TO CALL IF A REFUND HAS NOT BEEN RECEIVED?

If a claimed QUICK refund has not been received, taxpayers should be advised to wait SIX weeks before calling (608) 266-8100.

If a REGULAR refund has not been received, taxpayers should be advised to wait TEN weeks before calling (608) 266-8100.