

WITHHOLDING TAX UPDATE

2005-1

DECEMBER 2005

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ANNUAL RECONCILIATION OF WISCONSIN INCOME TAX WITHHELD FROM WAGES FOR 2005

The Employers Annual Reconciliation of Wisconsin Income Tax Withheld from Wages, Form WT-7, will be mailed during the month of December. The 2005 WT-7 is due January 31, 2006. If you do not receive your 2005 Form WT-7, an electronic fill-in form is available at: www.dor.state.wi.us or try the internet filing option available at the same web address. It is important to use either the pre-printed Form WT-7, the internet fill-in form or the electronic filing option since the Department of Revenue (DOR) is now using electronic processing for Form WT-7. Employers who filed their 2004 WT-7 using our internet filing option or who use certain payroll services will not receive a pre-printed Form WT-7.

WT-7 AND W-2 ELECTRONIC FILING

File your WT-7 and W-2s electronically at www.dor.state.wi.us/html/with.html.

- It is quick, easy and safe.
- You receive a confirmation that the department received your WT-7.
- You can pay amounts due electronically.
- Filing electronically saves the department time and money.

REMINDER

Employers and preparers must continue to use the Wisconsin Employer Identification Number for withholding tax reports, W-2s, and payments. Please **do not** use the 15 digit Integrated Tax System number.

Using the 15 digit ITS Tax Account Number on Employee W-2 forms will make it impossible for employees to file their income tax electronically.

MAGNETIC MEDIA REPORTING AND ELECTRONIC FILING FOR WISCONSIN

Persons who are required to file federal wage statements and information returns via Magnetic Media Reporting or via Electronic Filing with the Internal Revenue Service (IRS), must file comparable forms in the same manner with DOR. The Department of Revenue electronic file transfer site is available at www.dor.state.wi.us/html/with.html. Call (608) 267-3327 if you have questions.

Mail magnetically filed forms, transmittal letters, and Form WT-7s; requests for magnetic media specifications; copies of IRS approvals for participation in the Combined Federal/State Filing Program, requests for waivers from filing forms on magnetic media; and requests for extensions of time to file forms on magnetic media to:

Wisconsin Department of Revenue
Magnetic Media Coordinator 5-257
2135 Rimrock Road
PO Box 8906
Madison WI 53708-8906

CHANGE IN FILING FREQUENCY

The department will conduct a review of all active Wisconsin Employer accounts. A change in filing frequency may be made to your account. If a change is made to your filing frequency, a notice of change will be mailed to you in December 2005. The filing frequency change will be effective January 1, 2006.

ELECTRONIC FUNDS TRANSFER

The department is continuing notification to taxpayers who make large tax deposits that they have been mandated to pay by electronic funds transfer (EFT). The EFT method is also available on a voluntary basis for employers not mandated to pay electronically. The payment options available are the Automated Clearing House (ACH) Debit and ACH credit. To receive EFT registration information, send your request to Wisconsin Department of Revenue, PO Box 8949, Madison, WI 53708-8949, call (608) 266-2776 for information, or complete the on-line EFT application at www.dor.state.wi.us/eserv/eft3.html.

MAILING DATES FOR COUPON BOOKLETS

The Withholding Tax Deposit Coupon Booklets for the year 2006 will be mailed early in 2006. Semi-monthly filers should receive their booklet by January 24th. Monthly and quarterly filers should receive their booklet by February 7th. If these dates have passed and you have not received your coupon booklet, please call the department at (608) 266-2776 to request a replacement. Please allow 4 weeks for delivery. Please retain your 2005 coupon booklet until you receive your new one. It contains two blank coupons that can be used if you do not receive your year 2006 booklet in time to make the first deposit. **NOTE: Please open the envelope containing your 2006 WT-6 coupon booklet promptly upon arrival. If your filing frequency has been changed, your new frequency will be shown on your 2006 booklet.**

CURRENT WITHHOLDING TAX RATES TO APPLY FOR 2006

The current withholding tax rates will continue for 2006. The current rates are found in the "Wisconsin Employer's Withholding Tax Guide", Publication W-166 for payroll periods beginning on or after July 1, 2000. A copy is available on the department's web site at www.dor.state.wi.us or by contacting the department at (608) 266-1961.

PASS-THROUGH ENTITIES: WITHHOLDING REQUIRED ON INCOME ALLOCABLE TO NONRESIDENTS

For tax years beginning on or after January 1, 2005, pass-through entities must withhold income or franchise tax on behalf of nonresident shareholders, partners, members, or beneficiaries (sec. 71.775, Wis. Stats.).

The withholding tax is due on the unextended due date of the pass-through entity's income or franchise tax return. The withholding rate is 6.75% for nonresident individuals estates, or trusts, and 7.9% for nonresident corporations, partnerships, or limited liability companies.

Pass-through entities subject to withholding will use Form PW-1 to report and pay this tax. Generally, this form will be filed electronically and payment will be made electronically. However, in cases of undue hardship, a pass-through entity may obtain a waiver from electronic filing.

For nonresidents who have already made estimated payments for 2005, the pass-through entity withholding may be reduced by the estimated payments.

For more details of this withholding requirement, see *Wisconsin Tax Bulletin* 145. This publication is available on-line at <http://www.dor.state.wi.us/ise/wtb/2005.html>.

EMPLOYERS REQUIRED TO SUBMIT FORM WT-4 FOR REVIEW

DOR continues to require employers to submit questionable Forms WT-4, Employee's Wisconsin Withholding Exemption Certificate / New Hire Reporting to the department for review. If the Employee has claimed more than 10 exemptions OR has claimed complete exemption from withholding and earns more than \$200.00 a week or is believed to have claimed more exemptions than he or she is entitled to, mail a copy of this certificate to: Wisconsin Department of Revenue, Audit Bureau, PO Box 8906, Madison, WI 53708 or fax (608) 267-0834. If you have questions please call (608) 261-6261 for assistance.

REGISTER FOR PERMITS ON-LINE

Customers may register for a Wisconsin seller's permit or Wisconsin Employer Identification number using the internet. By using the on-line registration process customers will receive the permit or certificate within five to seven days. The \$20 BTR fee will still apply. Visit our website at: www.dor.state.wi.us for more information.

NEW HIRE PROGRAM HELPS CHILDREN AND REDUCES TAXES

All employers with a FEIN (Federal Employer Identification Number) must report all newly hired and rehired employees to the New Hire Program. A newly hired employee is someone who has not worked for you before or is rehired after an unpaid absence of more than 90 days. Employers must report all their newly hired employees within **20 days** after the employee starts working for them.

It's easy to file New Hire reports. The easiest and most cost effective way to report new hires is via the Internet. To begin reporting, visit the New Hire web site at <http://www.newhire-usa.com/wi/>.

New Hire, a national program, is designed to aid in locating parents who owe child support. Child support money helps families stay off of assistance, helps custodial parents provide a better life for their children, and reduces the tax burden for all of us.

Both State and Federal law require the New Hire program. Employers not complying with the New Hire reporting may be assessed penalties of up to \$25 for each newly hired employee not reported.

If you would like more information, call the New Hire Processing Center toll free at 1-888-300-4473.

WT-6 FILERS DID YOU KNOW?

- You must file a Form WT-6 Withholding Tax Deposit Report even if there is no tax due for a reporting period.
- Including correspondence with or making extra notations on your WT-6 coupon significantly slows processing time of your deposit report and increases the cost to process your WT-6 deposit report. Use the pink Information Correction Form in your WT-6 coupon booklet to notify the department of changes or send correspondence to: Wisconsin Department of Revenue, PO Box 8949, Madison WI 53708-8949.

EFT FILERS DID YOU KNOW?

- You must submit an EFT withholding report for your **assigned reporting period**, even if there is no tax due for that period. Follow the instructions that were provided for your method of EFT reporting, to report "zero."
- You no longer need to continue filing paper form WT-6 (from your coupon book) once you begin to report your withholding tax by EFT. Your EFT report (and payment when a payment is due) replaces the paper WT-6 coupon completely.
- **Withholding bills for late fees, penalties or interest cannot be paid by EFT at this time. Payments for these items must be made with a paper check and mailed with a copy of the bill.**
- If you have a name or address change, discontinue your business, or have any other changes to report, you may contact the department in any of these ways:

1. Call: (608) 266-2776
2. E-mail: sales10@dor.state.wi.us, or
3. Write to: Wisconsin Department of Revenue
Taxpayer Registration, Mail Stop 5-77
PO Box 8949
Madison WI 53708-8949

WHERE TO DIRECT QUESTIONS

General Withholding Questions (608) 266-2776

Wisconsin Department of Revenue
Mail Stop 5-77
PO Box 8949
Madison WI 53708-8949

Email: sales10@dor.state.wi.us