

WITHHOLDING TAX UPDATE

2006-1

DECEMBER 2006

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CURRENT WITHHOLDING TAX RATES TO APPLY FOR 2007

The current withholding tax rates will continue for 2007. 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.revenue.wi.gov or by contacting the department at (608) 266-1961.

MAILING DATES FOR COUPON BOOKLETS

The Withholding Tax Deposit Coupon Booklets for the year 2007 will be mailed early in 2007. 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 of replacement booklet. Your 2006 coupon booklet contains two blank coupons that can be used if you do not receive your year 2007 booklet in time to make the first deposit. **NOTE: Please open the envelope containing your WT-6 coupon booklet promptly upon arrival. If your filing frequency has been changed, your new frequency will be shown on your 2007 booklet.**

KEEP YOUR ADDRESS UP TO DATE

Many Department of Revenue forms are not forwarded by the postal service; including the Form WT-6 Withholding Tax Deposit coupon booklet. It is important to keep your mailing address and account information current with DOR. This helps reduce the cost of printing and mailing duplicate forms. To update your address or account information, call (608) 266-2776 or send an e-mail to dorregunit@dor.state.wi.us.

ELECTRONIC FUNDS TRANSFER

Make withholding deposits by Electronic Funds Transfer (EFT). It is quick, easy, and allows you to receive confirmation that your payment was received. For more information visit www.revenue.wi.gov/eserv/eftgen.html.

WT-7 AND W-2 ELECTRONIC FILING

File your WT-7 and W-2s electronically at www.revenue.wi.gov/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.revenue.wi.gov/html/with.html or see Publication 509, *Filing Wage Statements and Information Returns on Magnetic Media or by Electronic Transmission*. 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
PO Box 8906
Madison WI 53708-8906

NEW HIRE REPORTING

The New Hire program requires all employers with a FEIN (Federal Employer Identification Number) to report all newly hired employees within 20 days after the employee begins working. A newly hired employee is someone who has never worked for you before or who is rehired after an unpaid absence of more than 90 days.

The easiest and most cost effective way to submit a New Hire report is through the internet. To consider all reporting options and begin reporting, visit the New Hire web site at <http://dwd.wisconsin.gov/ui/> and follow the link to New Hire Reporting. If you would like more information, please call the New Hire Processing Center toll free at 1-888-300-4473.

If you have employees in more than one state and want to report your new hires to a state other than Wisconsin, you will find information about how to register as a multi-state employer at <http://dwd.wisconsin.gov/uinh/multi.htm>.

New Hire is a national program designed to locate non-custodial parents with child support obligations. Penalties could result from failure to report newly hired and rehired employees as required.

PASS-THROUGH ENTITY WITHHOLDING (FORM PW-1) PROCEDURES UPDATED

The purpose of Form PW-1 is for pass-through entities (including tax-option (S) corporations, partnerships, limited liability companies treated as partnerships, estates, and trusts) to compute the withholding due on income passed through to a nonresident, as required by sec. 71.775, Wis. Stats. This provision was first effective for taxable years beginning on or after January 1, 2005. Issues 144, 145, and 146 of the *Wisconsin Tax Bulletin* provide more details of the requirements for pass-through entity withholding. These publications are available on the department's web site, at <http://www.revenue.wi.gov/ise/wtb/index.html>.

Described below are changes to the department's procedures for administering pass-through entity withholding.

Electronic Filing

An automatic waiver from electronic filing is now allowed for entities with \$25,000 or less of total Wisconsin income passed through to all shareholders, partners, members, or beneficiaries. This threshold amount is the amount computed on Form PW-1, Part 1, line 1. Entities eligible for the automatic waiver do not have to request a waiver before filing Form PW-1 on paper.

Entities that do not qualify for the automatic waiver must file Form PW-1 and make the corresponding payment by electronic means. The department has two electronic filing programs available from its web site, at www.revenue.wi.gov/eserv/pw/index.html. Both allow electronic filing of Form PW-1 and electronic payment without any pre-registration. If electronic filing or electronic payment presents an undue hardship, paper filing is permitted if the taxpayer obtains a waiver from the department.

Transitional Rules Expire for Tax Years Beginning in 2006

Since the pass-through entity withholding law was enacted July 25, 2005, but effective for tax years beginning on or after January 1, 2005, special transitional rules were used in 2005. These transitional rules expire for tax years beginning on or after January 1, 2006. The following procedures apply for tax years beginning in 2006, which are different than those applicable for tax years beginning in 2005:

- No credit against Form PW-1 withholding is allowed for estimated payments made for or applied to a nonresident's return or a composite return. Accordingly, Form CN-ES, Composite Estimated Tax Voucher, has been discontinued. Pass-through entities should **not** make composite estimated payments.
- A pass-through entity that terminates after January 1, 2006 is required to withhold and file Form PW-1 for its final taxable year.

Tiered Entities

For tax years beginning in 2006, if a pass-through entity (an "upper-tier entity") is a nonresident member of another pass-through entity (a "lower-tier entity") with Wisconsin income, the upper-tier entity must file Form PW-1 even if, after credit is

taken for the amount withheld by the lower-tier entity, its total withholding due is \$0.

For questions visit the FAQs at <http://www.revenue.wi.gov/faqs/ise/pass.html>.

For more information, please contact:

Wisconsin Department of Revenue
Mail Stop 5-77
PO Box 8949
Madison WI 53708-8949
Phone: (608) 261-6261

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 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?

Every year the DOR receives numerous withholding payments with the incorrect year on them. Remember to verify you are using the new year when making your withholding tax deposits. It's an easy way to avoid receiving incorrect billings.

- 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.
- **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.**

SEMI MONTHLY EFT FILERS

Withholding liability is incurred when wages are paid to employees, not when wages are earned. If your filing frequency is semimonthly, you must file a report (or do an EFT transaction) and remit the amount withheld from the 1st day through the 15th day of the month on or before the last day of the same month, and you must file a report (or do an EFT transaction) and remit the amount withheld from the 16th day through the last day of the month on or before the 15th day of the following month.

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