

WITHHOLDING TAX UPDATE

2008-1

DECEMBER 2008

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CURRENT WITHHOLDING TAX RATES TO APPLY FOR 2009

The current withholding tax rates will continue for 2009. 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.

YOUR ACCOUNT NUMBER HAS CHANGED

In September 2008, the department implemented a new processing system for Withholding Tax. As part of this new processing system, your seven-digit Wisconsin Employer's Identification Number (WEIN) was replaced by a 15-digit Wisconsin Tax Number (WTN) as the primary identifier for your Withholding Tax account. This number is printed on any notice issued by the department since September 2008, including your 2008 WT-7. This number is now used to identify your Withholding Tax account on all Withholding Tax deposits and Form WT-7 returns filed with the department.

If you have any questions about the change in your Withholding Tax account identifier, please contact the Department at 608-266-2776, 608-267-1030 (fax), sales10@revenue.wi.gov, or Wisconsin Department of Revenue, Mail Stop 5-77, Customer Service Bureau, PO Box 8949, Madison WI 53708-8949.

NEW ON-LINE SERVICE: MY TAX ACCOUNT

Beginning in February 2009, the Department of Revenue will roll out "My Tax Account", an on-line service for business taxpayers. "My Tax Account" will allow you to file withholding tax reports and annual reconciliations, initiate payments via electronic funds transfer or credit card, notify the department of changes to your address, request extensions to file and inactivate your account. "My Tax Account" will also allow you to view the filing and payment history of your account and identify any periods that need attention. If you are already using the Department's EFT Registration and Payment System to make withholding tax payments, you will need to transition to using "My Tax Account" by **December 31, 2009**. No new registrations will be accepted after March 31, 2009, to use the Department's EFT Registration and Payment System for withholding tax payments. Please watch our web site in January 2009 for more details on how to sign up for this new service.

ELIMINATION OF COUPON BOOKLETS

As part of the department's ongoing effort to modernize forms and expand electronic filing, preprinted Form WT-6 coupon booklets were discontinued after July 21, 2008. Taxpayers who did receive coupon booklets may continue to use those Form WT-6 coupons through the end of calendar year 2008. The department strongly recommends that you make your Withholding Tax payments via electronic funds transfer (EFT) initiated through "My Tax Account" beginning with tax periods due in February 2009.

WT-7 AND W-2 ELECTRONIC FILING

File your WT-7 and W-2s electronically at www.revenue.wi.gov/html/with.html.

Beginning in January of 2009, employers will be able to submit the W-2 files that they have created on the Social Security Administration web site in the Portable Document Format (PDF) to the Wisconsin Department of Revenue through our file transfer site at www.revenue.wi.gov/eserv/w-2.html.

The department will not be able to accept any other PDF generated W-2s that are scanned or created with any other software product. The web site where employers can create their W-2s is www.ssa.gov/employer/.

When you go to the Social Security Administration's web site click on **Business Services Online** and you can register or complete a phone registration to get your PIN and Password. There are also tutorials available on that site for the registration process at www.ssa.gov/employer/documents/TY07BSOOverview.pdf and the filing process at www.ssa.gov/employer/bsotut.htm.

Employers will also continue to be able to submit their W-2 files in the EFW2 format (formerly MMREF-1) at www.revenue.wi.gov/eserv/w-2.html.

The specifications for electronically filing W-2s are outlined in our publication, *Annual W-2 Reporting and Annual 1099-R, 1099-MISC, and W2-G Reporting*, which is available at www.revenue.wi.gov/pubs/co-001.pdf.

No PIN or password is required to transfer your file. **The department strongly encourages all employers to file electronically through our secure 128-bit encrypted web site.**

ELECTRONIC FILING FOR WISCONSIN

Persons required to file federal wage statements and information returns electronically with the Internal Revenue Service (IRS), must file comparable forms in the same manner with the department (we no longer accept magnetic media). The Department of Revenue electronic file transfer site is available at www.revenue.wi.gov/eserv/w-2.html, or see Publication 509, *Filing Wage Statements and Information Returns Electronically*. Call (608) 267-3327 if you have questions.

Mail requests for electronic filing specifications; copies of IRS approvals for participation in the Combined Federal/State Filing Program; requests for waivers from filing forms electronically; and requests for extensions of time to file forms electronically to:

Wisconsin Department of Revenue
Attention: W-2 Coordinator 5-144
PO Box 8906
Madison WI 53708-8906

PASS-THROUGH ENTITIES: DON'T FORGET ABOUT NONRESIDENT WITHHOLDING

A pass-through entity must withhold taxes on Wisconsin income distributable to a nonresident partner, member, shareholder, or beneficiary, regardless of whether such income is actually distributed.

Pass-through entities required to withhold include partnerships, limited liability companies treated as a partnership, tax-option (S) corporations, and estates and trusts that are treated as pass-through entities for federal income tax purposes.

No withholding is required if the income distributable to the nonresident is less than \$1000. For purposes of pass-through entity withholding, a person who is a resident of Wisconsin for any part of the taxable year is not considered a nonresident.

Pass-through entities use Form PW-1 to pay the nonresident withholding on pass-through entity income **on an annual basis**. Form PW-1 is due on the unextended due date of the pass-through entity's Wisconsin income or franchise tax return. Additionally, the pass-through entity must enter the amount withheld on the Schedule 3K-1, 5K-1, or 2K-1 prepared for the nonresident. Entities may request exemption from withholding by completing Form PW-2 and returning it to the Department. If an exemption is granted, the department will notify the entity such exemption is granted.

Beginning with tax year 2009, pass-through withholding entities will be given the option to submit estimated payments prior to filing Form PW-1.

Visit the Department of Revenue's web site at www.revenue.wi.gov/eserv/pw/index.html for information about electronic filing of Form PW-1. Also see www.revenue.wi.gov/faqs/ise/pass.html for answers to frequently asked questions about pass-through entity withholding.

WITHHOLDING TAX FILERS

The department has the authority to require employers registered to withhold Wisconsin income tax to file their annual reconciliation (Form WT-7) electronically. The department will notify employers subject to the requirement at least 90 days prior to the due date of the first Form WT-7 required to be filed electronically. A waiver may be requested in writing if the requirement to file electronically causes an undue hardship.

Even if it is not required, you are encouraged to file your Form WT-7 using one of the department's electronic filing options at www.revenue.wi.gov/html/with.html. Electronic filing 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.

WITHHOLDING ANNUAL SCAN PROCESS

Each year (beginning of December) the Department will run its annual scan process, which evaluates the amount of your deposits for the last year and adjusts your periodic filing frequency accordingly. The Department will run this process on December 15, 2008, to determine your filing frequency for 2009 Withholding tax deposits. Taxpayers will be notified in writing as to their new filing frequency if it is changed.

In general, filing frequencies are assigned based on these amounts:

- Annual: \$300 or less
- Quarterly: \$301 - \$2,400
- Monthly: \$2,401 - \$20,000
- Semi-Monthly: \$20,001 or more

DID YOU KNOW?

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

- To be considered timely an EFT payment must be initiated no later than 4PM CST on the due date for that period.
- You must make a Withholding Tax deposit even if there is no tax due for a reporting period.
- You must submit an EFT withholding deposit 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 Form WT-6 once you begin to report your withholding tax by EFT. Your EFT deposit (and payment when a payment is due) replaces the paper Form WT-6 coupon.

SEMI-MONTHLY FILERS

Determining the correct tax period end date can be challenging especially when filing on a semi-monthly basis. Semi-monthly filers are required to file twice each month. The first reporting period covers the 1st day of the month through the 15th day of the month. The second reporting period covers the 16th day of the month through the end of the month.

When reporting Withholding Tax, it is helpful to remember that the withholding liability is incurred when wages are **paid** to the employee, not when wages are **earned**.

Example: An employer that files on a semi-monthly basis pays employees on January 11. As a result, the amount withheld is reported in the period ending January 15 and the 'period end date' for this period is January 15, not January 11. This report is due to the department by the end of the following reporting period, in this case January 31.

KEEP YOUR ADDRESS UP-TO-DATE

Many Department of Revenue forms are not forwarded by the postal service. It is important to keep your mailing address and account information current with the department. 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 dorregistration@revenue.wi.gov.

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

E-mail: sales10@revenue.wi.gov

Or, visit the Frequently Asked Questions for Withholding Tax on our website at www.revenue.wi.gov/faqs/pcs/with.html.