Wisconsin Department of Revenue

WITHHOLDING TAX UPDATE

2009-1 NOVEMBER 2009

The Withholding Tax Updates are no longer being printed, but will continue to be available electronically on the Department of Revenue's web site. Don't miss an issue!

WISCONSIN – MINNESOTA INCOME TAX RECIPROCITY AGREEMENT ENDS JANUARY 1, 2010

Minnesota officials cancelled the income tax reciprocity agreement with Wisconsin. The agreement allowed residents of one state to file a single state income tax return with their home state if they worked across the border. It is estimated the cancellation will affect about 33,500 Wisconsin residents and 13,000 Minnesota residents.

Beginning January 1, 2010, Wisconsin employers should:

- Begin withholding Wisconsin income taxes on personal service income of Minnesota residents working in Wisconsin.
- Ask these employees, who are Minnesota residents, to complete Form WT-4, Wisconsin Withholding Exemption Certificate. Form WT-4 is used to determine the amount of Wisconsin income tax to be withheld from employee paychecks.
- No longer accept Form W-222, Statement of Minnesota Residency. Form W-222 was previously used by Minnesota residents working in Wisconsin to claim exemption from withholding of Wisconsin income taxes.

Note At the time this update went to print, Wisconsin and Minnesota officials were discussing the possibility of reinstating this agreement. If there is a change in status, it will be posted on the department's web site.

NEW WITHHOLDING TAX RATES

The Wisconsin Employer's Withholding Tax Guide (Publication W-166) has been revised. The Wisconsin withholding tables and alternate methods of withholding have been adjusted for inflation and reflect a new top individual tax rate of 7.75%. A copy is available at www.revenue.wi.gov under Publications, Withholding Tax and Information Returns.

EFT REGISTRATION AND PAYMENT SYSTEM RETIRED FOR WITHHOLDING USERS

After December 31, 2009, the EFT Registration and Payment system at www.witaxeft.com and 1-888-338-9472 will no longer be available for withholding payments. See **Withholding Deposit Report Filing Options** article.

NEW ONLINE SERVICE: MY TAX ACCOUNT

My Tax Account is the department's new online business system that allows you to file your withholding tax deposit reports (WT-6) and annual reconciliation (WT-7), initiate direct debit or credit card payments, notify the department of changes to your address, request extensions of time to file and/or inactivate your account. As a *My Tax Account* user you may view account filing and payment history and identify any periods that need attention.

Beat the rush and register now for *My Tax Account* by going to www.revenue.wi.gov and clicking on Registration Quick Start. Follow the instructions or link to our videos on how to register, file and pay withholding taxes. Find the answers to many of your questions in the FAQs.

NEW WITHHOLDING TELEFILE

Beginning January 2010, use the new withholding telefile option to file and pay your WT-6 deposit reports and WT-7 annual reconciliation. The new withholding telefile is quick, free and secure. No pre-registration necessary. **Call (608) 261-5340 or (414) 227-3895**.

NEW WITHHOLDING TAX ELECTRONIC MAILING LIST

Subscribe **now** to the department's **new** withholding tax electronic mailing list to receive withholding tax related communications at www.revenue.wi.gov/html/lists.html.

LATE FILING FEE INCREASE

Effective for taxable years beginning on or after January 1, 2010, any person who is required to file a withholding report and deposit withholding taxes that fails to do so timely, shall be subject to a $50 late fee, except for corporations taxed under subch. IV or insurance companies taxed under subch. VII of ch. 71, Wis. Stats., the late fee is $150.

NEW FOR 2009 – INCOME OF MILITARY SPOUSE EXEMPT

Income for services performed in Wisconsin by a nonresident spouse of a service member is not taxable to Wisconsin if the spouse is in Wisconsin solely to be with the service member serving in Wisconsin under military orders. Military spouses claiming an exemption from withholding should complete and submit Form W-221, *Nonresident Military Spouse Withholding Exemption* to their employer.

ADVANCE EARNED INCOME CREDIT (EIC) PAYMENT

Beginning with the 2009 tax year, a full-year legal resident of Wisconsin may request that his or her employer add to his or her paycheck an advance Wisconsin EIC. The Wisconsin payment amount added to the individual's check is based on federal advance EIC. Employers will reduce the withholding liability by the amount of advance EIC when completing the WT-6 deposit report. Employers will include advance EIC on line 2 and line 3 of the WT-7 annual reconciliation. For more information on advance EIC, go to www.revenue.wi.gov/faqs/ise/adveic.html.

WITHHOLDING DEPOSIT REPORT FILING OPTIONS (WT-6)

As part of the department's ongoing effort to modernize forms and expand electronic filing, preprinted Form WT-6 coupon booklets were discontinued in July 2008. WT-6 filing options include:

- My Tax Account – see earlier article

- ACH Credit – through your financial institution
- File Transfer – DOR web site
- Credit Card – 1-800-272-9829; Use code 5800
- New Withholding Telefile (Coming January 2010)
- WT-6 Fill-in Form – DOR web site

For more information on electronic filing options, go to www.revenue.wi.gov and select E-Services, Withholding Tax.

ANNUAL RECONCILIATION FILERS (WT-7)

The department now requires all employers to file their WT-7 electronically. All WT-7 filers have been notified by letter of the WT-7 electronic filing requirement 90 days prior to the due date of the 2009 WT-7. A waiver from electronic filing may be requested in writing if the requirement to file electronically causes an undue hardship. See your letter for details. Effective immediately, the Department of Revenue will no longer mail Form WT-7.

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

- My Tax Account – see above article
- File Transfer – DOR web site
- New Withholding Telephone Filing System (Coming January 2010)
- WT-7 Fill-in Form (when waiver granted)

W-2 ELECTRONIC FILING

Employers are able to submit their EFW2 files or 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 at www.ssa.gov/employer/bsoewrug.pdf. To register, click on the following link www.ssa.gov/bso/bsowelcome.htm.

The specifications for electronically filing EFW2 files 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 EFW2 file. **The department strongly encourages all employers to file electronically through our secure 128-bit encrypted web site**.

FEDERAL WAGE STATEMENTS AND INFORMATION RETURNS

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 requires employers with more than 50 wage or information statements to file electronically.** See Publication 509, *Filing Wage Statements and Information Returns Electronically* and Publication 117*, Guide to Wisconsin Information Returns.*

Mail 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

W2data@revenue.wi.gov

NEW FOR PASS-THROUGH ENTITIES: QUARTERLY ESTIMATED PAYMENTS

For taxable years beginning on or after January 1, 2009, a pass-through entity is required to pay quarterly estimated withholding tax on a nonresident member's share of income attributable to Wisconsin.

The pass-through entity must make quarterly payments of withholding tax on or before the **15th day of the 3rd, 6th, 9th, and 12th** month of the taxable year. A transition or grace period was provided for payments that became due less than 45 days after **July 1, 2009**. The due date of these payments is extended to the next installment due date. Use Form PW-ES, *Wisconsin Pass-Through Entity Withholding Estimated Payment Voucher*, to make quarterly payments of estimated nonresident withholding tax.

Pass-through entities must **also** file Form PW-1 annually to report estimated withholding tax paid and to pay any additional withholding tax due on behalf of their nonresident shareholders, partners, members, or beneficiaries.

Form PW-1 must be filed electronically. You can file Form PW-1 through the Federal/State E-File Program, which uses approved third-party vendor software. If you choose not to use this program, you can launch the free E-File programs offered by the Department of Revenue.

Visit www.revenue.wi.gov/eserv/pw/index.html for information about electronically filing Form PW-1. See www.revenue.wi.gov/faqs/ise/pass.html for answers to frequently asked questions about calculating and pass-through entity withholding.

FILING FREQUENCY CHANGES

Each year the department runs an 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 in December, to determine your filing frequency for 2010 Withholding tax deposits. Taxpayers will be notified in writing as to their new filing frequency if it is changed.

WITHHOLDING TAX ACCOUNT NUMBER

In September 2008, your seven-digit Wisconsin employer identification number (WEIN) was replaced by a 15-digit Wisconsin Withholding Tax Account Number. All Wisconsin withholding numbers begin with 036. This 15-digit number should be used on all withholding correspondence including W-2s, WT-6s, WT-7s, W2-Gs, 1099-Rs and 1099-Ms.

WHERE TO DIRECT QUESTIONS

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

E-mail: dorwithholdingtax@revenue.wi.gov

Phone: 608-266-2776

visit: www.revenue.wi.gov/faqs/pos/with.html