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2010-1

WITHHOLDING TAX UPDATE

December 2010

The Withholding Tax Updates are no longer being printed, but will continue to be available at www.revenue.wi.gov.

FILING FREQUENCY CHANGES

Each year the department runs an annual scan process, which evaluates the amount of your deposits from the last year and adjusts your periodic filing frequency accordingly. The department will run this process in December, to determine your filing frequency for 2011 withholding tax deposits. Taxpayers will be notified in writing as to their new filing frequency if it is changed.

REMINDER – USE YOUR WITHHOLDING TAX ACCOUNT NUMBER

Your seven-digit Wisconsin Employer Identification Number (WEIN) was replaced with 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 Forms W-2, WT-6, WT-7, W2-G, 1099-R and 1099-M.

WITHHOLDING DEPOSIT REPORT (WT-6) FILING OPTIONS

As part of the department's ongoing effort to modernize forms and expand electronic filing, Form WT-6 coupon booklets are no longer being printed. All employers are required to file Form WT-6 electronically. Filing options include:

- My Tax Account – DOR web site
New users see Registration Quick Start
- ACH Credit – through your financial institution
- File Transfer – DOR web site
- Credit Card – 1-800-272-9829; Use code 5800
- Withholding Telephone Filing System
Call 608-261-5340 or 414-227-3895
- WT-6 Fill-in Form – (when waiver granted)

For more information on electronic filing options, go to www.revenue.wi.gov/html/with.html.

ANNUAL RECONCILIATION FILERS (WT-7)

The department requires all employers to file their Form WT-7 electronically. All employers have been notified by letter of the Form WT-7 electronic filing requirement. 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. The Department of Revenue no longer mails Form WT-7.

To file your Form WT-7 and Forms W-2 electronically go to www.revenue.wi.gov/html/with.html. Form WT-7 filing options include:

- My Tax Account – DOR web site
New users see Registration Quick Start
- File Transfer – DOR web site
- Withholding Telephone Filing System
Call 608-261-5340 or 414-227-3895
- WT-7 Fill-in Form (when waiver granted)

If you close your withholding account before December 31, Form WT-7 and wage statements (Forms W-2, W2-G, 1099-R, etc.) are due within 30 days of the account cease date.

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 Forms W-2 that are scanned or created with any other software product. The web site where employers can create their Forms W-2 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 <http://www.ssa.gov/employer/bsotut.htm>. To register, click on the following link www.ssa.gov/bsowelcome.htm.

The specifications for electronically filing EFW2 files are outlined in Publication CO-001, *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*.

E-mail or 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

INFORMATION RELATING TO HEALTH CARE BENEFITS FOR CHILDREN UNDER 27

For federal income tax purposes, the Patient Protection and Affordable Care Act, Public Law 111-149, and the Health Care and Education Reconciliation Act of 2010, were signed into law in Spring of 2010. The two acts are referred to as the "Affordable Care Act."

The provisions of the Affordable Care Act do not apply for Wisconsin income tax purposes unless they are adopted by the Wisconsin Legislature. The Legislature is currently adjourned. It is anticipated that the Legislature will consider whether or not to adopt these provisions in the next session which will begin in January of 2011.

For information on the Wisconsin tax treatment of health care benefits for children under age 27, go to:

www.revenue.wi.gov/taxpro/news/100727.html

WITHHOLDING TAX ELECTRONIC MAILING LIST

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

CURRENT WITHHOLDING TAX RATES TO APPLY FOR 2011

The current withholding tax rates will continue for 2011. The current rates are found in Publication W-166, *Wisconsin Employer's Withholding Tax Guide*, for payroll periods beginning on or after October 1, 2009.

A copy of Publication W-166 is available on the department's web site at <http://www.revenue.wi.gov/pubs/pb166.pdf> or by contacting the department at (608) 266-1961.

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. For corporations taxed under subch. IV or insurance companies taxed under subch. VII of ch. 71, Wis. Stats., the late fee is \$150.

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 PAYMENT ELIMINATED

The federal Education Jobs and Medicaid Assistance Act was signed by the President on August 10, 2010. One of the provisions of this Act eliminated the advance payment of the federal earned income credit (EIC). This provision is effective for taxable years beginning on or after January 1, 2011.

Wisconsin law provides for an advance payment of the Wisconsin EIC. The Wisconsin advance payment is available only to those persons who claim the federal advance EIC, and is based on a percentage of the federal advance EIC. Because the federal advance EIC was eliminated, the Wisconsin advance EIC will not be available for taxable years beginning on or after January 1, 2011.

PASS-THROUGH ENTITIES: QUARTERLY ESTIMATED PAYMENTS

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. If you have obtained a waiver from electronic payment, 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 program 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 pass-through entity withholding.

REMINDER FOR EMPLOYERS WHO CONTRACT WITH A PROFESSIONAL EMPLOYER ORGANIZATION (PEO) FOR EMPLOYEES

Employers who have a Wisconsin withholding tax account number and are now, or in the future, contracting with a PEO for the provision of their nontemporary, ongoing employee workforce, and under the contract the PEO has the obligation to pay the employees providing services for those employers, should inactivate their Wisconsin withholding tax account number. Affected employers should e-mail or mail notification to the department. Notification should include the name of the PEO, the PEO's Wisconsin withholding tax account number, and indicate when the contract with the PEO is effective. The employer should Submit Form WT-7, Employers Annual Reconciliation, within 30 days of such notification.

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/pcs/with.html