

WITHHOLDING TAX
UPDATE

The Withholding Tax Update is no longer being printed, but will continue to be available at revenue.wi.gov.

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Withholding Tax Rates – Note change effective 4-1-14. [See article.](#)

The current withholding tax rates remain in effect. These rates are available in [Publication W-166](#), *Wisconsin Employer's Withholding Tax Guide*, for payroll periods beginning on or after October 1, 2009.

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 filing frequency accordingly. The department ran this process in November to determine your filing frequency for 2014 withholding tax deposits. Taxpayers were notified in writing of their new filing frequencies if they were changed. A copy of this letter is available in *My Tax Account*, for those notified.

Electronic Filing Reminder

You must file and pay your withholding deposit reports, Forms WT-6, electronically if your deposits were \$300 or more in the prior year. In addition, the annual reconciliation, Form WT-7, must be filed electronically. If these requirements create an undue hardship, you may request an e-filing/e-payment waiver by completing Form EFT-102, *Electronic Filing or Electronic Payment Waiver Request*.

Wage and Information Return Reporting Requirement Changed

Beginning in January 2014, employers and other persons who make payments that must be reported on federal Forms W-2, 1099-R or 1099-MISC must also submit these forms to the department **regardless of whether Wisconsin tax has been withheld**.

This affects payments made in 2013 that will be reported in 2014. Previously, the department waived this reporting requirement if there was no Wisconsin tax withheld and Forms W-2, 1099-MISC, and 1099-R were sent to the IRS/SSA.

Payers who did not withhold Wisconsin income tax during the year are not required to register for a Wisconsin withholding number to submit wage and information returns. Specific reporting information is provided in [Publication 117](#), *Guide to Wisconsin Wage Statements and Information Returns*.

Deposit Report (WT-6) Filing and Payment Options

Most employers that are required to withhold are required to file Form WT-6 electronically. Annual filers do not file Form WT-6. Electronic filing options include:

- [My Tax Account](#) – DOR website
New users see *Getting Started*
- ACH Credit – through your financial institution
- File Transfer – DOR website
- Credit Card – through Official Payments 1-800-272-9829; Use code 5800
- Withholding Telephone Filing System “TeleFile”
Call 608-261-5340 or 414-227-3895

Annual Reconciliation (WT-7) Filing and Payment Options

Electronic filing options include:

- [My Tax Account](#) – DOR website
New users see *Getting Started*
- File Transfer – DOR website
- Withholding Telephone Filing System “TeleFile”
Call 608-261-5340 or 414-227-3895

Note: If you close your withholding account before December 31, Form WT-7, Forms W-2 and other information returns with Wisconsin withholding (Forms 1099-R, etc.) are due within **30** days of the account cease date.

Filing Wage Statements and Information Returns

Employers or other payers doing business in Wisconsin must file wage statements and information returns (W-2, 1099-MISC, 1099-R, W-2G) with the Wisconsin Department of Revenue for [certain payments](#) made in 2013.

If you file 50 or more wage statements (Forms W-2) or 50 or more information returns (Forms W2-G, 1099-MISC, 1099-R), you must file them with the department electronically.

There are three ways to electronically file Forms W-2 with the Wisconsin Department of Revenue (DOR):

- In a Portable Document Format (PDF) file through DOR’s website. **Note** – DOR can only accept PDF files created on the Social Security Administration (SSA) website. For step by step instructions, [click here](#).
- At the same time as the annual reconciliation (WT-7) through [My Tax Account](#). A different method is required for federal W-2 reporting requirements.
- In an EFW2 text file through DOR’s [website](#). Specifications for submission are outlined in Wisconsin Publication CO-001.

File information returns (Forms W2-G, 1099-MISC, 1099-R) by submitting a text file through [DOR’s website](#).

If you file less than 50 wage statements or less than 50 information returns, we encourage you to file electronically using one of the methods above. You will then receive a confirmation number. Otherwise do all of the following:

- Complete Form WT2.
- Attach wage statements (Forms W-2) and information returns (described above).
- Mail to the address on Form WT2.

Failure to file wage statements and information returns by the due date, including any extension or filing an incorrect or incomplete return is subject to a penalty of \$10 for each statement or return. The penalty may be waived if there is reasonable cause. For certain wage and information returns filed in 2014, the department is offering an automatic waiver from electronic filing. See next article for details.

For further information, see [Publication 117](#), *Guide to Wisconsin Wage Statements and Information Returns*.

Extensions

You may request an extension of 30 days for filing the annual reconciliation (WT-7). If an extension is granted, it also applies to corresponding wage statements and information returns.

Due dates for the following cannot be extended:

- Payment of Form WT-7
- Furnishing wage statements to employees
- Furnishing information returns to recipients

Extension requests must be made in writing, via email or through *My Tax Account*. Requests must be received by January 31.

Send requests for waivers from filing wage and information returns electronically and requests for extending the time to file wage and information returns to:

E-file waivers using [EFT-102](#):

Wisconsin Department of Revenue
PO Box 8949
Madison WI 53708-8949

DORWaiverRequest@revenue.wi.gov

Extensions:

Wisconsin Department of Revenue
PO Box 8946
Madison WI 53708-8946

DORRegistration@revenue.wi.gov

Note: For wage and information returns filed in 2014 with no Wisconsin withholding, the department is offering an automatic waiver from electronic filing. This means employers who normally must file electronically, but are unable to do so, may send wage and information returns (with no withholding) to the department with Form WT2. Completing Form EFT-102 is not necessary.

See [Publication 117](#), *Guide to Wisconsin Wage Statements and Information Returns*, for reporting requirements.

Amended Annual Reconciliation (WT-7)

If you discover an error on a Form WT-7 that was already filed, file another WT-7 with the correct information and note that it is an amended return. Include an explanation for the change. File corrected wage statements and information returns (Forms W-2, W-2G, 1099, etc.) to support the change, but only those containing errors and only to report corrected amounts withheld. You do not need to file an amended WT-7 to report errors in employee wages paid, employee social security numbers (SSN) or your federal employee identification number (FEIN). Instead, simply file your corrected wage statements. If it is necessary to correct any wage statements, be sure to furnish corrected copies of the statements to the affected employees and advise them to file the corrected copies with their individual income tax returns.

New Hire Reporting Requirement

All employers with a federal employer identification number must report all newly hired or rehired employees. A newly hired employee is someone who has not worked for you before or is rehired, recalled, or returning after an unpaid interval of more than 60 days. Employers must report all of their newly hired employees within **20 days** after the employee starts working for them (or returns to work when rehired or recalled).

New Hire is a national program required by both state and federal laws. It is designed to aid in locating parents who owe child support. Child support money helps families stay off assistance, helps custodial parents provide a better life for their children, and reduces the tax burden for all taxpayers.

Internet reporting is an easy and cost effective way to report new hires. To begin reporting, visit the New Hire website at wi-newhire.com or call the Wisconsin New Hire Reporting Center toll free at 1-888-300-4473.

Employees Claiming Exemption From Withholding (Forms W-4 and WT-4)

Wisconsin law requires an employer to submit a copy of the appropriate exemption form be filed with the department whenever either of the following conditions exists:

- The employee claims more than 10 exemptions. Send a copy of either federal Form W-4 or Wisconsin Form WT-4.

- The employee claims complete exemption from Wisconsin withholding and earns over \$200 a week. Send a copy of Wisconsin Form WT-4. Form WT-4 is the only form that can be used to claim complete exemption from Wisconsin withholding. Federal Form W-4 cannot be substituted.

Send the above Forms W-4 and WT-4 to: Wisconsin Department of Revenue, Audit Bureau, PO Box 8906, Madison WI 53708-8906.

When an employee is claiming complete exemption from Wisconsin withholding tax, a new WT-4 must be filed annually. The employer must receive a completed WT-4 for the current income year on or before April 30 of that year. If the employee fails to furnish an exemption form, then the employee shall be considered as claiming zero withholding exemptions.

Withholding Lock-In Letters Issued To Employers and Employees

Wisconsin law allows the department to void a current Wisconsin withholding exemption certificate if it appears that an employee has filed an incorrect certificate, form or agreement with an employer. To void a current exemption certificate, the department notifies the employer and employee by issuing a withholding lock-in letter. A lock-in letter voids the current withholding exemption certificate (Form WT-4/W-4) that the employer currently has in place for the employee in determining Wisconsin withholding. It mandates that withholding be based on a specified number of exemptions. The employer is required to withhold based on the number of exemptions stated in the lock-in letter. The lock-in letter remains in effect indefinitely until the employer is notified otherwise by the department. Employers failing to honor a withholding lock-in letter may be subject to penalties.

Tips or Gratuities Received From Customers

Starting January 1, 2014, mandatory services charges that are distributed to an employee (as identified in federal Rev. Rul. 2012-18), are to be reported as wages subject to FICA and withholding. The service charge would be included in the company's gross receipts and if distributed to the employee, the employer would claim a payroll deduction for the amount distributed. Wisconsin will follow this treatment.

IRS Revenue Ruling 2012-18 provides the following examples:

Example A: Restaurant W's menu specifies that an 18% charge will be added to all bills for parties of 6 or more customers. Customer D's bill for food and beverages for her party of 8 includes an amount on the "tip line" equal to 18% of the price for food and beverages and the total includes this amount. Restaurant W distributes this amount to the waitresses and bussers. Under these circumstances, Customer D did not have the unrestricted right to determine the amount of the payment because it was dictated by employer policy. Customer D did not make the payment free from compulsion. The 18% charge is not a tip within the meaning of section 3121 of the Code. The amount included on the tip line is a service charge dictated by Restaurant W.

Example B: Restaurant X includes sample calculations of tip amounts beneath the signature line on its charge receipts for food and beverages provided to customers. The actual tip line is left blank. Customer G's charge receipt shows sample tip calculations of 15%, 18% and 20% of the price of food and beverages. Customer G inserts the amount calculated at 15% on the tip line and adds this amount to the price of food and beverages to compute the total. Under these circumstances, Customer G was free to enter any amount on the tip line or leave it blank; thus, Customer G entered the 15% amount free from compulsion. Customer G and Restaurant X did not negotiate the amount nor did Restaurant X dictate the amount. Customer G generally determined who would get the amount. The amount Customer G entered on the tip line is a tip within the meaning of section 3121 of the Code.

Quick Links

- [Adult children under age 27](#)
- [Election worker exemption](#)
- [Health savings accounts](#)
- [Job creation deduction](#)
- [Nonresident Military Spouse Withholding Exemption](#)
- [Pass-through entity estimated payments](#)
- [Third party sick pay](#)
- [Transportation fringe benefits](#)
- [Withholding tax topical index](#)
- [Withholding Tax Updates](#)

All tips employees receive are income and subject to federal and state income tax. For withholding purposes, employees must report tips to their employers each month that tips or gratuities received by the employee total \$20 or more. Employers must treat the total tips and gratuities received by the employee as wages, and determine the required amount of Wisconsin tax to be withheld. Such tax is then withheld from a payment of regular wages earned by the employee (or collected from the employee).

Reporting tips to the employer is important. It allows the employer to withhold the correct amount of tax and report the correct amount of earnings to the Social Security Administration (which affects benefits upon retirement or disability).

Information for employees is provided in federal [Publication 531](#), *Reporting Tip Income*.

Information for employers is provided in federal [Publication 15](#), *Employer's Tax Guide*.

Reciprocity Agreements

Wisconsin has reciprocity agreements with Illinois, Indiana, Kentucky, and Michigan. Persons who employ residents of those states are not required to withhold Wisconsin income taxes from wages paid to such employees. Written verification is required to relieve the employer from withholding Wisconsin income taxes from such employee's wages. [Form W-220](#), *Nonresident Employee's Withholding Reciprocity Declaration*, may be used for this purpose. For additional information, see [Publication 121](#), *Reciprocity*.

While Wisconsin does not have a reciprocity agreement with Minnesota, there is a special withholding arrangement for employers of Wisconsin residents working in Minnesota. Wisconsin withholding will not be required when:

- The employee is a legal resident of Wisconsin when the wages are earned in Minnesota, **and**
- The wages earned are subject to Minnesota withholding and also Wisconsin withholding

For additional information regarding this special withholding arrangement, visit revenue.wi.gov/taxpro/news/100120.html.

Retirement and Pension Payments Exempt From Income Tax Withholding

Pension and retirement income do not fall within the definition of wages under Wisconsin law. Therefore, withholding is not required on retirement and pension payments. However, the recipient may request that the payer withhold Wisconsin income tax from such payments. The request must be in writing and the amount withheld from each payment must be \$5 or more.

If Wisconsin income tax is not withheld, the recipient may be required to make estimated tax payments. Generally, individuals that expect to pay \$500 or more with their income tax return must make estimated tax payments. Individuals may make estimated payments online at <https://tap.revenue.wi.gov/pay>.

See [Publication 126](#), *How Your Retirement Benefits are Taxed* for additional information.

Reporting Wisconsin Income Tax Withheld By Financial Institutions and Insurance Agencies

All banks, credit unions, insurance agencies and other employers who withhold from employee wages (Forms W-2) and **also** withhold from interest and dividends (Forms 1099-DIV, 1099-INT, etc.) must report all Wisconsin withholding on a single Form WT-7. If an institution has a third-party preparer filing Form WT-7 on their behalf, that form should include the total amount withheld from wages, interest and dividends.

Withholding Tax Electronic Mailing List

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

Where To Direct Questions

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

Email: dorwithholdingtax@revenue.wi.gov
Phone: 608-266-2776
Visit: revenue.wi.gov/withholding