

# WITHHOLDING TAX UPDATE

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## What's New?

2017 Wisconsin Act 59 made several changes related to wage statement (W-2) and information return reporting requirements. Beginning with payments made in 2017:

- **Required e-file of W-2s and information returns.** An employer or payer required to file 10 or more W-2s or 10 or more of any one type of information return with the department must file such returns electronically. The prior threshold was 50 or more.
- **All W-2s and information returns required to be filed with the department are due January 31.** The prior due dates for statements of nonwage payments and rent and royalties with the department were February 28 and March 15.
- **A 30-day extension is available for filing these returns.** Under prior law, a 60-day extension period was available for rent and royalty statements and nonwage statements.
- **The department may not issue a refund to an employed individual before March 1,** unless the individual and individual's employer have filed all required returns and forms.

## Withholding Tax Rates

The current withholding tax rates will continue for 2018. These rates are available in [Publication W-166](#), *Wisconsin Employer's Withholding Tax Guide*, for payroll periods beginning on or after April 1, 2014.

## Reporting by Financial Institutions and Insurance Agencies

All banks, credit unions, insurance agencies and other employers who withhold Wisconsin income tax from employee wages (W-2) and interest and dividends (1099-DIV, 1099-INT, etc.), or have a third party withhold on their behalf, must report the total amount withheld from wages, interest and dividends from all sources on the employer's annual reconciliation (WT-7). The information returns (1099-DIV, 1099-INT, etc.) with Wisconsin withholding must be submitted with the WT-7.

## Wage and Information Return Reporting Requirements

In a continued effort to fight fraud, the department wants to ensure the information you file matches the information reported by the payee. Review and follow the requirements in this publication to submit wage statements and information returns for payments made in 2017.

Before filing, verify the payer's 15-digit withholding tax number, federal employer identification number and legal name using our account [look-up](#). Payroll service providers can use our [withholding data exchange](#) to verify client information in bulk.

Wage or information returns with incomplete or incorrect information will be rejected. Rejected returns must be corrected and resubmitted. Incorrect or incomplete returns filed on paper will not be returned. A letter will be sent asking for correction and resubmission of the corrected forms.

For more information on filing requirements, see [Publication 117](#), *Guide to Wisconsin Wage and Information Returns*.

### Data Exchange Program

The Department of Revenue offers payroll service providers the opportunity to verify certain client-related data via an online [data exchange program](#). Payroll providers can use the withholding data exchange to inform the department of a new client and verify withholding tax account numbers and filing frequency information, including new filing frequency data for the upcoming year. Files are acted on as received. Results are returned the next business day.

### Filing Frequency Changes

Each year the department runs an annual scan process that evaluates your deposits from the last year and adjusts your filing frequency accordingly. This process runs in November to determine your filing frequency for 2018 withholding tax deposits. If your filing frequency changes, we notify you in writing. A copy of this letter is available in *My Tax Account*.

### Single-Member LLCs – Are You Registered Correctly?

A single-member LLC that reports its revenue and expenses on its owner's tax return (LLC's activity is reported on Schedule C of the owner's federal income tax return) is a disregarded entity.

For federal and Wisconsin withholding tax purposes, a disregarded entity is considered an "employer." As an "employer," a disregarded entity must obtain a Wisconsin withholding tax number using the LLC's legal name and federal employer identification number, rather than the owner's name and taxpayer identification number.

If the Wisconsin withholding tax account is in the owner's name, you may need to register for a new Wisconsin withholding tax number at [tap.revenue.wi.gov/btr](https://tap.revenue.wi.gov/btr). You must use the LLC's legal name and federal employer identification number at the time of registration. Be sure to close the prior withholding account.

If the department discovers a disregarded LLC registered for a withholding account using the owner's information, rather than the LLC's information, we will set-up a new withholding account using the LLC's legal name and federal employer identification number. We will send you a letter with the LLC's new withholding account number and close the owner's withholding account.

For reporting and collecting Wisconsin sales and use taxes, the single-owner of a disregarded LLC has the option to (a) include the LLC's sales on the owner's sales tax return, or (b) file a separate sales tax return for the LLC. If (b) is chosen, all of the owner's disregarded LLCs must separately apply for a seller's permit if they make taxable sales.

If you have questions related to this process, please contact us at 608-266-2776.

### Electronic Filing Reminder

You must file your withholding deposit reports and pay electronically if your deposits were \$300 or more in the prior year. The annual reconciliation must also be filed electronically. In addition, filers with 10 or more wage statements or 10 or more information returns must file such statements and returns 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*.

### Deposit Report (WT-6) Filing and Payment Options

Electronic filing options for withholding tax deposits are:

- [My Tax Account](https://tap.revenue.wi.gov) – <https://tap.revenue.wi.gov>
- ACH Credit – through your financial institution
- File Transfer – DOR website
- Credit Card – through Official Payments 1-800-272-9829; use code 5800
- Telephone – call 608-261-5340 or 414-227-3895

**Note** – Annual filers do not file deposit reports.

## Annual Reconciliation (WT-7) Filing and Payment Options

Electronic filing options include:

- [My Tax Account](https://tap.revenue.wi.gov) – <https://tap.revenue.wi.gov>
- File Transfer – DOR website
- Telephone – call 608-261-5340 or 414-227-3895

**Important** – Include on the reconciliation the total number of W-2s reportable to Wisconsin. This includes W-2s mailed to us with “WI” in box 15 and electronically filed W-2s with “55” in the state code field. Only report information returns (e.g., 1099, W-2G) with Wisconsin withholding on the reconciliation.

**Note** – If you close your withholding account before December 31, the reconciliation, wage statements, and information returns with Wisconsin withholding are due within **30** days of the account cease date.

## Filing Wage and Information Returns

Wage statements and information returns, including the annual reconciliation (if required), must be filed with the department by January 31. Review and follow the reporting requirements below to submit wage statements and information returns. Failure to file wage statements and information returns by the due date, including any extension, or filing an incorrect or incomplete return, will result in a penalty of \$10 for each statement or return.

If you file 10 or more wage statements (W-2s) or 10 or more information returns (W-2G, 1099-MISC, 1099-R), you are required to file electronically. Failure to file 10 or more wage statements or information returns electronically will result in a penalty of \$10 for each statement or return filed by paper.

An appeal of penalty must be received within 60 days of the penalty notification. For appeals, missing wage statements and information returns must be submitted.

### Wage Statement and Information Return Reporting Requirements

Required information	Send information	Required format for paper filers	Do not send
<ul style="list-style-type: none"> <li>• 15-digit Wisconsin withholding tax number. Those who did not withhold, are not required to withhold <b>and</b> never held a Wisconsin withholding tax number, must use 03688888888801.</li> <li>• Nine-digit federal employer identification number (FEIN)</li> <li>• Legal name must match numbers above</li> <li>• Nine-digit payee tax identification number</li> <li>• Wisconsin as top state (if possible)</li> </ul> <p><b>Before filing:</b></p> <ul style="list-style-type: none"> <li>• Register, if required, or make any name changes</li> <li>• Verify the first three items above using our <a href="#">account look-up</a></li> <li>• Payroll providers can use our <a href="#">withholding data exchange</a> to verify client information</li> </ul>	<p><b>Electronic</b></p> <ul style="list-style-type: none"> <li>• If you file 10 or more wage statements or information returns, you must file them electronically. See <a href="#">Publication 117</a> for “How to File.”</li> </ul> <p><b>Paper</b></p> <ul style="list-style-type: none"> <li>• If you file less than 10, we encourage you to file electronically. Otherwise, mail them to the following address:</li> </ul> <p>Wisconsin Department of Revenue PO Box 8920 Madison WI 53708-8920</p> <p><b>Do not send to any other address</b></p>	<ul style="list-style-type: none"> <li>• Data must be in similar location of federal form on IRS website</li> <li>• Must be in form format. We will not accept text lists.</li> <li>• No more than four statements or returns per page</li> <li>• Page no larger than 8.5”x11”</li> <li>• Page no smaller than 2.75” high or 4.25” wide</li> <li>• Send only one statement or return per employee/ payee (no duplicates)</li> <li>• Use blue or black ink</li> </ul>	<ul style="list-style-type: none"> <li>• 1096-federal transmittal form</li> <li>• 1099-DIV or 1099-INT if no Wisconsin withholding (do not include on WT-7)</li> <li>• CDs, magnetic tapes or non-SSA PDFs</li> <li>• Carbon copies</li> <li>• Correspondence</li> <li>• Duplicate W-2s with no change (if change made, file W-2c only)</li> <li>• Duplicate WT-7</li> <li>• Old version WT-7 if paper filing</li> <li>• W-2 or 1099 file with no Wisconsin connection</li> <li>• W-2s or 1099s with no Wisconsin connection if paper filing</li> <li>• WT2</li> </ul>

## Wage and Information Return Filing Options

If you file 10 or more wage statements (Forms W-2) or 10 or more information returns (Forms W-2G, 1099-MISC, 1099-R), you must file electronically. Filing options include:

- Key W-2s, 1099-MISCs and 1099-Rs in *My Tax Account* when filing the annual reconciliation (WT-7).
- Transfer a PDF file (for W-2s) created at Social Security Administration website to [DOR](#).
- Transfer an EFW2 file (for W-2s) to [DOR](#).
- Transfer an IRS formatted file (for 1099-Rs, 1099-MISCs and W-2Gs) to [DOR](#).

If you file fewer than 10 wage statements or fewer than 10 information returns, we encourage you to file electronically using one of the methods above. You will receive a confirmation number. Otherwise, mail these statements and returns to Wisconsin Department of Revenue, PO Box 8920, Madison WI 53708-8920.

## 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. There is no extension of time for filing forms W-2G.

Due dates for the following cannot be extended:

- 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, at least 30 days before the filing due date, 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@wisconsin.gov](mailto:DORWaiverRequest@wisconsin.gov)

Extension:

Wisconsin Department of Revenue  
PO Box 8946  
Madison WI 53708-8946  
[DORRegistration@wisconsin.gov](mailto:DORRegistration@wisconsin.gov)

## Amended Annual Reconciliation (WT-7)

If you discover an error on a reconciliation that was already filed, file another reconciliation with the correct information and note that it is an amended return. Include an explanation for the change. File corrected wage statements (W-2cs) and information returns (1099, etc.) to support the change, but only for those corrected and only to report corrected amounts withheld.

Do not file an amended reconciliation to report errors in employee wages paid, employee social security numbers (SSN) or your federal employee identification number (FEIN). Instead, file your corrected wage statements. If it is necessary to correct wage statements, furnish corrected copies of the statements to the affected employees and advise them to file the corrected copies with their individual income tax returns.

## Tips or Gratuities Received from Customers

All tips employees receive are income and subject to federal and Wisconsin income tax. For withholding purposes, employees must report tips to their employers for each month that tips or gratuities received by the employee total \$20 or more. Employers must treat the total tips and gratuities, including cash and credit/debit card tips, received by the employee as wages, and determine the required amount of Wisconsin tax to be withheld. The employer must withhold or collect from the employee the appropriate amount of Wisconsin withholding tax due on wages and total tips earned.

- 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*.

## New Hire Reporting Requirement

All employers with a federal employer identification number must report all newly hired and rehired employees to the Wisconsin New Hire Reporting Center within **20 days** of their hire or re-hire date.

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. For more information or to begin reporting, visit the New Hire website at [wi-newhire.com](http://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)

Employers must send a copy of the W-4 or WT-4 to us when:

- An employee claims more than 10 exemptions for Wisconsin purposes, or
- An employee claims complete exemption from Wisconsin withholding and earns over \$200 a week.

Send above forms to: Wisconsin Department of Revenue, Audit Bureau, Mail Stop 5-144, PO Box 8906, Madison WI 53708-8906.

If an employee claims complete exemption from Wisconsin withholding tax, a new WT-4 must be filed with the employer annually on or before April 30 of that year. If the employee fails to do so, the employee is considered as claiming zero withholding exemptions.

## Withholding Lock-In Letters

The department may void a current withholding exemption certificate (W-4/WT-4) for Wisconsin purposes, if it appears that an employee has filed an incorrect certificate, form or agreement with an employer. If this occurs, we will send the employer and employee a withholding lock-in letter. A lock-in letter:

- Voids the current certificate in place for the employee,
- Mandates the maximum number of exemptions the employee may claim,
- Remains in effect indefinitely or until the employer is notified otherwise by the department.

The employer must withhold based on the number of exemptions stated in the lock-in letter. Employers failing to honor a withholding lock-in letter may be subject to penalties.

## Reciprocity Agreements

Wisconsin has reciprocity agreements with Illinois, Indiana, Kentucky, and Michigan. If you employ residents of these states, you are not required to withhold Wisconsin income taxes from wages paid to employees who provide you a completed Wisconsin [Form W-220, Nonresident Employee's Withholding Reciprocity Declaration](#). 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 would also be subject to Wisconsin withholding

For additional information regarding this special withholding arrangement, visit <https://revenue.wi.gov/Pages/TaxPro/news-2010-100120.aspx>.

## Quick Links

- [Data exchange program](#)
- [Election workers](#)
- [Filing frequency changes](#)
- [Health savings accounts](#)
- [Nonresident entertainer withholding](#)
- [Nonresident military spouse withholding exemption](#)
- [Pass-through entity estimated payments](#)
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## Retirement and Pension Payments Exempt from Income Tax Withholding

Pension and retirement income are not 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.

## My Tax Account Webinars

We offer an Annual Filer Refresher webinar on January 16 and January 23, 2018 (the same information is provided in each webinar). Check the training page on [revenue.wi.gov](http://revenue.wi.gov) for registration availability.

The Annual Filer Refresher webinar covers a variety of topics, including how to:

- File and pay sales and use tax (ST-12)
- File and pay withholding tax (WT-6 and WT-7)
- Print a Seller's Permit and/or a Business Tax Registration Certificate
- Update profile information (bank and contact information)
- Submit an appeal
- Request an extension

We also offer a *My Tax Account* webinar for new users the second Tuesday of even numbered months. The next webinar is scheduled for December 12, 2017, 9:30 am to 10:30 am (CST). The webinar covers topics including, but not limited to, *My Tax Account's* two-step login process, filing and payment of withholding deposits, withholding annual reconciliation and W-2s. Visit [www.revenue.wi.gov/Pages/Training/Home.aspx](http://www.revenue.wi.gov/Pages/Training/Home.aspx) for more information.

## Withholding Tax Electronic Mailing List

Subscribe to the department's withholding tax electronic mailing list to receive withholding tax related communications at [revenue.wi.gov/html/lists.html](http://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@wisconsin.gov](mailto:DORWithholdingTax@wisconsin.gov)

Phone: 608-266-2776

Visit: [revenue.wi.gov/withholding](http://revenue.wi.gov/withholding)