

WITHHOLDING TAX UPDATE

89-1

DECEMBER 1989

I. NEW INFORMATIONAL PUBLICATION

This Withholding Tax Update is intended to inform employers about Wisconsin withholding taxes. The articles will give you information about requirements under current law, changes in the law, and procedural changes that can help you meet your responsibilities as an employer. If you have questions, please see the article "Questions, Questions, Questions" at the end of this Update.

II. CURRENT WITHHOLDING TAX RATES TO APPLY FOR 1990

The current withholding tax rates will continue for 1990. Those rates are found in the Department's current issue of the "Wisconsin Employer's Withholding Tax Guide" for payroll periods beginning on or after May 1, 1988. If changes in the tax laws result in new withholding tax rates, the Department will mail notification to all registered employers.

III. MAILING DATE FOR COUPON BOOKLETS

Employers depositing Wisconsin withheld taxes on a bi-monthly, monthly, or quarterly basis will be mailed a 1990 Coupon Booklet during the first week of January 1990. Please wait until January 17, 1990, to contact the Department if you do not receive a '90 Coupon Booklet.

IV. FILE ON TIME

The Department's processing system keeps track of each Deposit Report and Annual Reconciliation that an employer is required to file. If you do not file, the Department may send a reminder and make an estimate of tax and penalty.

If you fail to reply to an estimate, the Department will pursue the matter as a delinquent collection. That collection effort may include the filing of a delinquent tax warrant and other actions against your property. Timely filing, even if you owe no tax, avoids additional costs to you and the Department.

V. EMPLOYE OR EMPLOYEE?

How do you spell it? Just to let those of you that have reminded us over the years know, Webster (the dictionary) says both are correct. We use employe because it means one less keystroke.

VI. EMPLOYERS OF MINNESOTA RESIDENTS

If you pay wages to a Minnesota resident who does not want Wisconsin income tax withheld from his/her wages, the form titled "Statement of Minnesota Residency" must be used by the Minnesota resident in order to authorize you, the employer, to not withhold Wisconsin income tax. The form should be prepared in triplicate with one copy to be sent to the Department, one copy for the employer's records, and one copy for the employee's records. This exemption must be renewed each January.

If you need copies of this form, Statement of Minnesota Residency (Form W-222), you may request them by calling (608) 266-1961 or by writing to the Wisconsin Department of Revenue, Central Services Section, P.O. Box 8903, Madison, Wisconsin 53708. The forms which will be sent will be three-ply, so only order one form for each employe.

VII. EMPLOYEES CLAIMING EXEMPTION FROM WITHHOLDING

Annually, employees claiming complete exemption from withholding of Wisconsin income tax must file a new exemption form with their employer. Employers should review their records for all employees claiming complete exemption. If a new exemption form is not filed with the employer by April 30, the employer should begin withholding Wisconsin income tax based on the employee's marital status allowing one exemption.

The exemption certificate that should be used, based on the employee's individual situation, is:

1. the state Form WT-4, "Employee Withholding Exemption Certificate", or

2. the state Form WT-4A, "Employee Withholding Agreement".

The employer and the employe may also have a requirement to report this information to the Department. Also, an employe may prepay next year's income tax directly to the Department and be exempt from withholding for that year. In that case, the employe will give you, the employer, a copy of a Certificate of Exemption (Form W-200) issued by the Department indicating exemption from withholding for that year only. The "Wisconsin Employer's Withholding Tax Guide" provides additional information on this requirement. See "Questions, Questions, Questions" at the end of this Update.

VIII. PREPARE YOUR WAGE & TAX STATEMENTS (FORM W-2s) CORRECTLY

Please be sure the W-2s you furnish your employes are legible and correctly show names, addresses, identification numbers, and amounts. Note: Be sure the name of the state is correct for state taxes withheld.

Also, if you submit paper copies to the Department, rather than reporting on magnetic tape, the Department's copy should also be legible. This will help minimize our contacting you or your employe about the W-2 information.

IX. BUSINESS PARTNERSHIPS, CHANGING PARTNERS

The Department has adopted a policy similar to the federal Internal Revenue Service regarding partner changes. Generally, if you are required to obtain a new federal Employer Identification Number, you should also register for a new Wisconsin withholding tax number.

A continuing partnership that has had an ownership change of less than 50% in the previous 12 months may continue using the same state withholding number. The names, addresses, and social security numbers of the added or dropped partners should be sent to the Department within 10 days whenever a change takes place. Please use the Information Change Request Form in your coupon booklet or send a letter to notify us of any changes.

X. IMPROVED REGISTRATION SYSTEM

The Department implemented an improved registration system in March 1989. This improved processing uses an on-line computer system to record registration information and prepares the Deposit Report forms needed until a coupon booklet can be sent. This has reduced the average registration processing time

from 15 to 6 days.

XI. KEEPING UP-TO-DATE

For an annual fee of \$5.00, the Wisconsin Tax Bulletin (WTB) can provide you with up-to-date information about Wisconsin income/franchise, sales/use, withholding, gift, inheritance and excise tax laws. It contains articles, summaries of court decisions, private letter rulings and question and answer discussions of important tax issues you may not find elsewhere.

The WTB is published quarterly by the Department. In addition to the 4 issues, you will receive the annual WTB special issue which describes new tax legislation. To order, send a \$5 check made payable to "Document Sales" to: Wisconsin Department of Administration, Document Sales, Box 7840, Madison, Wisconsin 53707.

XII. QUESTIONS, QUESTIONS, QUESTIONS

The "Wisconsin Employer's Withholding Tax Guide" contains the tax rates and includes information about withholding, reporting, depositing, and reconciling Wisconsin withheld taxes. Contact one of the Department's offices if you need a copy or call (608) 266-2776.

Also, Wisconsin withholding tax law for individuals generally conforms with the federal Internal Revenue Code. Most definitions and instructions for Wisconsin purposes are identical with those used by the Internal Revenue Service and published in the Federal Employer's Tax Guide Circular E (Publication 15). The federal Circular E may be obtained at your local IRS office or by writing the Internal Revenue Service, CADC, P.O. Box 9903, Bloomington, IL 61799-0003, or call their toll-free telephone number at 1-800-424-3676.

If you have questions about Wisconsin withholding taxes, call or visit any Wisconsin Department of Revenue office or write to: Wisconsin Department of Revenue, P.O. Box 8902, Madison, Wisconsin 53708. You may also call Madison at (608) 266-2776.

The Department does use other mailing addresses to process withholding tax information. The address listed above is for general inquiries. The following documents should be sent to the address indicated below:

Deposit Reports
(Form WT-6)

Wisconsin Department of Revenue
Drawer Number 931
Milwaukee, WI 53293

Annual Reconciliation
(Form WT-7)

Wisconsin Department of Revenue
P.O. Box 8920
Madison, WI 53708