

# Instructions for 2012 Schedule RB

## Purpose of Schedule RB

A business that locates to Wisconsin from another state or country and begins doing business in Wisconsin is not subject to Wisconsin income or franchise tax for two consecutive years beginning with the taxable year in which the business locates to Wisconsin. Sole proprietors, partners in a partnership, members of a limited liability company treated as a partnership (LLC), and shareholders of a tax-option (S) corporation are allowed to subtract the business income. Corporations are allowed a credit equal to their tax liability.

## Who May Claim the Credit or Deduction

A business that locates to Wisconsin from another state or country may be able to claim the relocated business credit or deduction.

Tax-option (S) corporations, partnerships, and LLCs cannot claim the credit or deduction. Shareholders, partners, and members may claim a deduction based on income passed through from the tax-option (S) corporation's, partnership's, or LLC's business that locates to Wisconsin from another state or country and begins doing business in Wisconsin.

All entities must complete Part I of Schedule RB. If qualified, a sole proprietor or estate or trust must complete Part II. A shareholder in a tax-option (S) corporation, a partner of a partnership, or a member of an LLC must complete Part III. A corporation (except a tax-option (S) corporation) must complete Part IV.

## Definitions

"Business" means any organization or enterprise operated for profit, including a sole proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, limited liability company, or association.

"Doing business in Wisconsin" includes, except as prohibited under P.L. 86-272, issuing credit, debit, or travel and entertainment cards to customers in this state; regularly selling products or services of any kind or nature to customers in this state that receive the product or service in this state; regularly soliciting business from potential customers in this state; regularly performing services outside this state for which the benefits are received in this state; regularly engaging in transactions with customers in this state that involve intangible property and result in receipts flowing to the taxpayer from within this state; holding loans secured by real or tangible personal property located in this state; owning, directly or indirectly, a

general or limited partnership interest in a partnership that does business in this state, regardless of the percentage of ownership; and owning, directly or indirectly, an interest in a limited liability company that does business in this state, regardless of the percentage of ownership, if the limited liability company is treated as a partnership for federal income tax purposes. A taxpayer doing business in this state for any part of the taxable year is considered to be doing business in this state for the entire taxable year.

"Locates to Wisconsin" means moving either 51 percent or more of the workforce payroll of the business or at least \$200,000 of wages paid to such workforce to Wisconsin during the first taxable year. The determination as to whether 51 percent or more of the workforce payroll has moved to Wisconsin is made using a fraction, the numerator of which is the total amount of wages paid during the taxable year to employees who are residents of Wisconsin, and the denominator of which is the total amount of wages paid during the taxable year to all employees of the business.

"Taxable year" means the taxable period upon the basis of which the taxable income of the taxpayer is computed for federal income tax purposes. The taxable year of a taxpayer who keeps accounting records on the basis of a 52-53 week period ends on the last day of the month closest to the end of the 52-53 week period.

"Wages" has the meaning given in sec. 3121(a) of the Internal Revenue Code. This is definition of wages that is used for federal FICA tax.

## Line Instructions

**Part I** – This part must be completed by all persons claiming the deduction or credit.

Shareholders of tax-option (S) corporations, partners of partnerships, and members of LLCs must obtain the required information to enter on lines 1 and 2 from the tax-option (S) corporation, partnership, or LLC.

**Part II** – All amounts to be reported are as determined under the Internal Revenue Code in effect for Wisconsin. For example, Wisconsin does not follow the federal provision that allows bonus depreciation. Individuals must complete Schedule I, Adjustments to convert 2012 Federal Adjusted Gross Income and Itemized Deductions to the Amounts Allowable for Wisconsin, to adjust for the difference between depreciation allowed for federal and Wisconsin tax purposes.

**Line 4** The amount to include on line 4 is the net profit or (loss) from Schedule C or F as determined under the Internal Revenue Code in effect for Wisconsin. Include only the profit or (loss) allocated or apportioned to Wisconsin after the business relocated to Wisconsin.

For example, if you are filing Form 1NPR and the only amount in the Wisconsin column of line 6 of Form 1NPR is a profit from the business after it relocated to Wisconsin, fill in the amount from line 6, Wisconsin column, on line 4 of Schedule RB.

**Line 8** Combine the amounts on lines 4 and 5. Fill in the result on line 8, but not more than the amount on line 7. If line 8 is more than zero (0), this is your deduction for income from the relocated business. Fill in this amount on line 11 of Form 1 (using code 29) or line 15 of Form 1NPR.

*Fiduciaries* – Fill in the amount of the deduction that relates to the distributable income from the relocated business on column 1, line 11 of Schedule A of Form 2. Fill in the amount of the deduction that relates to the nondistributable income from the relocated business on column 2, line 11 of Schedule A of Form 2.

Go on to line 9 only if line 6 shows a capital gain.

**Line 9** Subtract the amount on line 8 from the amount on line 7. Fill in the result on line 9. But, if line 8 is zero or a negative amount, fill in the amount from line 7 on line 9.

See the Wisconsin Schedule WD instructions for information on claiming a subtraction for the capital gain.

*Fiduciaries* – For information on reporting a subtraction for the distributable portion of the capital gain from the relocated business to a beneficiary, see the instructions for Wisconsin Schedule 2K-1. For information on claiming a subtraction for the nondistributable portion of the capital gain from the relocated business, see the instructions for Wisconsin Schedule WD (Form 2).

**Part III** A shareholder in a tax-option (S) corporation, a partner of a partnership, or a member of an LLC must complete Part III if the tax-option (S) corporation, partnership, or LLC relocated its business to Wisconsin.

**Line 14** If line 14 is greater than zero, this is your deduction for income from the relocated business.

*Individuals* – Fill in the amount from line 14 on line 11 of Form 1 or include as a subtraction on line 15, Wisconsin column, of Form 1NPR.

*Fiduciaries* – Fill in the amount from line 14 that relates to the distributable income from the relocated business on column 1, line 11 of Schedule A of Form 2. Fill in the amount from line 14 that relates to the nondistributable income from the relocated business on column 2, line 11 of Schedule A of Form 2.

*Other pass-through entities* – Fill in the amount from line 14 as an adjustment on line 1, column c, of Schedule 3K of Form 3 or Schedule 5K of Form 5S.

**Line 15** The amount on line 15 is your deduction for capital gain from the relocated business.

*Individuals* – The amount on line 15 may be subtracted on Wisconsin Schedule WD as capital gain from the sale of business assets. If the amount on line 12 includes both short and long-term gain, apply the subtraction amount first to short-term gain and any remaining amount to long-term gain.

*Fiduciaries* – Fill in each beneficiary's share of the amount on line 15 that relates to the distributable portion of the capital gain from the relocated business on line 3 or 4a as appropriate, column c, of Schedule 2K-1.

The amount on line 15 that relates to the nondistributable portion of the capital gain from the relocated business may be subtracted on Wisconsin Schedule WD (Form 2) as capital gain from the sale of business assets. If the amount on line 12 includes both short and long-term gain, apply the subtraction amount first to short-term gain and any remaining amount to long-term gain.

*Other pass-through entities* – Fill in the amount from line 15 as an adjustment on line 8 or 9 as appropriate, column c, of Schedule 3K of Form 3 or lines 7 or 8, as appropriate, of Schedule 5K of Form 5S.

## Attachments

If you are claiming a deduction as a partner in a partnership, member of an LLC, or shareholder of a tax-option (S) corporation, include a copy of the 3K-1 or 5K-1 received from the partnership, LLC, or tax-option (S) corporation that relocated its business to Wisconsin.

## Additional Information

For more information, you may:

- E-mail your questions to [corp@revenue.wi.gov](mailto:corp@revenue.wi.gov)
- Call (608) 266-2772
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison WI 53708-8906