Instructions for 2014 Form U: Underpayment of Estimated Tax by Corporations

Purpose of Form U

Corporations, combined groups, and tax exempt organizations required to file use Form U to determine if they are subject to interest for underpayment of estimated tax and, if so, the amount of interest. A corporation, combined group, or exempt organization may be subject to underpayment interest if the total of its tax and economic development surcharge for its taxable year beginning in 2014 is $500 or more.

Form U is also used to compute both extension and delinquent interest whenever the tax due is not paid within 2½ months after the end of the taxable year.

If this is a combined return, prepare only one Form U for the entire combined group. Section Tax 2.66(3), Wisconsin Administrative Code, provides that the combined group is generally treated as a single corporation for purposes of determining required estimated payments and underpayment interest.

Required Estimated Payments

Required installments differ for large and small corporations. A "small" corporation is a corporation (or combined group) having 2014 Wisconsin net income of less than $250,000. A "large" corporation is a corporation (or combined group) having 2014 Wisconsin net income of $250,000 or more. On Form 5S, net income is the amount on line 3.

NOTE: Since a combined group is treated as a single corporation, a "large" corporation includes a combined group for which the combined group's total Wisconsin net income on Form 6, page 1, line 11 is $250,000 or more.

Required installments for **small** corporations are based on the smaller of:

1. 90% of 2014 Wisconsin net tax,
2. 90% of the 2014 Wisconsin net tax figured by annualizing income, as computed in Part III of Form U, or
3. 100% of 2013 Wisconsin net tax, provided the 2013 return covered an entire 12-month period.

For combined groups for the taxable year 2014, the computation based on 100% of 2013 net tax doesn't apply unless all members of the combined group filed a 2013 Wisconsin return that covered an entire 12-month period. See s. Tax 2.66(3)(f), Wisconsin Administrative Code, for details.

Required installments for **large** corporations are based on the smaller of:

1. 90% of 2014 Wisconsin net tax, or
2. 90% of the 2014 Wisconsin net tax figured by annualizing income, as computed in Part III of Form U.

Line-by-Line Instructions

Following are instructions which explain the parts of Form U in the order they appear on the form:

Part I: Computation of Underpayment and Interest Due

■ **Line 1a. 2014 Tax –** Enter the amounts from 2014 Form 4, line 21 plus line 22; Form 4T, line 24 plus line 25;; Form 5S, line 6 plus line 8; or Form 6, page 1, line 15 plus line 16.

■ **Line 1b. 2014 Refundable Credits and Withholding –** Enter your refundable credits and withholding from 2014 Form 4, line 27 plus line 28; Form 4T, line 30 plus line 31; Form 5S, line 13; or Form 6, page 1, line 21 plus line 22.

NOTE: You do not have to complete lines 3a and 3b unless the taxpayer qualifies to base its estimated payments on 100% of 2013 net tax. See *Required Estimated Payments* in the previous column.

■ **Line 3a. 2013 Tax –** If this is not a combined return, enter the amounts from 2013 Form 4, line 24 plus line 25; Form 4T, line 24 plus line 25; Form 5, line 11 plus line 12; or Form 5S, line 8 plus line 10.

If this is a combined return and the group qualifies to base its estimated payments on 100% of the 2013 net tax, enter on line 3a the sum of all members' amounts on 2013 Form 4, line 24 plus line 25; Form 4T, line 24 plus line 25; or Form 5, line 11 plus line 12; as applicable.

■ **Line 3b. 2013 Refundable Credits and Withholding –** If this is not a combined return, enter your refundable credits and withholding from 2013

Form 4, line 30 plus line 31; Form 4T, line 30 plus line 31; Form 5, line 17 plus line 18; or Form 5S, line 15.

If this is a combined return and the group qualifies to base its estimated payments on 100% of 2013 net tax, enter on line 3b the sum of all members' amounts on 2013 Form 4, line 30 plus line 31; Form 4T, line 30 plus line 31; Form 5, line 17 plus line 18; or Form 5S, line 15; as applicable.

■ **Line 4. Total Required Estimated Payments –** If you didn't complete line 3 because you don't qualify to base required estimated payments on 100% of 2013 net tax, enter the amount from line 2.

■ **Line 5. Installment Due Dates –** If this is a combined return, the "taxable year" means the taxable year shown on the front of the combined Form 6, even if some combined group members are on a different taxable year. If this is a short period return, special rules apply. See s. Tax 2.89, Wisconsin Administrative Code, for details.

■ **Line 7. Payments Made on or Before Due Date –** In each column, enter the total payments made on or before the installment due date shown but after the previous installment due date. Include any carryovers of overpayments from prior years, but do not include the same overpayment in more than one column.

If you had any tax withheld on your behalf from pass-through entities or from a Form W-2G during the taxable year, also include 25% of that withholding in each column.

If this is a combined return and group members other than the designated agent are applying payments to this return, enter the total of all combined group members' amounts that apply to that column.

■ **Line 10. Carryback of Overpayment or Late Payment –** Complete line 10 only if you have an overpayment on line 9 for one or more installment periods. The overpayment may be carried back to prior installment periods and offset against an underpayment for such periods. If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 10 each carryback used to offset the underpayment.

If this is a combined return and the amounts on line 9 include payments from more than one corporation, complete line 10 as if the combined group is a single corporation.

■ **Line 11. Carryforward of Overpayment –** Any overpayment remaining after completing line 10 should be carried forward to the next period.

■ **Line 13. Number of Days Until Carryback Paid –** Complete this line only if there is a carryback amount reported on line 10. If the amount you carried back includes more than one payment (for example, payments from multiple combined group members if this is a combined return), skip line 13 and see the instructions to line 15.

■ **Line 15. Interest on Late Payments Carried Back –** If you have an amount on line 13, compute interest at 12% per year for the number of days on line 13. Use a 365-day year.

If you don't have an amount on line 13 because you carried back more than one payment, use a separate schedule to compute the interest on each payment carried back. Use the worksheet at the end of these instructions to prepare that schedule, or prepare your own schedule using the worksheet as a model. Enter the total on line 15, and submit the schedule with your return.

■ **Line 17. Interest through Unextended Due Date –** If you do not have a balance due after 2½ months after the close of your taxable year, enter the amount from line 17 on your franchise or income tax return. Otherwise, enter the amount from line 17 on Part II, line 22, and complete the rest of Part II.

Part II: Computation of Total Amount Due

Complete Part II only if your return is not filed by the unextended due date and shows a balance due.

■ **Line 20. Total Amounts Applied –** Enter the total estimated tax payments made, plus any withholding and refundable credits for the taxable year.

■ **Line 24. Late Return Interest –** Tax not paid by the original unextended due date is subject to interest at 18% per year on 90% and at 12% on 10% during the extension period of the return. Underpayment interest not paid by the original unextended due date is subject to 18% per year during the extension period. After the extension period, all remaining tax and underpayment interest due is charged interest at 18% per year.

On line 24, column a, enter the amount of interest computed at 18% per year, for the number of days between the unextended due date and the date the return is filed, on the amount on line 23, column a.

On line 24, column b, enter the amount of interest computed at 12% per year for the number of days between the unextended due date and the extended due date on the amount on line 23, column b, plus the amount of interest computed at 18% per year for the number of days between the extended due date and the date the return is filed on the amount on line 23, column b.

■ **Lines 25a & 25b. Late Filing Penalty and Fee –** The "net tax due" is the total tax and economic development surcharge less any allowable credits, withholding, and estimated payments that were made by the extended due date of the return.

NOTE: For combined returns, the late filing fee is $150 for the combined group as a whole, regardless of the number of members.

Part III: Annualized Income Installment Method

Complete this worksheet if you compute one or more installments under the annualized income installment method.

If this is a combined return and you are using the annualized income installment method, use one worksheet for the entire combined group.

■ **Lines 27 through 29. Annualized Wisconsin Net Income –** On line 27, do not include items which remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting. Instead, enter those items on line 30, columns a through d, in total.

Exception for Tax Exempt Organizations. For tax-exempt organizations that file Form 4T or are included in a combined return to report unrelated business taxable income, you must modify the annualization period and annualization factor. Instead of using the amounts shown on the form, use the following amounts:

	(a)	(b)	(c)	(d)
Annualization Period	First 1 month	First 4 months	First 7 months	First 10 months
Annualization Factor	12	3	1.714	1.2

If a combined group includes a tax exempt organization, use the above amounts only for the tax exempt organization's Wisconsin net income.

■ **Line 30. Adjustments –** This is where you enter the items you could not include in line 27 because they remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting.

■ **Line 35. Economic Development Surcharge –** If this is a combined return, compute the economic development surcharge separately for each company in the group based on its annualized gross tax on line 32.

CAUTION: In the computation of required installments, combined groups must compute the economic development surcharge separately for each company in the group.

(See the next page for the worksheet for line 15)

Worksheet for Line 15:

Interest on Carryback of Multiple Payments to the Same Installment Due Date

	(a) Payment amount carried back	(b) Date the amount in column (a) was paid	(c) By how many days is the date in column (b) after the installment due date?	(d) Interest at 12% on amount in column (a) for number of days in column (c)
Totals				

(Column (a) total should equal amount on line 10 for the installment to which this worksheet applies)

(Enter Column d total on line 15 for the installment to which this worksheet applies)

Additional Information and Assistance

Web Resources

The Department of Revenue's web page, available at revenue.wi.gov, has a number of resources to provide additional information and assistance, including:

- Related forms and their instructions
- Common questions
- Publications on specific tax topics
- The *Wisconsin Tax Bulletin*
- A home page specifically for combined reporting topics
- Links to the Wisconsin Statutes and Administrative Code

Contact Information

If you cannot find the answer to your question in the resources available on the Department of Revenue's web page, contact the Department using any of the following methods:

- E-mail your question to DORFranchise@revenue.wi.gov
- Call (608) 266-2772
  (Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906