

# Wisconsin Corporation Franchise and Income Tax Form 4 Instructions

## Important . . .

- **Temporary recycling surcharge**  
The temporary recycling surcharge applies to corporations having at least \$4,000 of total receipts from all activities. See page 1.
- **Wisconsin use tax**  
Corporations that purchase taxable tangible personal property or taxable services for storage, use, or consumption in Wisconsin without payment of a state sales or use tax are subject to a Wisconsin use tax. See page 15.

- **Extensions of time to file**  
If a corporation receives an extension of time to file its federal income tax return, the corporation is not required to send a copy of its federal extension form to the Wisconsin Department of Revenue or apply for a Wisconsin extension by the original due date of its Wisconsin return. The federal extension automatically extends the time for filing the Wisconsin return to 30 days after the federal due date, if the corporation attaches a copy of that extension to the return it files.

If a corporation does not request a federal extension but needs additional time to file its Wisconsin return, it must apply to the Wisconsin Department of Revenue for a 30-day Wisconsin extension by the 15th day of the 3rd month following the close of its taxable year.

If the original due date of a corporation's federal return is after the 15th day of the 3rd month following the close of its taxable year, the corporation may apply to the Wisconsin Department of Revenue for a Wisconsin extension until the original due date of its federal return.

## Don't Forget . . .

- **Use the preprinted label**
- **Fill in your federal employer ID number**
- **Fill out the form completely**
- **Attach a copy of your federal return and any other required forms, schedules, or statements**
- **Attach a copy of any extension**
- **Sign the return**

## For More Information . . .

- **Wisconsin Tax Bulletin**  
This quarterly newsletter published by the Department of Revenue provides information about new Wisconsin tax laws, court decisions, interpretations of law, etc. Subscriptions cost \$7 per year.
- **Topical and Court Case Index**  
This index gives references to Wisconsin statutes, administrative rules, *Wisconsin Tax Bulletin* tax releases and private letter rulings, publications, and court decisions. The index is published in December, with an addendum provided in May. The annual cost is \$18, plus sales tax.

To order the bulletin or index, send a check made payable to "Document Sales" to the Wisconsin Department of Administration, P.O. Box 7840, Madison, WI 53707-7840.

## Wisconsin Business Activity Codes

Using the list below, determine the proper code to enter in item D, Wisconsin Business Activity Code, on page 1 of your return. Enter the code which reflects the corporation's major business activity (the activity which accounted for the largest percentage of total receipts).

1.	<b>AGRICULTURE, FORESTRY, AND FISHERIES</b>	3700	Transportation Equipment	5540	Gasoline Service Stations — Full-Service	7230	Beauty Shops		
0100	Agricultural Production — Crops and Miscellaneous Agriculture	3800	Professional, Scientific, and Controlling Instruments; Clocks; Photographic and Optical Goods	5541	Gasoline Service Stations — Self-Service	7240	Barber Shops		
0200	Agricultural Production — Livestock, Poultry, and Dairy Products	3900	Other Manufacturing Industries	5590	Miscellaneous Aircraft, Boat, and Automotive Dealers (including motor homes, campers, and utility trailers)	7250	Shoe Repair and Shoeshine		
0700	Agricultural Services (veterinarians, kennels, landscaping, etc.)	4000	<b>5. TRANSPORTATION</b>			7260	Funeral Services		
0800	Forestry (timber tracts, seed gathering, etc.)	4100	Railroad Transportation			7290	Other Personal Services (tax return preparation, dating services, tuxedo rental, etc.)		
0900	Fishing, Hunting, and Trapping (commercial fishing, hatcheries, game and hunting preserves, etc.)	4200	Local and Suburban Transit Interurban Highway Passenger Transportation (buses, taxis, etc.)	<b>D. Apparel and Accessory Stores</b>			<b>C. Business Services</b>		
		4400	Motor Freight Transportation and Warehousing	5600	Clothing Stores (men's, women's, children's)	7310	Advertising		
2.	<b>MINING</b>	4500	Water Transportation	5660	Shoe Stores	7320	Consumer Credit Reporting and Collection Agencies		
1000	Metal Mining	4600	Transportation by Air	5690	Miscellaneous Apparel and Accessory Stores	7330	Commercial Mailing, Reproduction, Art, Photography, and Stenographic Services		
1300	Oil and Gas Extraction	4700	Pipelines, except Natural Gas	<b>E. Furniture and Appliance Stores</b>			7340	Services to Buildings	
1400	Mining and Quarrying of Nonmetallic Minerals (sand, gravel, stone, etc.)		Transportation Services (travel agencies, freight forwarding, etc.)	5710	Furniture, Home Furnishings, and Equipment, except Appliances	7350	Miscellaneous Equipment Rental		
3.	<b>CONSTRUCTION AND SPECIAL TRADE CONTRACTORS</b>	4810	<b>6. COMMUNICATION</b>	5720	Household Appliance Stores	7360	Personnel Supply Agencies		
1500	General Building Contractors (homes, offices, etc.)	4820	Telephone Communication	5730	Radio, Television, and Music Stores	7370	Computer and Data Processing Services		
1610	Highway and Street Construction	4830	Telegraph Communication	<b>F. Eating and Drinking Places</b>			7380	Other Business Services (guard services, photofinishing labs, news syndicates, etc.)	
1620	Heavy Construction (bridges, pipeline, sewer, etc.)	4890	Radio and Television Broadcasting	5800	Restaurants — with alcohol licenses			<b>D. Repair Services</b>	
1710	Plumbing, Heating, Air Conditioning	4910	Other Communication Services (cable television, satellite, etc.)	5810	Restaurants — without alcohol licenses			7510	Automotive Rentals and Leasing
1720	Painting, Paper Hanging, Decorating	4930	<b>7. ELECTRICAL, GAS, AND SANITARY SERVICES</b>	5813	Taverns			7520	Automotive Parking
1730	Electrical Work	4940	Electric Companies and Systems	<b>G. Miscellaneous Retail Stores</b>				7530	Automotive Repair Shops
1740	Masonry, Stonework, Plastering, Tile	4950	Gas Companies and Systems	5310	Department Stores			7540	Automotive Services, except Repairs (car washes, diagnostic centers)
1750	Carpentry and Flooring		Combination Gas and Electric Companies	5330	Other General Merchandise Stores				
1760	Roofing and Sheet Metal	5010	Water Supply	5910	Drug Stores — with alcohol licenses			7620	Electrical Repair Shops, except Radio and TV
1770	Concrete Work	5020	Sanitary Services (sewerage systems, rubbish collection, etc.)	5912	Drug Stores — without alcohol licenses			7622	Radio and TV Repair Shops
1780	Water Well Drilling	5030	<b>8. WHOLESALE TRADE</b>	5920	Liquor Stores			7640	Reupholstery and Furniture Repair
1790	Miscellaneous Special Trade Contractors	5040	Motor Vehicles and Automotive Parts and Supplies	5930	Used Merchandise Stores			7690	Miscellaneous Repair Services
4.	<b>MANUFACTURING</b>	5050	Furniture and Home Furnishings	5942	Sporting Goods and Bicycle Stores			<b>E. Amusement and Recreation</b>	
<b>A. Food and Kindred Products</b>		5060	Lumber and Construction Materials	5944	Book and Stationery Stores			7810	Motion Pictures Production or Distribution
2010	Meat Products	5070	Sporting, Recreational, Photographic, Hobby Goods, Toys, and Supplies	5945	Jewelry Stores			7820	Motion Picture Theaters
2020	Dairy Products	5080	Metals and Minerals, except Petroleum and Scrap	5946	Hobby, Toy, and Game Shops			7830	Video Tape Rentals
2030	Canned and Preserved Fruits, Vegetables, and Seafoods	5090	Electrical Goods	5947	Camera and Photographic Supply Stores			7910	Dance Studios, Schools, and Halls
2040	Grain Mill Products	5100	Hardware, Plumbing, and Heating Equipment and Supplies	5948	Luggage and Leather Goods Stores			7930	Bowling Alleys — with alcohol licenses
2080	Beverages	5110	Machinery, Equipment, and Supplies	5949	Sewing, Needlework, and Piece Goods Stores			7933	Bowling Alleys — without alcohol licenses
2090	Other Food Products	5120	Miscellaneous Durable Goods	5961	Catalog and Mail Order Houses			7940	Professional Sports and Racetracks
<b>B. Machinery, except Electrical</b>		5130	Paper and Paper Products	5962	Vending Machine Operators			7991	Physical Fitness Facilities
3510	Engines and Turbines	5150	Drugs, Drug Proprietaries, and Druggists' Sundries	5963	Direct Selling (telephone and door-to-door)			7992	Public Golf Courses
3520	Farm and Garden Machinery and Equipment	5160	Apparel, Piece Goods, and Notions	5980	Fuel Dealers			7993	Coin-Operated Amusement Devices and Arcades
3530	Construction, Mining, and Materials Handling Machinery and Equipment	5170	Groceries and Related Products	5992	Florists			7996	Amusement Parks
3540	Metalworking Machinery and Equipment	5180	Farm-Product Raw Materials	5995	Tobacco Stores and Stands			7997	Private Sports and Recreation Clubs
3550	Special Industry Machinery, except Metalworking Machinery	5190	Chemicals and Allied Products	5999	Optical Goods Stores			7999	Other Amusement and Recreation
3560	General Industrial Machinery and Equipment	<b>9. RETAIL TRADE</b>	Petroleum and Petroleum Products	<b>10. FINANCE, INSURANCE, AND REAL ESTATE</b>				8010	Medical and Health Services
3590	Other Machinery, except Electrical	<b>A. Building Materials, Hardware, Garden Supply, and Mobile Home Dealers</b>	Alcoholic Beverages	6000	Depository Institutions (banks, credit unions, savings and loans)			8020	Doctors Offices and Clinics
2100	Tobacco Manufacturers	5210	Miscellaneous Nondurable Goods	6100	Nondepository Credit Institutions (agricultural, business, and personal credit)			8040	Dentists Offices and Clinics
2200	Textile Mill Products	5220	<b>9. RETAIL TRADE</b>	6200	Security and Commodity Brokers			8050	Health Practitioners Offices
2300	Apparel and Other Fabricated Textile Products	5230	Lumber and Other Building Materials	6300	Insurance Companies			8060	Nursing Homes and Personal Care Facilities
2400	Lumber and Wood Products, except Furniture	5250	Paint, Glass, and Wallpaper Stores	6400	Insurance Agents, Brokers, and Service			8090	Hospitals
2500	Furniture and Fixtures	5260	Hardware Stores	6510	Real Estate Operators and Lessors			8100	Other Health Care Services
2600	Paper and Allied Products	5270	Retail Nurseries, Lawn, and Garden Mobile Home Dealers	6530	Real Estate Agents and Managers			8200	<b>Other Services</b>
2700	Printing, Publishing, and Allied Industries	<b>B. Food Stores</b>	<b>B. Food Stores</b>	6540	Title Abstract Companies			8300	Legal Services (attorneys, law firms)
2800	Chemicals and Allied Products	5400	Grocery Stores — without alcohol license	6550	Subdividers and Developers			8400	Educational Services (schools, libraries, etc.)
2900	Petroleum Refining and Related Products	5410	Grocery Stores — with alcohol license	6700	Holding and Other Investment Companies (investment trusts, patent owners, investment clubs)			8600	Social Services (day care, job training, vocational rehab., etc.)
3000	Rubber and Miscellaneous Plastic Products	5420	Meat and Fish Markets	<b>11. SERVICES</b>				8610	Non-Profit Membership Organizations — with alcohol licenses (business, civic, social, fraternal associations, etc.)
3100	Rubber and Miscellaneous Plastic Products	5430	Fruit and Vegetable Markets	<b>A. Hotels, Rooming Houses, Camps, and Other Lodging Places</b>				8710	Non-Profit Membership Organizations — without alcohol licenses
3100	Leather and Leather Products	5440	Candy, Nut, and Confectionery Stores	7000	Hotels, Motels, Resorts — with alcohol licenses			8710	Engineering, Architectural, and Surveying Services
3200	Stone, Clay, Glass, and Concrete Products	5450	Dairy Products Stores	7010	Hotels, Motels, Resorts — without alcohol licenses			8720	Accounting, Auditing, and Bookkeeping Services
3300	Primary Metal Industries	5460	Retail Bakeries	7032	Sporting and Recreational Camps			8730	Research, Development, and Testing Services
3400	Fabricated Metal Products, except Machinery and Transportation Equipment	5490	Miscellaneous Food Stores (health food, coffee, etc.)	7033	Trailer Parks and Camping Facilities			8740	Management, Consulting, and Public Relations
3600	Electrical and Electronic Machinery, Equipment, and Supplies	<b>C. Automotive Dealers and Gasoline Service Stations</b>	<b>C. Automotive Dealers and Gasoline Service Stations</b>	7040	Other Lodging Places			8990	Services Not Elsewhere Classified
		5510	Motor Vehicle Dealers — New and Used	7210	<b>B. Personal Services</b>				
		5520	Motor Vehicle Dealers — New and Used	7220	Laundry, Cleaning, and Garment Services				
		5530	Motor Vehicles (used only)		Photographic Studios				
			Tire, Battery, and Accessory Stores						

**Purpose of Form**

Corporations engaged in business in and outside Wisconsin use Form 4 to report their income, gains, losses, deductions, and credits; to compute their franchise or income tax liability; and to figure their temporary recycling surcharge.

**Franchise or Income Tax**

**Franchise tax** applies to

- All domestic corporations (those organized under Wisconsin law) and
- Foreign corporations (those not organized under Wisconsin law) doing business in Wisconsin, except where taxation is exempted by statute or barred by federal law.

The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities is included in income under the franchise tax law.

**Income tax** applies only to foreign corporations which are not subject to the franchise tax and which own property in Wisconsin or whose business in Wisconsin is exclusively in foreign or interstate commerce. The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities isn't included in income under the income tax law.

**Temporary Recycling Surcharge**

The temporary recycling surcharge applies for taxable years ending after April 1, 1991, and ending before April 1, 1999. Corporations that must file Wisconsin franchise or income tax returns must pay the temporary recycling surcharge, with certain exceptions. The surcharge doesn't apply to:

- Domestic corporations that don't have any business activities in Wisconsin.
- Foreign corporations that don't have nexus with Wisconsin.
- Corporations that have less than \$4,000 of total receipts from all activities. "Total receipts from all activities" means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.
- Nuclear decommissioning trust funds.

For more information, see Publication 400, *Wisconsin's Temporary Recycling Surcharge*, which you may obtain from any Department of Revenue office.

**Who Must File**

- Corporations organized under Wisconsin law.
- Foreign corporations licensed to do business in Wisconsin.
- Unlicensed corporations doing business in Wisconsin.
- Foreign corporations having an interest in a partnership that does business in Wisconsin.
- Publicly traded partnerships treated as corporations in section 7704 of the Internal Revenue Code (IRC).
- Limited liability companies (LLCs) treated as corporations for federal income tax purposes.

**Who Is Not Required to File**

- Corporations and associations exempt under sec. 71.26(1), Wis. Stats., except those with (a) unrelated business taxable income as defined in IRC section 512, or (b) income derived from a health maintenance organization or a limited service health organization. This includes insurers exempt from federal income taxation under IRC section 501(c)(15), town

mutuals organized under Chapter 612, Wis. Stats., foreign insurers, domestic insurers engaged exclusively in life insurance business, domestic mortgage insurers, some cooperatives, and religious, scientific, educational, benevolent, or other corporations or associations of individuals not organized or conducted for profit.

- Corporations that are completely inactive in and outside Wisconsin and have filed Form 4H.
- Credit unions that don't act as a public depository for state or local government funds and have filed Form CU.

**Which Form to File**

**Form 4** Corporations (other than tax-option corporations) reporting under the apportionment or separate accounting methods.

**Form 4H** Corporations that have been completely inactive in and outside Wisconsin for the entire taxable year and don't anticipate any activity in subsequent years. No other return is required until a corporation is activated, reactivated, or requested to file by the Department of Revenue.

**Note:** Foreign corporations licensed to transact business in Wisconsin that have no property or activity in Wisconsin but are active outside Wisconsin may not file Form 4H. They must file Form 4, 5, or 5S but need only enter "No business transacted in Wisconsin" on the front of the return and attach a copy of their federal return.

**Form 4I** Insurance companies, health maintenance organizations, and limited service health organizations.

**Form 4T** Exempt corporations and associations of individuals that have unrelated business taxable income as defined in IRC section 512.

**Form 5** Corporations (other than tax-option corporations) whose entire business income is attributable to Wisconsin.

**Form 5E** Corporations that have elected and qualified to be S corporations for federal tax purposes but are electing not to be tax-option corporations for Wisconsin franchise or income tax purposes. In addition, such corporations must file Form 4 or 5.

**Form 5R** Federal S corporations that elected not to be tax-option corporations for Wisconsin and subsequently are revoking their "opt-out" elections. In addition, such corporations must file Form 5S.

**Form 5S** Tax-option (S) corporations.

**Form 5S-1** Tax-option (S) corporations that are subject to the additional tax on built-in gains or claim a manufacturer's sales tax credit. File this form with Form 5S.

**Form CU** Credit unions that don't act as a public depository for state or local government funds. These credit unions are exempt from taxation by Wisconsin. Once a Form CU has been filed, no other return must be filed unless requested by the Department of Revenue or the credit union subsequently acts as a public depository.

- Sch. CU-1 Credit unions that act as a public depository. File this schedule with Form 4.
- Sch. DC Corporations claiming a Wisconsin development zone credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
- Sch. EC Corporations claiming a Wisconsin enterprise zone credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
- Sch. FC Corporations claiming a Wisconsin farmland preservation credit. File this schedule with Form 4, 4I, 4T, or 5.
- Sch. FT Corporations claiming a Wisconsin farmland tax relief credit. File this schedule with Form 4, 4I, 4T, or 5.
- Sch. HR Corporations claiming a Wisconsin historic rehabilitation credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
- Sch. R Corporations claiming a Wisconsin research credit. File this schedule with Form 4, 4I, 4T, or 5.

### Where to Obtain Forms

If you need forms, call (608) 266-1961 or write to the Forms Request Office, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903. To receive forms and publications by FAX, use your fax telephone to call the department's Fax-A-Form Retrieval System at (608) 261-6229. You may download forms and publications from the department's Internet website at <http://www.dor.state.wi.us>.

### Where to Obtain Assistance

If you need help in preparing a corporation franchise or income tax return, call (608) 266-2772 or write to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906.

### Period Covered by Return

The return must cover the same period as the corporation's federal income tax return. A 1996 Wisconsin return must be filed by a corporation for calendar year 1996 or a fiscal year that begins in 1996. A fiscal year may end only on the last day of a month. However, corporations reporting on a 52 to 53 week period for federal tax purposes must file on the same reporting period for Wisconsin. The Department of Revenue will consider the reporting period as ending on the last day of the month closest to the end of the 52 to 53 week period for purposes of due dates, extensions, and assessments of interest and penalties.

### Change in Accounting Period

Any change in accounting period made for federal purposes must also be made for Wisconsin purposes. Attach to the Wisconsin return, for the first taxable year for which the change applies, a copy of the Internal Revenue Service's notice of approval of accounting period change if the IRS's approval is required or an explanation of the change if the IRS's approval isn't required.

### Accounting Methods

In computing net income, the method of accounting must be the same method used in computing federal net income. However,

if the method used for federal purposes isn't authorized under the Internal Revenue Code in effect for Wisconsin, use a method authorized under the Internal Revenue Code in effect for Wisconsin.

A corporation entitled to use the installment method of accounting must take the unreported balance of gain on installment obligations into income in the taxable year of their distribution, transfer, or acquisition by another person or for the final taxable year for which it files or is required to file a Wisconsin franchise or income tax return, whichever year occurs first.

### Change in Accounting Method

A change in accounting method made for federal purposes must also be made for Wisconsin purposes, unless the change isn't authorized under the Internal Revenue Code in effect for Wisconsin. Adjustments required federally as a result of a change made while the corporation is subject to Wisconsin taxation must also be made for Wisconsin purposes, except in the last year that a corporation is subject to taxation by Wisconsin it must take into account all remaining adjustments required. Attach to the Wisconsin return, for the first taxable year for which the change applies, either a copy of the application for change in accounting method filed with the Internal Revenue Service and a copy of the IRS's consent if the IRS's approval is required or an explanation of the change.

### Elections

As explained above, a corporation can't make different elections for federal and Wisconsin purposes with respect to accounting periods and accounting methods, unless the federal method isn't permitted under the Internal Revenue Code in effect for Wisconsin. In situations where a corporation has an option under the Internal Revenue Code and the IRS doesn't consider that option to be a method of accounting, a different election may be made for Wisconsin than that made for federal purposes. If federal law specifies the manner or time period in which an election must be made, those requirements also apply for Wisconsin purposes.

If a different election is made, an adjustment(s) is required on the Wisconsin return (on Schedule V and/or Schedule W) to account for the difference. The difference in the election(s) could also result in a different contribution deduction since that deduction is limited to 10% of federal taxable income determined for Wisconsin purposes. This would also require an entry on either Schedule V or W.

### When to File

Generally, a corporation must file its franchise or income tax return by the 15th day of the 3rd month following the close of its taxable year. However, Form 4T is due at the same time as federal Form 990-T, the 15th day of the 5th month after a nonprofit corporation's taxable year ends. If a return is filed late, without an extension, the corporation may be subject to penalties and interest.

Returns for short taxable years (periods of less than 12 months) are due on or before the federal due date. A corporation that becomes, or ceases to be, a member of an affiliated group and as a result must file two short period returns for federal purposes must also file two short period returns for Wisconsin. The Wisconsin returns are due at the same time as the federal returns. Each short period is considered a taxable year, the same as for federal purposes.

**Caution:** The due date for paying franchise or income tax and the temporary recycling surcharge is explained below.

### Extension of Time to File

Any extension allowed by the Internal Revenue Service for filing the federal return automatically extends the Wisconsin due date to 30 days after the federal extended due date. *You don't need to submit either a copy of the federal extension or an application for a Wisconsin extension to the department by the original due date of your return.* However, you must attach a copy of the federal extension to the Wisconsin return that you file.

If you aren't requesting a federal extension, but you need additional time for Wisconsin, you may request a 30-day extension by submitting Wisconsin Form IC-830, Application for Extension of Time to File, to the department on or before the original due date of the return.

A corporation whose original federal due date is later than the 15th day of the 3rd month following the close of the taxable year may request a Wisconsin extension to the federal due date by submitting Wisconsin Form IC-830, Application for Extension of Time to File, to the department by the original due date of the Wisconsin return. For example, a foreign corporation having no office or place of business in the United States may request a 3-month extension and a cooperative or a domestic international sales corporation (DISC) may request a 6-month extension.

### Where to File

Mail your franchise or income tax return to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.

### When to Pay Franchise or Income Tax and Temporary Recycling Surcharge

The franchise or income tax and temporary recycling surcharge must be paid by the 15th day of the 3rd month following the close of the taxable period, *regardless of the due date of the return.* Corporations may be required to make quarterly estimated payments to prepay their franchise or income tax and temporary recycling surcharge.

An extension for filing the return doesn't extend the time to pay the franchise or income tax and temporary recycling surcharge. Interest will be charged on the tax and surcharge not paid by the 15th day of the 3rd month following the close of the taxable year. You can avoid interest charges during the extension period by paying the tax and surcharge due by that date. Submit your payment with Wisconsin Form 4-ES, Corporation Estimated Tax Voucher. If you have received a set of vouchers from the department, use the 5th voucher to make the estimated tax and surcharge extension payment.

During the extension period, 12% annual interest generally applies to the unpaid tax and surcharge. However, if the sum of the net tax and surcharge shown on the return is \$500 or more, 12% annual interest applies only to 10% of the net tax and surcharge. Interest of 18% per year applies to the remainder of the unpaid tax and surcharge. See Form 4U, Part II.

### Payment of Estimated Franchise or Income Tax and Temporary Recycling Surcharge

If the sum of a corporation's franchise or income tax due (tax minus credits) and temporary recycling surcharge is \$500 or more, it generally must make quarterly estimated tax and surcharge payments using Wisconsin Form 4-ES. Failure to make required estimated tax and surcharge payments may result in an interest charge. If a corporation filed Form 4-ES for the current year, it will automatically receive estimated tax vouchers before the first payment of the next year's tax and surcharge is due.

A corporation that overpaid its estimated tax and surcharge may apply for a refund *before* filing its tax return if its overpayment is (1) at least 10% of the expected Wisconsin franchise or income tax and temporary recycling surcharge liability and (2) at least \$500. To apply, file Wisconsin Form 4466W, Corporation Application for Quick Refund of Overpayment of Estimated Tax, after the end of the taxable year and before the corporation files its tax return. **Do not** file Form 4466W at the same time as your tax return.

A corporation that has a tax or surcharge due when filing its tax return as a result of receiving a "quick refund" will be charged 12% annual interest on the amount of unpaid tax and surcharge from the date the refund is issued to the earlier of the 15th day of the 3rd month after the close of the taxable year or the date the tax and surcharge liability is paid. Any tax and surcharge that remains unpaid after the unextended due date of the tax return continues to be subject to 18% or 12% annual interest, as appropriate.

### Information Returns That May Be Required

Form 8 Report of stock transfers.

Form 9b Report of rents, royalties, and miscellaneous compensation paid to individuals. (Note: You may use federal Forms 1099 instead of Forms 9b. Mail Forms 1099 to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.)

If you must file federal information returns on magnetic media and you file at least 250 Forms 9b with Wisconsin, you generally must file Forms 9b on magnetic media. For more information, call (608) 267-3327 or write to the Bureau of Information Systems, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903.

### Final Return

If a corporation liquidated during the taxable year, check the box on the front of the return marked "Final return - corporation dissolved." Attach a copy of its plan of liquidation along with a copy of federal Form 966 to the Wisconsin return. Generally, the final return is due on or before the federal due date. In most cases, this is the 15th day of the 3rd month after the date the corporation dissolved. The tax is payable by the 15th day of the 3rd month after the date of dissolution, regardless of the due date of the final return.

### Internal Revenue Service Adjustments and Amended Returns

If a corporation's federal tax return is adjusted by the Internal Revenue Service and such adjustments affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net

business loss carryforward, or a Wisconsin capital loss carryforward, you must report such adjustments to the Department of Revenue within 90 days after they become final.

If a corporation files an amended federal return and the changes affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net business loss carryforward, or a Wisconsin capital loss carryforward, you must file an amended Wisconsin return with the Department of Revenue within 90 days after filing the amended federal return. To file an amended Wisconsin return, a corporation, other than a tax-option (S) corporation, insurance company, or exempt corporation, should use Wisconsin Form 4X. See section Tax 2.12, Wisconsin Administrative Code, for more information.

Send a copy of the final federal audit reports and amended returns to the Wisconsin Department of Revenue, P.O. Box 8991, Madison, WI 53708-8991. If submitting a federal audit report without an amended return, mail it to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906. Don't attach these items to the tax return for the current year.

### Capital Losses

If a corporation has a net capital loss, the loss must be carried to other taxable years and deducted from capital gains in those years, as provided in IRC section 1212. However, a corporation can't carry back a loss to taxable years before 1987. Losses that can't be carried back may be carried forward 5 years.

### Personal Holding Company

The intangible income of a personal holding company is assigned to its state of incorporation. "Personal holding company" has the meaning prescribed in IRC section 542 in effect on December 31, 1974.

### Foreign Sales Corporations (FSCs)

A corporation that qualifies as a FSC for federal income tax purposes is taxable as a separate corporation if it has nexus with

Wisconsin and is a viable corporation with substance. A FSC computes its net income as provided under IRC sections 921 to 927. That portion of the FSC's foreign trade income which is exempt from federal income tax is also excluded from Wisconsin taxable income.

### Interest Charge Domestic International Sales Corporations (IC-DISCs)

IC-DISCs have no special status for Wisconsin tax purposes. An IC-DISC that is a viable corporation with substance and has nexus in Wisconsin is taxed like any other corporation. However, if an IC-DISC doesn't carry on any substantial business activities and does nothing to earn the income that it reports, its net income is allocated to the corporation that earned the income.

### Urban Transit Companies

Certain urban transit companies are subject to a special tax under sec. 71.39, Wis. Stats. Contact the department for further information.

### Consolidated Returns

Wisconsin law doesn't permit corporations that are members of an affiliated group, as defined in IRC section 1504, to file consolidated returns. Each corporation organized under Wisconsin law, licensed to do business in Wisconsin, or doing business in Wisconsin must file a separate Wisconsin franchise or income tax return. In addition, each corporation must make its own estimated tax payments.

### Penalties for Not Filing or Filing Incorrect Returns

If you don't file a franchise or income tax return that you are required to file, or if you file an incorrect return due to negligence or fraud, interest and penalties may be assessed against you. The interest rate on delinquent taxes is 18% per year. Civil penalties may be as much as 100% of the amount of tax not reported on the return. Criminal penalties for filing a false return include a fine of up to \$10,000 and imprisonment.

## Line-by-Line Instructions

*You must complete page 1 of Form 4 and make appropriate entries in the schedules on page 2 to explain the adjustments to federal income.* (The numbering corresponds with the line numbers on Form 4, page 1, unless otherwise indicated.)

**Caution:** The Internal Revenue Service hasn't finalized the 1996 federal corporation tax forms at the time of this printing. Therefore, federal line numbers referred to on Form 4 and in these instructions may change.

### Rounding Off to Whole Dollars

You may round cents to the nearest whole dollar by eliminating amounts less than 50 cents and increasing amounts from 50 cents through 99 cents to the next higher dollar.

■ **Period Covered** — File the 1996 return for calendar year 1996 and fiscal years that begin in 1996. For a fiscal year or a short-period return, fill in the taxable year beginning and ending dates in the taxable year space at the top of the form.

■ **Name and Address** — If the front cover of your booklet has a mailing label with the corporation's name and address, remove the label and place it in this area. Make any necessary corrections on the label.

If you didn't receive a booklet with a label, print or type the corporation's name and address. Indicate a change in the corporation's name or address from that shown on last year's Wisconsin return filed by checking the appropriate box.

Corporations that change their name must also notify the Department of Financial Institutions to recognize the change. Write to the Division of Corporate and Consumer Services, Department of Financial Institutions, P.O. Box 7846, Madison, WI 53707-7846 or call (608) 261-9555.

■ **A. Federal Employer Identification Number** — Enter the corporation's federal employer identification number (EIN). If you haven't yet applied for a federal EIN, you may do so by filing federal Form SS-4 with the Internal Revenue Service.

(Corporations reporting federally to the Kansas City Service Center may obtain an EIN by calling (816) 926-5999.)

■ **B. Seller's Permit or Use Tax Number** — Enter the corporation's Wisconsin seller's permit, use tax, or consumer's use tax number.

■ **C. Wisconsin Employer Identification Number** — Enter the corporation's Wisconsin employer identification (withholding) number.

■ **D. Wisconsin Business Activity Code** — Enter the corporation's Wisconsin business activity code from the table on back of the front cover of this booklet. Don't enter the federal business activity code.

■ **E. First Return, Final Return, Short Period - Change in Accounting Period, and Short Period - Stock Purchase or Sale** — If this is the first year that a corporation is filing a Wisconsin return because it wasn't in existence or didn't do business in Wisconsin in prior years, check the "First return" box. If the corporation ceased to exist or withdrew from Wisconsin during the year, check the "Final return" box. Indicate that a short period return is being filed due to a change in the corporation's accounting period or a stock purchase or sale by checking the appropriate box.

■ **F. State and Year of Incorporation** — Enter the state under whose laws the corporation is organized and the year of incorporation.

**IMPORTANT** — The Wisconsin corporate franchise and income tax law is federalized; that is, based on the federal Internal Revenue Code. Although federal taxable income is indicated as the starting point on the Wisconsin return, Wisconsin net income must be determined by using the Internal Revenue Code as amended to December 31, 1995.

Federal law changes enacted after December 31, 1995, generally won't apply for Wisconsin purposes unless subsequently adopted by the Wisconsin Legislature, except for depreciation and amortization as noted below.

For assets placed in service in 1996, you may compute depreciation or amortization under the same method as for federal purposes, rather than under the Internal Revenue Code as amended to December 31, 1995.

Show adjustments necessary to account for any differences between amounts reportable for federal and Wisconsin purposes on Schedule V, line 15, and/or Schedule W, line 11.

■ **Line 1. Federal Taxable Income** — Enter the amount from federal Form 1120, line 28, or Form 1120-A, line 24. This is federal taxable income before the net operating loss deduction and special deductions.

**Note:** Show losses by putting the amount in parentheses.

## Exceptions

### 1. RICs, REITs, and REMICs

For corporations that qualify as regulated investment companies, real estate investment trusts, or real estate mortgage investment conduits under the Internal Revenue Code, enter the net income or loss from federal Form 1120-RIC, line 26; Form 1120-REIT, line 22; or Form 1066, Schedule J, line 4 plus line 9. Net income for these corporations means federal taxable income as determined under the Internal Revenue Code, with three exceptions:

- Depreciation and amortization on property located outside Wisconsin and placed in service on or after January 1, 1983, and before January 1, 1987, were to be determined under the December 31, 1980, Internal Revenue Code.

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing their present method of depreciation. Basis differences resulting from the use of different federal and state depreciation methods are accounted for when the assets are disposed of in a taxable transaction.

- IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes.
- Depreciation for residential real property and property used in farming (if the corporation's Wisconsin gross farm receipts or sales exceeded \$155,000 for the 1986 taxable year), acquired in the 1986 taxable year, but before January 1, 1987, must be determined under the December 31, 1980, Internal Revenue Code.

The only adjustments that RICs, REITs, and REMICs must make to federal taxable income to arrive at Wisconsin net income are those necessary to account for the depreciation and amortization differences described above and any difference in the Wisconsin and federal basis of any asset disposed of in a taxable transaction. (Note: If any amendments made to the Internal Revenue Code after December 31, 1995, affect the computation of such corporations' federal taxable income, additional adjustments may be necessary.) All other adjustments listed in Schedules V and W don't apply to RICs, REITs, and REMICs.

**Note:** If a wholly-owned REIT subsidiary isn't treated as a separate entity under IRC section 856(i) and all of its assets, liabilities, and items of income and loss are treated as attributes of the REIT, that same treatment applies for Wisconsin purposes.

### 2. S Corporations That Aren't Tax-Option Corporations

For corporations that are treated as S corporations federally but elect not to be Wisconsin tax-option corporations, enter the ordinary income or loss from federal Form 1120S, line 21. These corporations determine their Wisconsin net income under the Wisconsin corporate franchise and income tax law (secs. 71.22 and 71.26(2) and (3), Wis. Stats.), the same as any other corporation. For federal purposes, however, S corporations determine their ordinary income or loss and separately stated items under IRC section 1363, which provides that the taxable income of an S corporation generally is computed in the same

manner as for an individual. Therefore, to determine Wisconsin net income, adjustments are required on Schedules V and W for separately stated items of income and expense and differences between the federal individual rules and Wisconsin corporate rules.

■ **Line 2. Additions to Federal Income** — Complete Schedule V, page 2, and enter the total.

**Exception:** If using the separate accounting method, don't complete Schedule V. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 12, column 3, on Form 4, line 2.

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## Schedule V

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*Line 1.* Enter interest income received on state and municipal obligations and any other interest income that is exempt from federal income tax and isn't included in federal taxable income, such as interest on obligations of the government of Puerto Rico.

**Exception:** Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn't add back interest income that is exempt from state income tax under either Wisconsin or federal law. This includes interest income received on Wisconsin municipal housing authority bonds, Wisconsin municipal redevelopment authority bonds, Wisconsin community development authority bonds, and bonds issued by the government of Puerto Rico.

*Line 2.* Enter taxes imposed by Wisconsin, any other state, and the District of Columbia that are value-added taxes, single business taxes, or taxes on or measured by net income, gross income, gross receipts, or capital stock and were deducted in computing federal taxable income.

*Line 3.* Enter environmental tax (imposed under IRC section 59A) and windfall profit tax (imposed under IRC section 4986) deducted in computing federal taxable income.

*Line 4.* Enter expenses deducted in computing federal taxable income that are directly or indirectly related to nontaxable income. Refer to the specific instructions for Schedule W, line 4, for an explanation of "nontaxable income." Examples of expenses related to nontaxable income include taxes, interest, and administrative fees related to the production of such income.

Also include on this line losses deducted in computing federal taxable income from the disposal of assets the gains from which would be nontaxable income if the assets were disposed of at a gain.

*Line 5.* Enter percentage depletion deducted in computing federal taxable income.

**Note:** Cost depletion is deductible for Wisconsin and should be entered on Schedule W, line 6, if not deducted on the federal return.

*Line 6.* Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction.

For assets first placed into service on or after January 1, 1996, depreciation or amortization may be computed under either the Internal Revenue Code in effect for the year for which the return

is filed or the Internal Revenue Code as amended to December 31, 1995, at the taxpayer's option.

An asset placed in service before 1996 must continue to be depreciated or amortized under the method allowable for Wisconsin purposes for the year in which it was placed in service.

Many differences in Wisconsin and federal depreciation and amortization existed before January 1, 1987, including the following:

a. IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes. See *Wisconsin Tax Bulletin* 84 (October 1993, page 22) for further details about Wisconsin's treatment of safe harbor leases.

b. Telegraph, pipeline, gas, electric, steam, and telephone companies (defined under secs. 76.02(4), Wis. Stats. (1983-84), 76.02(5b), 76.28(1)(e)1., 3., and 4., and 76.38(1)(c), Wis. Stats. (1985-86), except for specialized common carriers) had to compute depreciation under the Internal Revenue Code in effect on December 31, 1980, for assets acquired during the period beginning with the 1981 taxable year and ending on December 31, 1986. **Note:** The *Beatrice Cheese, Inc.* decision described in item e below doesn't apply to these companies.

c. Waste treatment and pollution abatement plants and equipment could be deducted or amortized pursuant to sec. 71.04(2b) or (2g), Wis. Stats. (1985-86).

d. Alternative energy systems could be deducted or amortized pursuant to sec. 71.04(16), Wis. Stats. (1985-86).

e. The federal accelerated cost recovery system (ACRS) wasn't allowable for Wisconsin purposes for property located outside Wisconsin and first placed in service from January 1, 1983, through December 31, 1986. Instead, depreciation was to be computed under a method permitted by the Internal Revenue Code as of December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing their present method of depreciation. Basis differences resulting from the use of different federal and state depreciation methods are accounted for when the assets are disposed of in a taxable transaction. For more information, see the tax release in *Wisconsin Tax Bulletin* 84 (October 1993, page 18).

f. Wisconsin and federal depreciation may have been different in the case of investment credit property. A corporation electing to claim an investment tax credit for federal income tax purposes could either (1) claim the credit and reduce the depreciable basis of the property by one-half of such credit, or (2) in the case of regular investment tax credit property, claim a reduced investment credit and not reduce the depreciable basis of the property.

Corporations that claimed an investment tax credit on their federal return (and reduced the federal basis of the assets) weren't required to reduce the basis of the investment credit property for Wisconsin purposes and could either (1) claim the same depreciation for Wisconsin as that claimed for federal purposes (except for item e above) and receive a deduction for



the basis difference in the year the property is disposed of, pursuant to sec. 71.04(15)(e), Wis. Stats. (1985-86), or (2) claim depreciation on the asset's full (unreduced) basis for Wisconsin. (The second method required separate depreciation records for Wisconsin purposes.)

g. Intangible drilling costs incurred after the 1980 taxable year are deductible for federal purposes under IRC section 263(c). Before the 1987 taxable year, the amount of depletion, depreciation, or write-off allowable for Wisconsin purposes was limited to that allowable under the Internal Revenue Code in effect on December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.

h. For the following property acquired in the 1986 taxable year, but before January 1, 1987, depreciation must be computed under the December 31, 1980, Internal Revenue Code: (1) residential real property, and (2) property used in farming, as defined in IRC section 464(e)(1), if the corporation's Wisconsin gross farm receipts or sales exceeded \$155,000 for the 1986 taxable year.

i. For federal tax purposes, corporations may elect to expense, under IRC section 179, a portion of the cost of "section 179" property placed in service after the 1981 calendar year. For Wisconsin purposes, before the 1987 taxable year, corporations (except regulated investment companies and real estate investment trusts) couldn't claim this expense. Instead, depreciation was allowable on the cost basis of the property, without reduction for the amount the corporation may have elected to expense under section 179 for federal purposes.

For assets placed in service before January 1, 1987, these differences in depreciation (items a through i) continue to exist. Therefore, the depreciation deduction may be different for Wisconsin and federal purposes.

*Line 7.* Enter the amount by which the federal basis of assets disposed of exceeds the Wisconsin basis. If more than one asset is disposed of, you may combine the bases of the assets so that you need only one entry either on this line or Schedule W, line 8.

For example, a corporation sold the following assets during the current taxable year:

	Federal Basis	Wisconsin Basis	Difference
Truck	\$ 1,500	\$ 500	\$ 1,000
Equipment	1,000	2,000	(1,000)
Building	20,000	10,000	10,000
Net Difference			<u>\$ 10,000</u>

The amount to enter on Schedule V, line 7, is \$10,000.

If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 8, instead.

*Line 8.* Enter the manufacturer's sales tax credit computed (from Schedule Z, line 10).

*Line 9.* Enter the research credits computed (from 1996 Wisconsin Schedule R, lines 14 and 18).

*Line 10.* Enter the development zone credits computed (from 1996 Wisconsin Schedule DC, lines 8, 14, 24, 32, 38, 44, and 50) to the extent that the amounts aren't included in federal income.

*Line 11.* Enter the enterprise zone credits computed (from 1996 Wisconsin Schedule EC, lines 7, 15, 27, 35, 41, 47, and 53) to the extent that the amounts aren't included in federal income.

*Line 12.* Enter the community development finance credit computed (from Schedule C1, line 5).

*Line 13.* Enter the amount of farmland preservation credit received during the taxable year that isn't included in federal income.

*Line 14.* Enter the amount of farmland tax relief credit received during the taxable year that isn't included in federal income.

*Line 15.* Enter any other additions to federal income. These could include:

- Federal capital loss carryovers (if previously deducted for Wisconsin).
- Adjustments required as a result of changes made to the Internal Revenue Code after December 31, 1995, which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of income and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.

**Line 4. Subtractions From Federal Income** — Complete Schedule W, page 2, and enter the total.

**Exception:** If using the separate accounting method, don't complete Schedule W. Instead, complete Form 4C and enter the amount from Form 4C, line 15, column 3, on Form 4, line 4.

**Schedule W**

*Line 1.* Enter, from Schedule Y, line 4, dividends received which are included in the amount on Form 4, line 3, and qualify for deduction for Wisconsin. See the Schedule Y instructions on page 8.

*Line 2.* Enter income from controlled foreign corporations under Subpart F of the Internal Revenue Code as reported on Form 1120, Schedule C, line 14.

*Line 3.* Enter foreign dividend gross-up reported on Form 1120, Schedule C, line 15.

*Line 4.* Enter nontaxable income included in computing federal taxable income. Attach a schedule to your return showing the payors and amounts of nontaxable income and explaining why that income isn't taxable.

- Interest, dividends, and capital gains from the disposition of intangible assets are nontaxable if
  - (a) the operations of the payor are not unitary with those of the payee, and

- (b) the payor and payee are not related as parent company and subsidiary or affiliates and the investment activity from which the income is received is not an integral part of a unitary business.

**Note:** Such income may also be nontaxable under the principles of the U.S. Supreme Court decision on June 15, 1992, in *Allied-Signal v. Director, Div. of Taxation*. The court ruled that New Jersey could not constitutionally apportion the gain realized by Bendix (predecessor to Allied-Signal) from the sale of its stock interest in ASARCO Inc. because the investment was passive and did not serve an operational function.

- For corporations subject to the Wisconsin income tax rather than the franchise tax, nontaxable income includes interest on United States government obligations.

**Note:** Expenses related to nontaxable income aren't deductible and must be added to federal taxable income on Schedule V, line 4.

*Line 5.* Enter foreign taxes paid or accrued during the year that aren't deducted in computing federal taxable income and aren't included on Schedule W, line 3.

*Line 6.* Enter cost depletion that wasn't deducted in computing federal taxable income.

**Note:** Percentage depletion isn't deductible for Wisconsin and must be added to federal taxable income on Schedule V, line 5.

*Line 7.* Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Refer to the instructions for Schedule V, line 6, for a detailed discussion of depreciation and amortization.

*Line 8.* Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 7, for an example.

*Line 9.* Enter wages not deductible in computing federal income as a result of being used in computing the federal targeted jobs credit or work opportunity tax credit.

*Line 10.* Enter research expenses not deductible in computing federal income as a result of being used in computing the federal credit for increasing research activities.

*Line 11.* Enter any other subtractions from federal income. These could include:

- Adjustments required as a result of changes made to the Internal Revenue Code after December 31, 1995, which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of expense and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.

- Development or enterprise zone investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.

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## Schedule Y

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Dividends are deductible for Wisconsin purposes if received during the year from payor corporations that meet the following requirements:

1. The dividend must be paid on common stock, and
2. The corporation receiving the dividend must have owned at least 70% of the total combined voting stock of the payor corporation for the entire taxable year.

**Note:** "Dividends received" means gross dividends minus any taxes on those dividends paid to a foreign nation and claimed as a deduction for Wisconsin purposes.

*Line 1.* List the names of the payors and the dividends received which meet the above requirements and have been included on Form 4, line 1, or on Schedule V.

*Line 3.* Enter taxes paid to a foreign nation on dividends listed on line 1, which were claimed as a deduction in computing federal taxable income or are being included on Schedule W, line 5.

Dividends received from certain subsidiary corporations may be nontaxable. See the instructions for Schedule W, line 4. Don't include such dividends on Schedule Y.

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**■ Lines 6 through 11. Apportionment Data** — If using the apportionment method, complete Wisconsin Form 4B and enter the amounts requested. See the instructions for Form 4B (page 11). If using the separate accounting method, don't complete lines 6 through 10. Instead, complete Wisconsin Form 4C and enter the amount from Form 4C, line 16, column 1, on Form 4, line 11.

**■ Line 12. Wisconsin Net Business Loss Carryforward** — Enter the Wisconsin net business loss carryforward from Form 4BL, line 24. The instructions for Form 4BL are printed on the form.

**Exception:** Regulated investment companies, real estate investment trusts, and real estate mortgage investment conduits must enter zero.

**■ Line 14. Gross Tax** — Enter 7.9% of the Wisconsin net income reported on line 13.

**■ Line 15. Nonrefundable Credits** — Complete Schedule C1, page 2, and enter the available credit.

For purposes of determining the carryover (if any) of each credit, they must be applied against gross tax in the following order:

1. Manufacturer's sales tax credit
2. Research expense credit
3. Development and enterprise zone research credits
4. Research facilities credit
5. Community development finance credit

6. Enterprise zone jobs credit
7. Enterprise zone sales tax credit
8. Development and enterprise zone investment credits
9. Development and enterprise zone location credits
10. Development and enterprise zone day care credits
11. Development and enterprise zone environmental remediation credits
12. Supplement to federal historic rehabilitation tax credit

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## Schedule C1

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*Line 1.* Manufacturer's Sales Tax Credit — Enter the manufacturer's sales tax credit from Schedule Z, line 12.

Corporations engaged in manufacturing in Wisconsin may claim a credit. See the Schedule Z instructions below.

*Line 2.* Research Expense Credit — Enter the research expense credit from Schedule R, line 16.

Corporations that increase qualified research expenses in Wisconsin may claim a credit.

*Line 3.* Development and Enterprise Zone Research Credits — Enter the development zone research credit from Schedule DC, line 26, and the enterprise zone research credit from Schedule EC, line 29.

Corporations that increase qualified research expenses in a Wisconsin development or enterprise zone may claim a credit. The Wisconsin Department of Commerce administers the Wisconsin development and enterprise zone programs. For more information about the programs, write to the Division of Community Development, Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970 or call (608) 267-2045.

*Line 4.* Research Facilities Credit — Enter the research facilities credit from Schedule R, line 20.

Corporations that incur expenses to construct and equip new research facilities in Wisconsin or to expand existing facilities in Wisconsin may claim a credit.

*Line 5.* Community Development Finance Credit — Enter the available community development finance credit.

Corporations that make contributions to the Wisconsin Housing and Economic Development Authority and, in the same year, purchase common stock in the Wisconsin Community Development Finance Company may claim a credit.

The credit is nonrefundable and is equal to 75% of the purchase price of the stock, but may not exceed 75% of the amount that was contributed to the Wisconsin Community Development Finance Authority. Any unused credit may be offset against tax liabilities of the subsequent years, up to 15 years.

*Line 6.* Enterprise Zone Jobs Credit — Enter the enterprise zone jobs credit from Schedule EC, line 89.

Corporations that hire persons from targeted groups to work in a Wisconsin enterprise zone may claim a credit.

*Line 7.* Enterprise Zone Sales Tax Credit — Enter the enterprise zone sales tax credit from Schedule EC, line 91.

Corporations that invest in certain assets for use in their business in a Wisconsin enterprise zone may claim a credit.

*Line 8.* Development and Enterprise Zone Investment Credits — Enter the development zone investment credit from Schedule DC, line 82, and the enterprise zone investment credit from Schedule EC, line 93.

Corporations that invest in certain kinds of assets for use in a Wisconsin development or enterprise zone may claim a credit.

*Line 9.* Development and Enterprise Zone Location Credits — Enter the development zone location credit from Schedule DC, line 84, and the enterprise zone location credit from Schedule EC, line 95.

Corporations that invest in real property located in a Wisconsin development or enterprise zone may claim a credit.

*Line 10.* Development and Enterprise Zone Day Care Credits — Enter the development zone day care credit from Schedule DC, line 86, and the enterprise zone day care credit from Schedule EC, line 97.

Corporations that provide day care center benefits to certain employees who are members of targeted groups and work in a Wisconsin development or enterprise zone may claim a credit.

*Line 11.* Development and Enterprise Zone Environmental Remediation Credits — Enter the development zone environmental remediation credit from Schedule DC, line 88, and the enterprise zone environmental remediation credit from Schedule EC, line 99.

Corporations that remove or contain environmental pollution or restore soil or groundwater that is affected by environmental pollution in a Wisconsin development or enterprise zone may claim a credit.

**Note:** Each of the above credits (items 1 through 11) must be included as income in the year computed.

*Line 12.* Supplement to the Federal Historic Rehabilitation Tax Credit — Enter the supplement to the federal historic rehabilitation tax credit from Schedule HR, line 7.

Corporations that rehabilitate certified historic structures located in Wisconsin and used for business purposes may claim a credit. The State Historical Society of Wisconsin administers the historic preservation program. For more information about this program, write to the Division of Historic Preservation, State Historical Society of Wisconsin, 816 State Street, Madison, WI 53706-1488 or call (608) 264-6500.

*Line 13.* Add lines 1 through 12. This is the total available non-refundable credits.

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## Schedule Z

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Corporations that are engaged in manufacturing in Wisconsin may claim a credit for Wisconsin state, county, and stadium sales and use taxes paid on fuel and electricity consumed in

manufacturing. Manufacturing has the meaning designated in sec. 77.54(6m), Wis. Stats., which states in part: “ ‘manufacturing’ is the production by machinery of a new article with a different form, use and name from existing materials by a process popularly regarded as manufacturing.”

Manufacturing includes the assembly of finished units of tangible personal property and packaging when it is a part of an operation performed by the producer of the product or by another on his or her behalf and the package or container becomes a part of the tangible personal property as such unit is customarily offered for sale by the manufacturer.

It includes the conveyance of raw materials and supplies from plant inventory to the work point of the same plant, conveyance of work in progress directly from one manufacturing operation to another in the same plant, and conveyance of finished products to the point of first storage on the plant premises. It includes the testing or inspection throughout the production cycle.

Manufacturing does not include storage, delivery to or from the plant, repairing or maintaining facilities, or research and development.

The credit is a nonrefundable credit but, to the extent not offset by the tax liability for the current year, may be offset against the tax liability of the subsequent year and each succeeding year up to 15 years.

*Line 1.* Enter the total cost (including Wisconsin state, county, and stadium sales and use taxes) of all fuel and electricity purchased during the taxable year for use in Wisconsin.

*Line 2.* Enter the cost of fuel and electricity included on line 1 (including Wisconsin state, county, and stadium sales and use taxes) that wasn't or won't be used for manufacturing. This includes fuel and electricity for heating and lighting office space and warehousing space for raw materials and finished goods and for other nonmanufacturing purposes.

*Line 4.* Enter any county and stadium sales and use taxes included on line 3. (The county tax rate is 0.5% (.005) in Wisconsin counties that have adopted the county tax. The stadium tax rate is 0.1% (.001) in Wisconsin counties where the stadium tax applies.)

*Line 6.* Enter purchases included on line 5 on which no Wisconsin sales or use taxes were paid. An example is the portion of coke purchased without tax by a foundry that becomes an ingredient or component part of a manufactured article.

*Line 10.* Add lines 8 and 9. This is the 1996 manufacturer's sales tax credit.

**Note:** This amount must be included on Schedule V, line 8.

*Line 11.* Enter any unused manufacturer's sales tax credit from 1981 through 1995.

■ **Line 16. Net Tax** — Subtract line 15 from line 14. If line 15 is more than line 14, enter zero.

■ **Line 17. Temporary Recycling Surcharge** — Enter the greater of \$25 or 5.5% of the gross tax on line 14, but not more than \$9,800.

**Note:** Domestic corporations that don't have any business activities in Wisconsin, foreign corporations that don't have nexus with Wisconsin, corporations that have less than \$4,000 of total receipts from all activities (as defined on page 1), and nuclear decommissioning trust funds enter zero on line 17.

■ **Line 19. Estimated Tax Payments** — Enter estimated tax payments made or overpayments applied from prior years' returns, minus any "quick refund" applied for on Form 4466W.

**Note:** You can't claim estimated tax payments that were made by a related corporation.

■ **Line 20. Refundable Credits** — Complete Schedule C2, page 2, and enter the total available credit.

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## Schedule C2

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*Line 1.* Farmland Preservation Credit — Enter the farmland preservation credit from Schedule FC, line 16.

Corporations organized under the laws of Wisconsin that own and operate Wisconsin farmland subject to agricultural use restrictions in the form of a zoning ordinance or a farmland preservation agreement, as provided by Chapter 91, Wis. Stats., may claim a credit.

*Line 2.* Farmland Tax Relief Credit — Enter the farmland tax relief credit from Schedule FT, line 6.

Corporations organized under the laws of Wisconsin that own farmland located in Wisconsin may claim a credit.

**Note:** The farmland credits must be included in income in the year of receipt.

*Line 3.* Development Zone Jobs Credit — Enter the development zone jobs credit from Schedule DC, line 8.

Corporations that hire persons from targeted groups to work in a Wisconsin development zone may claim a credit.

*Line 4.* Development Zone Sales Tax Credit — Enter the development zone sales tax credit from Schedule DC, line 14.

Corporations that invest in certain assets for use in their business in a Wisconsin development zone may claim a credit.

**Note:** The development zone credits must be included as income in the year computed.

*Line 5.* Add lines 1 through 4. This is the total available refundable credits.

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■ **Line 22. Interest, Penalty, and Late Fee Due** — Enter any interest, penalty, and late fee due from Form 4U, line 17 or 26.

■ **Line 23. Tax Due** — If the total of lines 18 and 22 is larger than line 21, enter the amount owed. Attach your check to the front of Form 4.

■ **Line 24. Overpayment** — If line 21 is larger than the total of lines 18 and 22, enter the overpayment.

**Note:** If you must recapture development or enterprise zone investment credit because the property is disposed of or ceases to be qualified property before the end of the recapture period, add the amount from Schedule DC, line 99, or Schedule EC, line 110, to the tax due on line 23 or reduce the overpayment on line 24.

■ **Line 25. 1997 Estimated Tax** — Enter the amount of any overpayment on line 24 that is to be credited to the corporation's 1997 estimated tax. The balance of any overpayment will be refunded.

■ **Line 27.** Enter total company gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, and all other receipts that are included in gross income before apportionment for Wisconsin franchise or income tax purposes.

■ **Line 28.** Enter the requested information from the federal return.

■ **Lines 29, 30, and 31.** Enter the appropriate apportionment percentage on lines 29a, 30a, and 31a for each factor. These are the percentages from Form 4B, lines 16 and 19, and the unweighted percentage from Form 4B, line 26. Also enter on lines 29b and 29c, 30b and 30c, and 31b and 31c the appropriate amounts from Form 4B.

**Note:** If a special apportionment percentage is computed on Form 4B, lines 29, 30, and 31, enter the appropriate amounts from these lines.

■ **Additional Information Required** — Answer questions 1 through 8 on back of Form 4.

■ **Signatures** — An officer of the corporation must sign the form at the bottom of page 1. If the return is prepared by someone other than an employe of the corporation, the individual who prepared the return must sign the form, by hand, in the space provided for the preparer's signature and furnish the preparing firm's federal employer identification number, name, and address. A self-employed individual must enter "SSN" and the social security number in the space for the preparer's federal employer identification number.

■ **Attachments** — Attach a copy of each of the following documents:

- Your federal return with all supporting schedules.

If the federal return is a consolidated return, you must

- (1) enter the parent corporation's federal employer identification number in the space provided, and
- (2) include a breakdown by individual company or attach a copy of the unconsolidated federal return together with all supporting schedules instead of the consolidated return.

- Any other required Wisconsin forms, schedules, or statements.
- Any extension of time to file your return.

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## Form 4B — Apportionment Data

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### What Is Apportionment

Under the apportionment method, a corporation shows all income and deductions for the company as a whole and then assigns a part to Wisconsin according to a formula that determines Wisconsin net income.

### Who Must Use Apportionment

A corporation engaged in business in and outside Wisconsin is required to report a portion of its total company net income to Wisconsin using the apportionment method if its Wisconsin operations are a part of a unitary business, unless the department gives permission to use separate accounting. To use the apportionment method, a corporation must have business activity sufficient to create nexus in Wisconsin and at least one other state or foreign country.

"Nexus" means that a corporation's business activity is of such a degree that the state or foreign country has jurisdiction to impose an income tax or franchise tax measured by net income. Under Public Law 86-272, a state can't impose an income tax or franchise tax based on net income on a corporation selling tangible personal property if the corporation's only activity in the state is the solicitation of orders, which orders are approved outside the state and are filled by delivery from a point outside the state.

### What Is a Unitary Business

A unitary business is one that operates as a unit and can't be segregated into independently operating divisions or branches. The operations are integrated, and each division or branch is dependent upon or contributory to the operation of the business as a whole. It isn't necessary that each division or branch operating in Wisconsin contribute to the activities of all divisions or branches outside Wisconsin.

### What Is Nonapportionable Income

Nonapportionable income is that income which is allocable directly to a particular state. It includes income or loss derived from the sale of nonbusiness real or tangible personal property or from rentals and royalties from nonbusiness real or tangible personal property. This income is assigned to the state where the property is located.

The intangible income of a personal holding company is nonapportionable and is assigned to the state of incorporation.

Total nonapportionable income (loss) is removed from total company net income before the apportionment percentage is applied. The Wisconsin nonapportionable income (loss) is then combined with the Wisconsin apportionable income to arrive at Wisconsin net income.

### What Is the Apportionment Percentage

For unitary, multistate businesses (except air carriers, motor carriers of property, railroads and sleeping car companies, pipeline companies, financial organizations, and public utilities whose

incomes are apportioned by special rules of the department), the apportionment percentage is determined by the weighted average of the following three ratios:

1. Wisconsin tangible property to total company tangible property.
2. Wisconsin payroll to total company payroll.
3. Wisconsin sales to total company sales. (This ratio is double-weighted.)

Air carriers, motor carriers of property, railroads and sleeping car companies, pipeline companies, financial organizations (except insurance companies), and public utilities use special apportionment percentages established for these companies in Wisconsin Administrative Code sections Tax 2.46, 2.47, 2.475, 2.48, 2.49, and 2.50. These rules are summarized as follows:

**Rule Tax 2.46 — Apportionment of Business Income of Interstate Air Carriers**

The apportionment percentage is the average of the following three ratios:

1. Aircraft arrivals and departures within Wisconsin scheduled by the carrier to total aircraft arrivals and departures scheduled.
2. Revenue tons handled by the carrier at airports within Wisconsin to total revenue tons handled.
3. Originating revenue within Wisconsin to total originating revenue.

**Rule Tax 2.47 — Apportionment of Net Business Income of Interstate Motor Carriers of Property**

The apportionment percentage is the average of the following two ratios:

1. Gross receipts from carriage of property first acquired for carriage in Wisconsin to total gross receipts from carriage of property everywhere.
2. Ton miles of carriage in Wisconsin to ton miles of carriage everywhere.

If the above information isn't available, the department may authorize or direct the substitution of a similar factor (for example, gross tonnage instead of gross receipts or revenue miles instead of ton miles).

**Rule Tax 2.475 — Apportionment of Net Business Incomes of Interstate Railroads and Sleeping Car Companies**

The apportionment percentage is the average of the following two ratios:

1. Gross receipts from carriage of property or persons, or both, first acquired for carriage in Wisconsin to total gross receipts from carriage of property or persons, or both, everywhere.
2. Revenue ton miles of carriage in Wisconsin to revenue ton miles of carriage everywhere.

**Rule Tax 2.48 — Apportionment of Net Business Incomes of Interstate Pipeline Companies**

The apportionment percentage is the average of the following three ratios:

1. Net cost (for Wisconsin tax purposes) of tangible property owned and used in Wisconsin to produce apportionable income to total net cost of such property everywhere.
2. Traffic units (for example, barrel miles, cubic foot miles, or other appropriate measure of product movement) in Wisconsin to total company traffic units.
3. Total compensation paid to employees located in Wisconsin to total compensation paid to employees everywhere.

**Rule Tax 2.49 — Apportionment of Net Business Incomes of Interstate Finance Companies**

The apportionment percentage is the average of the following two ratios:

1. Gross receipts in Wisconsin to total gross receipts. Gross receipts include all business income associated with the lending of money in the normal course of business such as interest, discounts, finance charges or fees, and service charges or fees. Gains from sales of assets, charges to a related corporation for personal services of employees, and miscellaneous income aren't includable in gross receipts for purposes of this factor. Gross receipts are assigned to Wisconsin if the transaction producing the income was principally negotiated in Wisconsin.
2. Total compensation paid to employees located in Wisconsin to total compensation paid to employees everywhere. Compensation paid includes deductible management or service fees paid to a related corporation for the performance of personal services.

**Rule Tax 2.50 — Apportionment of Net Business Income of Interstate Public Utilities**

The apportionment percentage is the average of the three ratios provided for corporations in general. The sales factor isn't double-weighted.

**Line-by-Line Instructions for Form 4B**

■ **Line 1.** Enter all profits and losses from disposals of nonbusiness tangible property in the appropriate column or columns. Such profits and losses are nonapportionable and follow the situs of the property.

■ **Line 2.** Enter rents and royalties received on nonbusiness tangible property in the appropriate column or columns. These are nonapportionable and follow the situs of the property.

■ **Line 3.** Enter any expenses that are directly or indirectly related to rents and royalties reported on line 2. Since such income is nonapportionable, the related expenses are nonapportionable.

■ **Line 5.** Enter the total net nonapportionable income or loss for both Wisconsin and the total company. Also, enter on Form 4, line 6, the total company net nonapportionable income. Enter on Form 4, line 10, the Wisconsin net nonapportionable income.

■ **Lines 6 through 13.** Enter the undepreciated original cost of tangible property owned and used in producing apportionable income at the beginning and at the end of the taxable year. Group the property into the general categories listed for both Wisconsin and the total company.

Don't include construction in progress, idle property, or property used in producing nonapportionable income. Such property isn't used in the production of apportionable income and, therefore, isn't includable in the property factor.

**Note:** If any major acquisitions or dispositions occurred within the taxable year, the average monthly balances of property may be used (or required by the department) instead of the average of the beginning and ending balance. In this case, attach a separate schedule showing the calculation rather than completing lines 6 through 13.

■ **Line 14.** Add lines 13a and 13b for Wisconsin property and for total company property, and divide each of these totals by 2. This is the average owned property for Wisconsin and the total company.

■ **Line 15.** Multiply the net annual rental for property used in the production of apportionable income by 8 and enter the result. "Net annual rental" is the annual rental paid less any annual rental received from subrentals unless this results in a negative or clearly inaccurate valuation. Net annual rental doesn't include incidental day-to-day expenses such as hotel or motel accommodations, daily rentals of autos, or royalties based on extraction of natural resources.

If the taxable year covers a period of less than 12 months, the net rent paid for the short period must be annualized. However, if the rental term is for less than 12 months, the rent must be adjusted accordingly.

Leases are given the same treatment in computing the property factor as they are in computing net income. Leases that have been capitalized in computing net income are included as property owned and used for property factor purposes. All other lease payments are included in the rentals times 8 computation.

■ **Line 16.** Enter the total Wisconsin and total company property. Divide the Wisconsin property by the total company property and enter the percentage.

■ **Line 17.** Enter, for Wisconsin and the total company, the compensation paid to the company's own employees for the performance of personal services. The compensation must be related to the production of apportionable income. Compensation related to the operation, maintenance, protection, or supervision of property used in the production of both apportionable and nonapportionable income or losses must be prorated, and only the portion related to the production of apportionable income is included for Wisconsin and the total company. Compensation includes wages, salaries, commissions, and any other form of remuneration paid to employees.

Compensation is paid in Wisconsin (included in the numerator of the payroll factor) if —

- The individual's service is performed entirely in Wisconsin.
- The individual's service is performed in and outside Wisconsin, but the service performed outside Wisconsin is incidental to the individual's service in Wisconsin.

- A portion of the service is performed in Wisconsin and the base of operations of the individual is in Wisconsin.
- A portion of the service is performed in Wisconsin and, if there is no base of operations, the place from which the individual's service is directed or controlled is in Wisconsin.
- A portion of the service is performed in Wisconsin and neither the base of operations of the individual nor the place from which the service is directed or controlled is in any state in which some part of the service is performed, but the individual's residence is in Wisconsin.
- The individual is neither a resident of nor performs services in Wisconsin but is directed or controlled from an office in Wisconsin and returns to Wisconsin periodically for business purposes and the state in which the individual resides doesn't have jurisdiction to impose franchise or income taxes on the employer.

An individual is considered to be performing a service in Wisconsin during the year if that individual spends any portion of at least 5 days during the corporation's taxable year in Wisconsin performing services.

■ **Line 18.** Enter management or service fees paid to a related corporation for the performance of personal services. The fees must be related to the production of apportionable income. Payments made to independent contractors aren't includable.

■ **Line 19.** Enter the total Wisconsin and total company payroll. Divide the Wisconsin payroll by the total company payroll and enter the percentage.

■ **Lines 20 through 25.** For purposes of the sales factor, sales include, but aren't limited to, the following items related to the production of business income:

- Gross receipts from the sale of inventory.
- Gross receipts from the operation of farms, mines, and quarries.
- Gross receipts from the sale of scrap or by-products.
- Gross commissions.
- Gross receipts from personal and other services.
- Gross rents from real property or tangible personal property.
- Interest on trade accounts and trade notes receivable.
- A partner's share of the partnership's gross receipts or a member's share of the limited liability company's gross receipts.
- Gross management fees.
- Gross royalties from income producing activities.
- Gross franchise fees from income producing activities.

"Gross receipts" means gross sales less returns and allowances, plus service charges, freight, carrying charges, or time-price differential charges incidental to the sales. Federal and state excise taxes, including sales and use taxes, are included as part of the receipts if the taxes are passed on to the buyer or included as part of the selling price of the product.

The following items are among those not included for sales factor purposes:

- Gross receipts and gain or loss from the sale of tangible business assets, except receipts from the sale of inventory, scrap, or by-products or from the operation of a farm, mine, or quarry.
- Gross receipts and gain or loss from the sale of nonbusiness real or tangible personal property.

- Gross rents and rental income or loss from real property or tangible personal property if that real property or tangible personal property isn't used in the production of business income.
- Royalties from nonbusiness real property or nonbusiness tangible personal property.
- Proceeds and gain or loss from the redemption of securities.
- Interest, except interest on trade accounts and trade notes receivable, and dividends.
- Gross receipts and gain or loss from the sale of intangible assets, except inventory.
- Dividends deductible in determining net income.
- Gross receipts and gain or loss from the sale of securities.
- Proceeds and gain or loss from the sale of receivables.
- Refunds, rebates, and recoveries of amounts previously expended or deducted.
- Foreign exchange gain or loss.
- Royalties and income from passive investments in patents, copyrights, trademarks, trade names, plans, specifications, blueprints, processes, techniques, formulas, designs, layouts, patterns, drawings, manuals, and technical know-how.
- Pari-mutuel wager winnings and purses.
- Other items not includable in apportionable income.

Enter on lines 20a and 20b the appropriate Wisconsin destination sales. Gross receipts from the sales of tangible personal property (except sales to the federal government) are Wisconsin sales if the property is delivered or shipped to a purchaser in Wisconsin. Sales of tangible personal property picked up by the purchaser, or the purchaser's agent, at the seller's Wisconsin business location and immediately transported to the purchaser's out-of-state business location aren't Wisconsin sales. However, if the seller doesn't have nexus with the state in which the purchaser's business is located, the sales are "thrown back" to Wisconsin as discussed later. Wisconsin sales include sales of tangible personal property that are picked up by the purchaser, or the purchaser's agent, at the seller's out-of-state business location and immediately transported to the purchaser's Wisconsin business location.

Enter on line 21a sales of tangible personal property delivered to the federal government, including its agencies and instrumentalities, in Wisconsin if the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin. Sales to federal government locations in Wisconsin, which are shipped from an office, store, warehouse, factory, or other place of storage outside Wisconsin, aren't Wisconsin sales.

Enter on line 21b sales of tangible personal property delivered to the federal government, including its agencies and instrumentalities, outside Wisconsin if the property is shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin and the seller doesn't have nexus in the destination state. These sales are included in the numerator of the sales factor at 50%.

Enter on line 21c sales, other than sales to the federal government, that are "thrown back" to Wisconsin. These are sales of tangible personal property shipped from an office, store, warehouse, factory, or other place of storage in Wisconsin to a state in which the seller doesn't have nexus. "Throwback" sales are included in the numerator of the sales factor at 50%.

"State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

Enter on line 22 the "double throwback" sales. These are sales of tangible personal property by an office in Wisconsin to a purchaser in another state, but not shipped or delivered from Wisconsin, if the taxpayer doesn't have nexus in (1) the state from which the property is delivered or shipped, or (2) the destination state. "Double throwback" sales are included in the numerator of the sales factor at 50%.

Enter on line 23 the total sales for Wisconsin (sum of lines 20a through 22) and the total company.

Enter on line 24, for both Wisconsin and the total company, gross receipts of apportionable income, other than sales of tangible personal property, that are includable in the sales factor.

Gross receipts are attributable to Wisconsin if the income producing activity that gives rise to the receipts is performed in Wisconsin. If the income producing activity is performed partly in and partly outside Wisconsin, assign receipts to Wisconsin based on the ratio of direct costs of performing the services in Wisconsin to the direct costs of performing the services in all states having jurisdiction to tax the business.

■ **Line 26.** Divide the Wisconsin amount on line 25 by the total company amount on line 25 and enter the sales percentage on line 26. Also multiply the percentage by 2, as indicated, and enter the double-weighted sales percentage.

■ **Line 28.** Divide the percentage on line 27 by 4 and enter the resulting percentage here and on Form 4, line 8.

Don't divide the percentage on line 27 by 4 if a factor has been eliminated. A factor may be eliminated if it isn't employed to any appreciable extent in producing apportionable income. If a factor is omitted, the total must be divided by no more than the number of factors used. If either the property or payroll factor is omitted, divide by 3. If the sales factor is omitted, divide by 2. Don't omit a factor simply because it isn't employed in Wisconsin.

■ **Lines 29 through 33.** Air carriers, motor carriers of property, railroads and sleeping car companies, pipeline companies, financial organizations, and public utilities that apportion their income must complete lines 29 through 33, as appropriate. The special apportionment factors for these companies were summarized earlier under the explanation of the apportionment percentage.

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## Form 4C — Separate Accounting Data

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### Who Must Use

A corporation engaged in a nonunitary business in and outside Wisconsin is required to determine the amount of income attributable to Wisconsin by separate accounting. A nonunitary business is one in which the operations in Wisconsin aren't dependent upon or contributory to the operations outside Wisconsin.

A unitary business may use separate accounting only with the approval of the department. An application for such approval must set forth, in detail, the reasons why separate accounting will more clearly reflect the corporation's Wisconsin net income. It should be mailed to the Wisconsin Department of Revenue,



P.O. Box 8906, Madison, WI 53708-8906 before the end of the taxable year for which the use of separate accounting is desired.

You may obtain Form 4C from any Department of Revenue office.

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## **Form UT-5 — Consumer Use Tax Return**

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### **Who Must File**

The state, county, and stadium use tax is payable directly to the state by the purchaser (consumer) when tangible personal property or taxable services are purchased from a retailer who is not authorized to collect the 5% Wisconsin, 0.5% county, or 0.1% stadium sales and use tax. Complete Form UT-5 to report use tax if

- You do not hold a seller's permit, use tax registration certificate, or consumer's use tax registration certificate, and
- You infrequently purchase or lease property or services subject to use tax.

If you hold a seller's permit, use tax registration certificate, or consumer's use tax registration certificate, do not use Form UT-5. Instead, report your use tax on your sales and use tax return, Form ST-12.

For more information or forms, call (608) 266-2776 or write to the Compliance Bureau, Wisconsin Department of Revenue, P.O. Box 8902, Madison, WI 53708-8902.