

# INSTRUCTIONS FOR 1997 WISCONSIN SCHEDULE U

## Purpose of Schedule U

Use Schedule U to see if you owe interest for underpaying your estimated tax and, if you do, to figure the amount of interest you owe. This schedule may be used by individuals, estates, and trusts (except trusts subject to the Wisconsin tax on unrelated business income must use Form 4U).

**Note** Unless indicated otherwise, "tax" includes alternative minimum tax and the temporary recycling surcharge.

## Who Must Pay Underpayment Interest

If you did not pay enough estimated tax by any due date, or if you did not have enough Wisconsin income tax withheld, you may be charged interest on the underpayment. This is true even if you have a refund when you file your tax return. Underpayment interest is figured separately for each due date. Therefore, you may owe underpayment interest for an earlier payment due date, even if you pay enough tax later to make up the underpayment.

In general, you may owe underpayment interest for 1997 if you did not pay at least the smaller of 90% of your current year (1997) tax liability, or 100% of your prior year (1996) tax liability if you filed a 1996 return that covered a full 12 months. (The alternative to pay 100% of prior year tax liability does not apply to an estate or trust with taxable income of \$20,000 or more.)

## Exceptions

You will not have to pay underpayment interest if any one of the following applies:

(1) Your tax liability for 1996 (not including the temporary recycling surcharge) was zero, you were a Wisconsin resident for that entire year, and your 1996 tax return was (or would have been had you been required to file) for a full 12 months. If you (and your spouse if filing a joint return) qualify for this exception, indicate this at the bottom of Schedule U, state the amount of your gross income for 1996, and don't complete the rest of Schedule U.

(2) The total tax shown on your 1997 return minus the amount of tax you paid through withholding is less than \$200. To determine whether you qualify for this exception, complete lines 1 - 8.

(3) The taxpayer is an estate or grantor trust funded on account of a decedent's death and the tax return is for a tax year ending before the date two years after the date of death. Write "deceased" and the date of death above line 1. Trusts must attach an explanation of how they qualify.

(4) Your gross income from farming or fishing during 1996 or 1997 is at least two-

thirds of your total gross income and you file your 1997 Wisconsin return and pay the balance due on or before March 2, 1998. Write "exempt farmer" or "exempt fisher" above line 1 and do not complete the rest of Schedule U. (**Note** Total gross income is the joint total gross income of a married couple filing a joint return.)

## Waiver of Underpayment Interest

If you have an underpayment on line 22 for any payment due date, the interest for that underpayment may be waived if:

- You underpaid the installment because of a casualty, disaster, or other unusual circumstance.
- In 1996 or 1997 you retired after age 62 or became disabled and your underpayment was due to reasonable cause. Retirement alone is not reasonable cause.
- You were on active duty with the United States armed forces and were stationed outside the continental United States.

To apply for a partial waiver, complete Schedule U lines 1-10 and 18-31 and write "WAIVER" at the bottom of page 1. Attach an explanation of how you qualify for the waiver, and show how much of the underpayment interest should be waived.

If you are applying for a total waiver of underpayment interest, do not complete Schedule U. Instead, attach an explanation to your Wisconsin income tax return. The explanation should be titled "Application for Waiver of Interest on Underpayment of Estimated Tax." Also write "Waiver-Underpayment Interest" in the open area below line 21 of Form 1, line 20 of Form 1A, or line 49 of Form 1NPR, or to the left of line 25 of Form 2.

## Part I - Required Annual Payment

Complete lines 1-10 to figure your required annual payment.

**Note** If you file an amended return, use the amounts shown on your amended return to figure your underpayment.

### Line 4

Fill in on line 4 the total of the following credits from your 1997 tax return:

- Earned income credit
- Farmland preservation credit
- Net income tax paid to another state
- Homestead credit
- Farmland tax relief credit
- Credit for repayment of income previously taxed

### Line 9

**Prior Year Tax** Figure your 1996 tax using the taxes and credits from your 1996 tax return. Use the net tax from your 1996 return (line 16 of Form 1 or 1A, line 43 of

Form 1NPR, or line 12 of Form 2), plus any temporary recycling surcharge (from line 17 of Form 1, line 44 of Form 1NPR, or line 13 of Form 2), and less the same type of credits as listed above for line 4.

If your 1996 return was adjusted either by the department or by the filing of an amended return, use the adjusted amounts when determining your prior year tax.

**CAUTION** Do not complete line 9 if any one of the following applies. Instead, fill in the amount from line 6 on line 10.

- You did not file a return for 1996, or
- Your 1996 tax year was for less than 12 months, or
- The taxpayer is an estate or trust and has 1997 taxable income of \$20,000 or more.

**Filing Status Change** If you are filing a joint return for 1997, but you did not file a joint return for 1996, add the tax shown on your 1996 return to the tax shown on your spouse's 1996 return and fill in the total on line 9. If you filed a joint return for 1996 but you are not filing a joint return for 1997, your 1996 tax is your share of the tax on the joint return. To figure your share, first figure the tax both you and your spouse would have paid had you filed separate returns for 1996. Then multiply your joint tax liability by the following fraction:

$$\frac{\text{Your separate tax liability}}{\text{Both spouses' separate tax liabilities}}$$

## Line 10

If the amount on line 7 is equal to or more than the amount on line 10, do not complete the rest of Schedule U. You do not owe underpayment interest.

## Part II - Short Method

You may use the short method if:

- You made no Wisconsin estimated tax payments (or your only payments were withheld Wisconsin income tax), or
- You made estimated tax payments in four equal amounts on the due dates.

**Note** If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay more interest than the regular method. If the payment was only a few days early, the difference will generally be small.

Do not use the short method if:

- You made any of your estimated tax payments late, or
- You want to use the annualized income installment method to compute required installments, or
- You treat withholding as paid when it was actually withheld, instead of in four equal amounts, or
- You claim a waiver for any period.

If you can use the short method, complete lines 11 - 17 and do not complete the rest of Schedule U. Otherwise, go on to Part III.

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### Part III - Regular Method

Complete lines 18 - 31 to compute underpayment interest using the regular method.

#### Line 18

**Required Installments** Divide the amount on line 10 by four (4) and fill in the result in each column.

#### Exceptions

- If you did not receive your income evenly throughout the year, you may be able to lower the amount of your required installment for the due dates by using the annualized income installment method. See Part IV for further information.
- If your gross income from farming or fishing for 1996 or 1997 is at least two-thirds of your total gross income, fill in the amount from line 10 in the last column of line 18. Fill in -0- in the first three columns.
- If the amount of installment payment for any due date before October 14, 1997 is increased solely because of changes made by 1997 Wisconsin Act 27, do not include that increased amount in installments due before October 14, 1997. Instead, prorate the increased amount among installments due after October 14, 1997.

#### Line 19

**Estimated Tax Paid** Fill in the estimated tax that you paid for each installment period. Do not fill in on line 19 any estimated tax payment made after January 16, 1998. Any payment made after January 16, 1998, and before April 15, 1998, should be entered on line 24 as a late payment. If you file a joint return, include the estimated tax payments of both you and your spouse.

**Exception** If you file your 1997 income tax return and pay the balance due by February 2, 1998, that payment will be accepted as your January 16 installment payment.

#### Line 20

**Tax Withheld** You are considered to have paid one-fourth of any withheld Wisconsin income tax on each payment due date unless you can show otherwise. If your tax was not withheld evenly throughout the year, you may fill in the amounts actually withheld during each period.

#### Line 22

**Underpayment** If line 22 is zero in all four columns, do not complete the rest of Schedule U. You do not have an underpayment. If there is any amount in any column of line 22, complete the rest of Part III.

#### Line 24

**Carryback of Overpayment or Late Payment** Complete line 24 only if there is an overpayment on line 23. The overpayment may be carried back to the prior install-

ment period and offset against the underpayment of that period. Any remaining excess may then be carried back to the next prior period, etc. (**Exception** If you made an estimated tax payment after January 16, 1998, but before April 15, 1998, fill in the amount of that payment on line 24 in the January 16, 1998, column. However, do not fill in more than the amount on line 22. Any excess may be carried back to the next prior period, etc.)

**Example** The April 15 column on line 22 shows an underpayment of \$400. The June 16 column on line 23 shows an overpayment of \$300. The \$300 overpayment from the June 16 column would be filled in on line 24 in the April 15 column.

If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 24 each carryback used to offset the underpayment.

#### Line 25

**Carryforward of Overpayment** Any overpayment remaining after completing line 24 should be carried forward to the next period.

**Example** The April 15 column on line 22 shows an underpayment of \$500. The June 16 column on line 23 shows an overpayment of \$700. First, \$500 of the June 16 overpayment is carried back to the April 15 column on line 24. Since \$200 (\$700 - \$500) of the June 16 overpayment remains, that amount is carried forward to the September 15 column on line 25.

#### Lines 27 through 31

Complete lines 27 - 31 to determine the amount of interest due on the underpayment. Only complete lines 27 and 29 when an overpayment or late payment is carried back on line 24. If you apply more than one payment to a given installment, attach a statement showing a separate computation for each payment.

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### Part IV - Annualized Income Installment Method Worksheet

If your income varied during the year, you may be able to lower or eliminate the underpayment interest for one or more installments by using the annualized income installment method.

Use the worksheet in Part IV to figure the amount to fill in on line 18 of Schedule U. Also write "AI" to the left of the first entry space on line 18. If you use the worksheet to figure the amount to enter in any column of line 18, you must use it to figure the amounts to enter in all four columns.

#### Line 35

**Standard Deduction** Full-year Wisconsin residents, estates, and trusts, fill in -0- on this line. If you are a nonresident or part-year resident, you must prorate the stan-

ard deduction as follows: (1) Figure your standard deduction using your annualized federal adjusted gross income for the period and the Standard Deduction Table on page 26 of the Form 1NPR instructions, and (2) prorate by using the ratio of your annualized Wisconsin income to your annualized federal adjusted gross income.

**Net Operating Loss** If you have a net operating loss (NOL) carryforward, fill in on line 35 the amount allowable for each period. Write "NOL" in the blank space to the right of line 35.

#### Line 37

**Tax** Use the tax table in the instructions for your 1997 Wisconsin tax form to compute the amount of tax to fill in on line 37.

**Exception** If you were required to use the Special Tax Worksheet or the Form 1NPR Tax Computation Worksheet (rather than a tax table) to figure your tax on your Wisconsin return, use that same method here.

#### Line 38

**Credits** Fill in the total credits from line 11 of your 1997 Form 1 or line 15 of Form 1A in all four columns. Nonresidents and part-year residents must prorate their credits by multiplying the amount on line 39a of Form 1NPR by the ratio of annualized Wisconsin income to annualized federal adjusted gross income and then add any historic rehabilitation credits.

Estates and trusts should fill in the amount of exemption/historic credits from line 7 of Form 2.

#### Line 40

**Alternative Minimum Tax** Figure the alternative minimum tax on Schedule MT. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings of the annualized income installment worksheet. Multiply your Wisconsin alternative minimum taxable income by the annualization amounts on line 33 of the worksheet before subtracting the alternative minimum tax exemption amounts.

#### Line 44

**Temporary Recycling Surcharge** Figure your temporary recycling surcharge based on your annualized business income for each period shown in the column headings of the worksheet. See the instructions for Form 1, 1NPR, or 2 for further information on the surcharge.

#### Line 46

**Other Credits** Fill in the total of your earned income credit, farmland preservation credit, homestead credit, tax paid to another state, farmland tax relief credit, and credit for repayment of income previously taxed allowable on your 1997 return in all four columns.