

# 1997

## Combined Wisconsin Individual Income Tax Return For Nonresident Directors of Corporations Form 1CND Instructions

### New for 1997 . . .

- Beginning with the 1997 calendar year, corporations may file combined Wisconsin income tax returns on behalf of their qualifying and participating nonresident directors. See page 1.
- For taxable years beginning in 1997, the computation of a nonresident's Wisconsin income tax has changed. See the tax computation worksheet on page 4.

### Important . . .

#### ***Extensions of time to file***

The corporation may receive an extension of time to file Form 1CND by attaching a statement to Form 1CND which includes the following information: the federal extension provision being used (such as the automatic 4-month extension) and the name, address, and signature of each director covered by the extension. See page 1.

### 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.

# Instructions for Form 1CND

## General Instructions

### Who May File

A corporation that does business in Wisconsin and has two or more nonresident directors who derive no taxable income or deductible loss from Wisconsin other than their directors' fees from the corporation may file a combined return on behalf of those directors. The corporation files this combined return on Form 1CND. The corporation and its directors must agree to the rules prescribed by the Wisconsin Department of Revenue as set forth below in order to file this combined return.

Nonresident directors with other sources of Wisconsin income or loss and all full-year and part-year resident directors may not file on Form 1CND. Instead, they must file their own Wisconsin income tax returns. Full-year resident individuals file Wisconsin Form 1 and part-year resident and nonresident individuals file Wisconsin Form 1NPR to report their own income.

Nonresidents of Wisconsin who had Wisconsin gross income (or combined gross income of both spouses) of \$2,000 or more during 1997 must file a Wisconsin income tax return (Form 1NPR or Form 1CND). Gross income means all income (before deducting expenses) reportable to Wisconsin which is received in the form of money, property, or services. Gross income includes directors' fees for services performed in Wisconsin. If gross income is less than \$2,000, a Wisconsin income tax return doesn't have to be filed.

### Who May Not Participate in Combined Return

A director may not participate in this combined return in any of the following cases:

- The director files his or her individual income tax return on a fiscal year basis.
- The director is a resident of Wisconsin during any part of 1997.
- The director derives taxable income from Wisconsin in 1997 other than his or her directors' fees from one corporation.
- The director wishes to claim any deductions or tax credits.

### What Income Is Reportable on Form 1CND

Report each qualifying and participating director's fees received for the taxable year ending December 31, 1997, on a 1997 Form 1CND. The combined return replaces the separate 1997 Wisconsin individual income tax return that otherwise would be filed by each of the qualifying and participating nonresident directors.

### When to File

Form 1CND is due April 15, 1998.

### Extensions of Time to File

The corporation may receive an extension of time to file Form 1CND by attaching a statement to Form 1CND which includes the following information: the federal extension provision being used (such as the automatic 4-month extension) and the name, address, and signature of each director covered by the extension.

Extensions to file allowed by the Internal Revenue Service to individual directors will also give Wisconsin extensions to those particular directors, provided a copy of the federal extension is attached to Form 1CND. Other directors who don't have an extension may be subject to late filing fees and delinquent interest if Form 1CND is filed after April 15, 1998.

### Where to File

Mail Form 1CND to the Wisconsin Department of Revenue, P.O. Box 8912, Madison, WI 53708-8912.

### Estimated Tax and Temporary Recycling Surcharge Payments

If a director will owe tax (including the temporary recycling surcharge) of \$200 or more on his or her 1998 Wisconsin income, estimated tax payments must be made to avoid an interest charge. The corporation may make estimated tax payments on behalf of any or all of the directors who may participate in the combined return. The corporation must use the Forms CN-ES, Wisconsin Composite Estimated Tax Voucher, included in this booklet. Attach a schedule to Form CN-ES showing the name, address, social security number, and estimated tax payment to be credited to each director's account.

Send all estimated tax payments for directors who will be participating in a combined return to the Wisconsin Department of Revenue, P.O. Box 8912, Madison, WI 53708-8912.

**Note:** Do not combine payments for residents and nonresidents. Use Form CN-ES only for nonresident directors who will file on Form 1CND. Full-year residents, part-year residents, and nonresidents who file on Form 1NPR must make their estimated tax payments individually using Form 1-ES.

### Internal Revenue Service Adjustments and Amended Returns

Wisconsin law requires the following information to be provided to the Department of Revenue:

- Adjustments made to a director's federal tax return by the Internal Revenue Service that affect the

Wisconsin net tax payable must be reported within 90 days after they become final.

- Changes made on a director's amended return filed with the Internal Revenue Service that affect the Wisconsin net tax payable must be reported on an amended Wisconsin return within 90 days after filing the amended federal return.

Either the corporation or the director must report this information as follows:

- The corporation must file an amended Form 1CND to report federal adjustments or amendments to a director's federal return that affect the amount of the director's fees or tax reported on the corporation's original Form 1CND.

To amend Form 1CND, file another Form 1CND clearly marked "AMENDED RETURN" at the top of the form. Attach to the amended return a copy of the final federal audit reports if the amended return is being filed as a result of a federal audit. Otherwise, attach an explanation of the changes made and the reasons for the changes. Send the amended return to the Wisconsin Department of Revenue, P.O. Box 8991, Madison, WI 53708-8991. Don't attach it to the return for the current year.

- The director must file an amended Form 1NPR to report federal adjustments or amendments to the member's federal return that affect Wisconsin items of income or loss other than the directors' fees reported on Form 1CND.

To amend Form 1NPR, file a Form 1NPR clearly marked "AMENDED RETURN" at the top of the form. Include any fees previously reported on Form 1CND. Attach to the amended return a copy of the final federal audit report if the amended return is being filed as a result of a federal audit. Otherwise, attach an explanation of the changes made and the reasons for the changes. If claiming credit for taxes previously paid on your behalf on Form 1CND, include a statement indicating the corporation's name and federal employer identification number and amount of tax paid. Send the amended return to the Wisconsin Department of Revenue using the address specified in the Form 1NPR instructions.

### Refunds, Assessments, and Correspondence

By filing Form 1CND, the signing officer declares that the corporation has a power of attorney or other written authorization from each qualifying and participating director to file a combined return. The Department of Revenue will mail refund checks, assessments, and all correspondence to the corporation at the address indicated on Form 1CND. If an issue cannot be re-

solved between the corporation and the department, the corporation must agree to be responsible for the payment of any additional tax due, interest, and penalties, as finally determined. In unusual circumstances, the department may contact the individual directors.

### Additional Information or Forms

If you need help with the combined return, write to the Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906 or call (608) 266-2772.

If you need forms or publications, 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 or 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>.

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### Wisconsin Taxation of Directors' Fees Received by Nonresidents of Wisconsin

A nonresident director who receives fees for services performed in Wisconsin is subject to Wisconsin income tax on those fees.

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### Line-by-Line Instructions

Complete page 2 of Form 1CND first; then enter the totals from Schedule 2 on Schedule 1.

#### Schedule 1

■ **Line 1. Wisconsin Directors' Fees of Qualifying and Participating Nonresident Directors** — Enter the total amount of Wisconsin directors' fees from Schedule 2, column C.

■ **Line 2. Tax** — Enter the total tax from Schedule 2, column F.

■ **Line 3. Alternative Minimum Tax** — Enter the total alternative minimum tax from Schedule 2, column G.

■ **Line 4. Temporary Recycling Surcharge** — Enter the total temporary recycling surcharge from Schedule 2, column H.

■ **Line 5. Total Tax, Alternative Minimum Tax, and Temporary Recycling Surcharge** — Add the amounts on lines 2, 3, and 4 and enter the total.

■ **Line 6. Estimated Tax Payments** — Enter the total estimated tax payments from Schedule 2, column I.

■ **Line 7 or 8. Balance of Tax Due or Overpayment** — Complete line 7 or 8 to determine the amount you owe or your overpayment.

If you owe an additional amount, you may pay by check or money order made payable to the Wisconsin Department of Revenue. Write the corporation's federal employer identification number on the check and attach it to the front of Form 1CND.

■ **Line 9. Amount to Apply to 1998 Estimated Tax** — Enter the amount of any overpayment from line 8 you want to apply to the directors' 1998 estimated tax. Attach to Form 1CND a schedule showing each director's name, social security number, and share of the amount on line 9. The balance will be refunded.

■ **Signatures** — An officer of the corporation must sign and date Form 1CND at the bottom of page 1. If the return is prepared by someone other than an employe of the corporation, the preparer's signature is also required.

■ **Attachments** — Attach a copy of any application for an extension of time to file the return.

## Schedule 2

■ **Columns A and B. Name and Address and Social Security Number** — Enter the information requested concerning the nonresident directors who qualify and are participating in this combined return. Complete names, addresses, and social security numbers are required. Attach a separate schedule, if necessary.

■ **Column C. Wisconsin Directors' Fees** — Enter each director's fees received for services performed in Wisconsin on Schedule 2, column C.

■ **Column D. Federal Adjusted Gross Income** — Enter each director's federal adjusted gross income from federal Form 1040 on Schedule 2, column D. **Note:** If this information is not available, you must compute the director's Wisconsin tax using the alternate method described in the instructions below for Schedule 2, column F.

■ **Column E. Filing Status** — For each director whose federal adjusted gross income was reported in column D, enter the appropriate designation for the director's filing status in 1997: S for single, H for head of a household, MFJ for married filing a joint return, and MFS for married filing a separate return.

**Note:** To use the joint return filing status, the director's spouse cannot have any income taxable by Wisconsin

other than directors' fees from this same corporation. If both spouses are directors and they wish to compute their tax jointly, combine their net incomes for purposes of determining the tax to enter in column F.

**Do not** fill in column E for any director whose tax must be computed under the alternate method.

■ **Column F. Tax** — If the director's federal adjusted gross income has been entered on Schedule 2, column D, figure the tax on the Wisconsin directors' fees reported in column C by using the tax computation worksheet on page 4. Don't use the tax tables in the Form WI-Z, 1A, or 1 booklets because a standard deduction is built into those tables. No standard deduction or itemized deductions will be allowed for purposes of this combined filing.

**Alternate Method:** If the director's federal adjusted gross income is unknown, multiply the Wisconsin directors' fees in column C by 6.93% (0.0693) and enter the result on Schedule 2, column F.

■ **Column G. Alternative Minimum Tax** — A director may be subject to the Wisconsin alternative minimum tax if the director has adjustments and tax preference items that are attributable to Wisconsin.

Complete a separate Wisconsin Schedule MT, Alternative Minimum Tax, for each director who is subject to the alternative minimum tax. Enter the amount of alternative minimum tax in column G. Attach a copy of Schedule MT to Form 1CND.

■ **Column H. Temporary Recycling Surcharge** — A director who receives at least \$4,000 of directors' fees for federal income tax purposes generally is subject to the temporary recycling surcharge. The surcharge is the greater of \$25 or 0.4345% of the directors' fees attributable to Wisconsin, but not more than \$9,800.

For additional information about the temporary recycling surcharge, refer to the department's Publication 400, *Wisconsin's Temporary Recycling Surcharge*.

■ **Column I. Estimated Tax Payments** — Enter any estimated tax and temporary recycling surcharge payments made by the director or by the corporation on each director's behalf.

**Amended Return:** If this is an amended return, enter the tax and temporary recycling surcharge previously paid.

■ **Column J. Balance Due or Overpayment** — Compute the balance due or overpayment for each director.

<b>Tax Computation Worksheet</b>		
<b>1</b> If your filing status is: <ul style="list-style-type: none"> <li>• Single or head of household, fill in \$7,500</li> <li>• Married filing joint return, fill in \$10,000</li> <li>• Married filing separate return, fill in \$5,000 .....</li> </ul>		
<b>2</b> Divide the amount from Schedule 2, column C, by the amount from Schedule 2, column D, and enter the ratio .....		
<b>3</b> Multiply line 1 by line 2 .....		
<b>4</b> Fill in the amount from Schedule 2, column C .....		
<b>5</b> Fill in the smaller of line 3 or line 4 .....		
<b>6</b> Multiply line 5 by 4.9% (0.049) (round to the nearest cent) ...		
<b>7</b> Subtract line 5 from line 4. If the result is zero, skip lines 8 through 11 and go to line 12 ..		
<b>8</b> Fill in the smaller of line 3 or line 7 .....		
<b>9</b> Multiply line 8 by 6.55% (0.0655) (round to the nearest cent) ...		
<b>10</b> Subtract line 8 from line 7. If the result is zero, skip line 11 and go to line 12 .....		
<b>11</b> Multiply line 10 by 6.93% (0.0693) (round to the nearest cent) .....		
<b>12</b> Add lines 6, 9, and 11. Fill in the total here and on Schedule 2, column F .....		