

Instructions for 2001 Schedule Z-1

Items to Note

For taxable years beginning on or after January 1, 1998, partnerships, including limited liability companies (LLC's) treated as partnerships, that are engaged in manufacturing in Wisconsin may compute a manufacturer's sales tax credit. The entity cannot claim the credit. Instead, the credit passes through to its partners or members based on their ownership interests.

A partner or member may use the pass-through credit only against the tax imposed on that partner's or member's share of the entity's net income.

General Instructions

Purpose of Schedule Z-1

A corporation uses Schedule Z-1 to figure the allowable manufacturer's sales tax credit passed through from other entities. The corporation must attach Schedule Z-1 to its Wisconsin franchise or income tax return.

Limitation on Credit

You may use a pass-through credit only to reduce your tax attributable to your share of that entity's net income. You may not offset a credit from a pass-through entity that incurred a loss against the tax owed on income from another pass-through entity that operated at a profit.

Carryover of Unused Credits

The manufacturer's sales tax credit is nonrefundable. Any unused credit may be carried forward for 15 years. If there is a reorganization of a corporation claiming a manufacturer's sales tax credit, the limitations provided by IRC section 383 may apply to the carryover of any unused credit.

Specific Instructions

Columns a and b. Fill in the name and federal employer identification number for each pass-through entity, of which you are a member, that is engaged in manufacturing in Wisconsin.

Column c. Enter your distributive share of the pass-through entity's net income or loss that is included in your Wisconsin net income. Show losses in parentheses. Determine the amount to enter in column c as follows:

- If the corporation's entire income is taxable by Wisconsin, enter the corporation's distributive share of pass-through entity's net income or loss.
- If the corporation determines its Wisconsin net income using the apportionment method, multiply the corporation's distributive share of the pass-through entity's net income or loss by the corporation's apportionment percentage and enter the result in column c.
- If the corporation determines its Wisconsin net income using the separate accounting method, enter the corporation's distributive share of the pass-through entity's net income or loss attributable to Wisconsin.

Note: A tax-option (S) corporation must enter its share of the pass-through entity's federal, state, and municipal government interest that is included on Form 5S, line 3.

Column d. Enter the portion of the corporation's gross franchise or income tax that is attributable to the amount in column c. This is the lesser of (1) the net income reported in column c multiplied by 7.9%, or (2) the corporation's gross tax.

Caution: Enter zero in column d if column c shows a net loss for that pass-through entity.

Column e. Enter your share of the pass-through entity's manufacturer's sales tax credit.

Add the amounts reported in column e and enter the total. You must report the total of column d or column e.

Column f. For each pass-through entity, enter the lesser of the amount in column d or column e.

Add the amounts reported in column f and enter the total. You must report the total of f on Schedule Z, line 11.

Column g. Subtract the amount in column f from the amount in column e. This is the amount of unused manufacturer's sales tax credit that may be carried forward to future years.

Note: A tax-option (S) corporation may elect either to carry forward any unused credits reported in column g or to pass these credits through to its shareholders. Indicate the election being made on Schedule Z-1.