Purpose of Form 3

Partnerships, including limited liability companies (LLCs) treated as partnerships, use Form 3 to report their income, gains, losses, deductions, and credits.

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General Instructions for Form 3

Who Must File Form 3

Every partnership and limited liability company treated as a partnership with income from Wisconsin sources, regardless of the amount, must file Form 3. For example, a partnership must file a return if it has income from:

- Business transacted in Wisconsin,
- Personal or professional services performed in Wisconsin,
- Real or tangible personal property located in Wisconsin,
- A covenant not to compete, if that covenant was based on a Wisconsin-based activity, or
- Wisconsin lottery prizes, including income from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in Wisconsin.

The Department of Revenue may also require a partnership with Wisconsin resident partners to file a Wisconsin partnership return even though it has no Wisconsin business or income. For example, an out-of-state partnership that does no business in Wisconsin, has no property in Wisconsin, and has no income from Wisconsin sources may be requested to file a partnership return to enable the Department of Revenue to compute a Wisconsin resident partner's Wisconsin tax liability.

Exceptions: The following partnerships and limited liability companies are not required to file Form 3:

- A syndicate, pool, joint venture, or similar organization that isn't required to file a federal partnership return because it has elected under Internal Revenue Code (IRC) section 761(a) not to be treated as a partnership for federal income tax purposes may make a similar election for Wisconsin purposes. To make the election, attach a copy of the federal election statement to the Form 3 filed with the Department of Revenue for the year of election.
- If the Wisconsin election is made, the organization generally won't have to file Form 3 except for the year of election. However, the Department of Revenue may require the organization to file a return so that a partner's Wisconsin tax liability may be computed.
- Publicly traded partnerships treated as corporations under IRC section 7704 must file Wisconsin Form 4 or 5 instead of Form 3.
- Limited liability companies treated as corporations for federal income tax purposes must file Wisconsin Form 4 or 5 instead of Form 3.
- Single member limited liability companies that are disregarded as separate entities under IRC section 7701 are disregarded as separate entities for Wisconsin purposes. The member is required to include the income and expenses of the limited liability company on the member's return.
- Common trust funds are treated as fiduciaries under Wisconsin law and must file Wisconsin Form 2 instead of Form 3.

Definitions

Partnership. A partnership is an association of two or more persons to carry on as co-owners a trade or business for profit. The term "partnership" includes a limited partnership, registered limited liability partnership, syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and is not, within the meaning of the Wisconsin income tax law, a corporation, trust, estate, or sole proprietorship.

Limited Partnership. A limited partnership is formed under a state limited partnership law and composed of at least one general partner and one or more limited partners.

Registered Limited Liability Partnership. A registered limited liability partnership (LLP) is formed under Wisconsin limited liability partnership law and registered under sec. 178.40, Wis. Stats. Generally, a partner in an LLP isn't personally liable for the debts of the LLP or any other partner.

Foreign Registered Limited Liability Partnership. A foreign limited liability partnership is formed pursuant to an agreement governed by the laws of a state other than Wisconsin or another country and registered under the laws of that jurisdiction.

General Partner. A general partner is a partner who is personally liable for partnership debts.

Limited Partner. A limited partner is a partner whose personal liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership. **Note:** A partner who has the authority to act for or bind the partnership in any way or to participate in any way in the management or business affairs of the partnership, or both, is deemed to be a general partner, even if the person is defined as a limited partner in the partnership agreement.

Limited Liability Company. A limited liability company (LLC) is an entity formed under state law by filing articles of organization as an LLC. Unlike a partnership, none of the members of an LLC are personally liable for its debts. However, members or other persons may be personally liable for the payment of taxes based on their responsibilities or actions.

An LLC may be classified for federal income tax purposes as a partnership, a corporation, or as an entity disregarded as a separate entity from its owner. If an LLC is classified as a partnership for federal income tax purposes, it is treated as a partnership for Wisconsin purposes. An LLC classified as a corporation for federal income tax purposes is treated as a corporation by Wisconsin. An LLC disregarded as a separate entity for federal income tax purposes is also disregarded as a separate entity for Wisconsin income tax purposes. For more information, obtain Wisconsin Publication 119, *Limited Liability Companies (LLCs).*

When and Where to File

A partnership must file its return with the Wisconsin Department of Revenue by the 15th day of the 4th month following the close of its taxable year.

Extensions. Any extension allowed by the Internal Revenue Service (IRS) for filing the federal return automatically extends the Wisconsin due date, if you file a copy of the federal extension with your Wisconsin return. If you aren't requesting a federal extension, but you need additional time to file your Wisconsin return, you may obtain an extension available to partnerships under federal law. To receive the Wisconsin extension, include with your Wisconsin return a completed copy of the appropriate federal extension form or a statement explaining which federal extension provision you are using.

The IRS allows an extension period of five months. This same extension period applies to Wisconsin partnership returns.

Filing Methods. Partnerships are required to file tax returns electronically and may file electronically through the Federal/State E-Filing Program. For a list of software vendors participating in this program, visit the Department's web page at:

revenue.wi.gov/eserv/partnership/third.html

If it is not possible to file the return electronically, a waiver must be obtained in order to file a paper return. More information is available from the Department's web page at revenue.wi.gov/taxpro/news/110727b.html If an electronic filing waiver is approved, file your return on paper using these mailing instructions:

- **Do not fasten, staple or bind the pages of your return.** Use paper clips instead.
- If you are submitting multiple returns, separate them with **colored separator sheets.**
- Use the mailing address shown on page 4 of the form.

Period Covered by Return and Accounting Methods

The return must cover the same period as the partnership's federal income tax return. File a 2014 Wisconsin return for calendar year 2014 or a fiscal year that begins in 2014.

If a partnership elects, under IRC section 444, to have a taxable year other than a required taxable year, that election also applies for Wisconsin. Unlike for federal purposes, the partnership doesn't have to make a required payment of tax as provided in IRC section 7519.

Figure ordinary income by the accounting method regularly used in maintaining the partnership's books and records. The method may include the cash receipts and disbursements method, an accrual method, or any other method permitted by the IRC in effect for Wisconsin. The method must clearly reflect income.

Disclosure of Related Entity Expenses and Reportable Transactions

A partnership may be required to separately disclose certain expenses paid, accrued, or incurred to a related entity. A partnership or a partnership's material advisor may also be required to separately disclose reportable transactions.

> **CAUTION:** Wisconsin law provides that certain related entity expenses shall not be allowed as deductions if they are not timely disclosed as required by the Department of Revenue. Also, penalties may apply for failure to disclose reportable transactions to the Department.

Disclosure of Related Entity Expenses. If the partnership will be deducting more than $100,000 (after considering the effect of apportionment) of interest, rent, management fees, or intangible expenses paid, accrued, or incurred to a related person or entity, the corporation must generally file Schedule RT, Wisconsin Related Entity Expenses Disclosure Statement, with its franchise or income tax return. The Schedule RT instructions explain the reporting requirements.

However, even if you are not required to file Schedule RT, if you are taking deductions for interest, rent, management fees, or intangible expenses, paid, accrued, or incurred to related entities, you must add those expenses back to federal income as Wisconsin modification. If the expenses meet the tests for deductibility, you may subtract them out as subtraction modifications on Schedule 3K.

Partnership's Disclosure of Reportable Transactions.

If a partnership was required to include any form with its federal tax return to disclose a "reportable transaction," as defined under sec. 71.81(1)(c), Wis. Stats., it must file a copy of that form with the Department of Revenue within 60 days of the date it is required to file it for federal income tax purposes, provided that it is otherwise required to file a Wisconsin return. This includes federal Form 8886, *Reportable Transaction Disclosure Statement*, and federal Form 114, *Report of Foreign Bank and Financial Accounts.*

Submit the form(s) with your return or send a paper copy of the form(s), separate from your Form 3, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, PO Box 8958, Madison, WI 53708-8958.

Material Advisor's Disclosure of Reportable Transactions. A "material advisor" means any person who provides any material aid, assistance, or advice with respect to organizing, managing, promoting, selling, implementing, insuring, or carrying out any reportable transaction (as defined in the U.S. Treasury Regulations) and who, directly or indirectly, derives gross income from providing such aid, assistance, or advice in an amount that exceeds the threshold amount.

For a material advisor providing advice to an entity and not an individual, the "threshold amount" is any of the following:

- $25,000 if the reportable transaction is a listed transaction (as defined in the U.S. Treasury Regulations).
- $250,000 if the reportable transaction is not a listed transaction.

For a material advisor providing advice to an individual, the "threshold amount" is any of the following:

- $10,000 if the reportable transaction is a listed transaction (as defined in the U.S. Treasury Regulations).
- $50,000 if the reportable transaction is not a listed transaction.

A material advisor that is required to disclose a reportable transaction to the IRS must file a copy of the disclosure with the Department of Revenue within 60 days of the date it is required for federal income tax purposes, if the reportable transaction affects the taxpayer's Wisconsin income or franchise tax liability. For federal purposes, the form required for this disclosure is Form 8918.

If you are required to file Form 8918 for federal income tax purposes and the reportable transaction to which the form relates affects the taxpayer's Wisconsin income or franchise tax liability, send a paper copy, separate from Form 3, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, PO Box 8958, Madison, WI 53708-8958. Include a listing of the names and identification numbers of each Wisconsin taxpayer for whom the advisor provided services to.

Internal Revenue Service Adjustments and Amended Returns

Internal Revenue Service Adjustments. If a partnership's federal tax return is adjusted by the IRS and such adjustments affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net operating loss carryforward, or a Wisconsin capital loss carryforward of a partner, you must report such adjustments to the Department of Revenue within 90 days after they become final by either filing an amended Wisconsin franchise/income tax return or mailing a copy of the final federal audit report.

In addition, each partner must file an amended Wisconsin income tax return reporting his, her, or its share of each adjustment made by the IRS to the partnership return. Each partner must file an amended Schedule 3K-1 with the amended return filed.

Amended Returns. If the partnership and the partners file amended federal returns and the changes affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net operating loss carryforward, or a Wisconsin capital loss carryforward of a partner, both the partnership and the partners must file amended Wisconsin returns with the Department of Revenue within 90 days after filing the amended federal returns.

To file an amended Wisconsin return, use Form 3 and check item F on the front of the return. Provide an explanation of any changes made. If the change involves an item of income, deduction, or credit that you were required to support with a form or schedule on your original return, include the corrected form or schedule with your amended return. In addition include amended Schedules 3K-1 and provide copies to the partners to file with their amended Wisconsin returns.

File your amended return electronically by using one of the third party software providers:

revnue.wi.gov/eserv/partnership/third.html

If you have an approved electronic filing waiver, send your amended Form 3 to the Wisconsin Department of Revenue, PO Box 8908, Madison, WI 53708-8908. Don't attach amended returns to other tax returns that you are filing.

Partnerships Having Nonresident Partners

A partnership that has one or more nonresident partners is generally required to pay pass-through entity withholding. Additionally, the partnership may file a composite individual income tax return on behalf of qualifying nonresident individual partners.

Pass-Through Entity Withholding. A partnership is generally required to pay withholding tax on its distributable income which is allocable to a nonresident partner. A nonresident partner includes:

- An individual who is not domiciled in Wisconsin;
- A partnership, limited liability company, or corporation whose commercial domicile is outside Wisconsin; and
- An estate or trust that is a nonresident under sec. 71.14(1) to (3m), Wis. Stats.

However, withholding is not required on behalf of the following nonresident partners:

- A partner who is not otherwise subject to Wisconsin income or franchise tax (such as a 501(c)(3) organization with no unrelated business taxable income).
- A partner whose share of income from the partnership is less than $1,000.
- A partner who completes Form PW-2, *Wisconsin Nonresident Partner, Member, Shareholder, or Beneficiary Withholding Exemption Affidavit*, or receives a continuous exemption letter from the department and provides Part 2 of Form PW-2 or the continuous exemption letter to the partnership. The completed Form PW-2 must be pre-approved by the Department of Revenue. See the Form PW-2 instructions for details.

A pass-through entity is required to pay quarterly estimated withholding tax on a nonresident member's share of income attributable to Wisconsin. The pass-through entity must make quarterly payments of withholding tax on or before the 15th day of the 3rd, 6th, 9th, and 12th month of the taxable year. You make the estimated withholding tax payments electronically. If you obtained a waiver from electronic payment, use Form PW-ES, *Wisconsin Pass-Through Entity Withholding Estimated Payment Voucher*, to make the estimated withholding tax payments.

The partnership must also file Form PW-1, *Wisconsin Nonresident Income or Franchise Tax Withholding on Pass-Through Entity Income*, annually to report estimated withholding tax paid and to pay any additional withholding tax due on behalf of its nonresident partners. Form PW-1 is due with payment by the 15th day of the 4th month following the close of the partnership's taxable year. See the Form PW-1 instructions for details of the filing procedures.

Composite Return for Nonresident Individual Partners. A partnership that has two or more nonresident individual partners who derive no taxable income or deductible loss from Wisconsin other than their distributive shares from the partnership may file a composite individual income tax return on behalf of those partners. The partnership files this return on Form 1CNP, *Composite Individual Income Tax Return for Nonresident Partners.*

Individuals that are fiscal year filers or part-year Wisconsin residents may not participate in the composite return. No tax credits are allowed on the composite return other than a credit for pass-through entity withholding tax paid on behalf of each participating partner. Additionally, participating partners cannot claim the IRC section 199 deduction or any amounts deductible as itemized deductions on the composite return.

Partners that do not qualify to participate in the composite return must file a separate Wisconsin return to report the income from the partnership.

For more information on eligibility for composite filing and composite filing procedures, see the Form 1CNP instructions.

Schedules 3K-1 and Information Returns

Schedules 3K-1. The partnership must submit a Schedule 3K-1 for each of its partners along with its Form 3. The Department is no longer accepting Schedules 3K-1 on magnetic media. File them using electronic transfer. You may obtain specifications on the Department's web site at revenue.wi.gov/eserv/w-2.html.

Information Returns for Miscellaneous Income. If the partnership paid $600 or more in rents, royalties, or certain nonwage compensation to one or more individuals, the partnership must file an information return to report those payments. You may use Wisconsin Form 9b, *Miscellaneous Income*, or you may use federal Form 1099 instead of Form 9b. For more information, see the Form 9b instructions.

Wisconsin Use Tax

The partnership may be liable for use tax. Use tax is the counterpart of sales tax. All tangible personal property, certain coins and stamps, certain leased properties affixed to real estate, certain digital goods, and selected services, taxable under Wisconsin's sales tax law, which are stored, used, or consumed in Wisconsin, are subject to use tax if the proper sales tax is not paid. Examples of purchases that frequently result in a use tax liability include the following:

- Mail order and Internet purchases. You owe Wisconsin use tax if you buy such items as computers, furniture, or office supplies from a vendor who is not registered to collect Wisconsin tax.
- Inventory. If you purchase inventory items without tax for resale, and then use these items instead of selling them, you owe use tax.
- Give-aways. Generally, if you purchase items without tax and then give them away in Wisconsin, you owe use tax.

If you hold a seller's permit, use tax certificate, or consumer's use tax certificate, report your use tax on your sales and use tax return, Form ST-12. Otherwise, complete and file Form UT-5 to report use tax.

For more information on use tax, visit the Department's web site at revenue.wi.gov/html/sales.html, call (608) 266-2776, email DORSalesandUse@revenue.wi.gov, or write to the Wisconsin Department of Revenue, Mail Stop 5-77, PO Box 8946, Madison, WI 53708-8946.

Obtaining Forms and Assistance

If you need forms or publications, you may:

- Download them from the Department's Internet web site at revenue.wi.gov
- Request them online at revnue.wi.gov/faqs/pcs/forms.html
- Call (608) 266-1961
  (Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)
- Call or visit any Department of Revenue office.

If you need help in preparing a partnership tax return, you may:

- E-mail your question to DORIncome@revenue.wi.gov.
- Send a FAX to (608) 267-1030.
- Call (608) 266-2772.
- Call or visit any Department of Revenue office.

Conformity With Internal Revenue Code and Exceptions

The Wisconsin income and franchise tax law applicable is based on the federal Internal Revenue Code (IRC). The IRC generally applies for Wisconsin purposes at the same time as for federal purposes. For taxable years beginning on or after January 1, 2014, Wisconsin's definition of the IRC is the IRC as of December 31, 2010 with numerous exceptions. Below is a listing of the exceptions.

Note: The exceptions and provisions adopted by Wisconsin listed below are those in effect as of the publication date of these instructions. It is possible that subsequent changes in Wisconsin law may add or eliminate some exceptions applicable to taxable years beginning in 2014.

Provisions of the Internal Revenue Code Not Adopted by Wisconsin:

- Section 13113 of P.L. 103-66, which created sec. 1202 of the IRC effective for small business stock issued after August 10, 1993.
- Sections 1, 3, 4, and 5 of P.L. 106-519, which repealed foreign sales corporation provisions and replaced with extraterritorial income provisions.
- Sections 101, 102, and 422 of P.L. 108-357, which repealed the exclusion for extraterritorial income, domestic production activities deduction, and the creation of sec. 965 – incentives to reinvest foreign earnings in the U.S.
- Sections 1310 and 1351 of P.L. 109-58, which provides for the modification to special rules for nuclear decommissioning costs, repeal of the limitation on contract research expenses paid so small businesses, universities, and federal laboratories.
- Section 11146 of P.L. 109-59, the tax treatment of state ownership of railroad real estate investment trust.
- Section 403(q) of P.L. 109-135, which provides incentives to reinvest foreign earnings from controlled foreign corporations in the U.S.
- Section 513 of P.L.109-222, which repeals foreign sales corporation/extraterritorial income exclusion binding contract relief.
- Sections 104 and 307 of P.L. 109-432, which increases the rates of the alternative incremental credit and provides a new alternative simplified credit and that gross income does not include an IRA distribution used to fund an HSA.
- Sections 8233 and 8235 of P.L. 110-28, which created a special rule for banks required to change from the reserve method of accounting in becoming tax-option (S) corporations and the elimination of all earnings and profits attributable to pre-1983 years.
- Section 11(e) and (g) of P.L. 110-172, which provides clerical amendments to research credits for controlled corporations and common control, and clerical amendments to the FSC Repeal and Extraterritorial Income Exclusion Act of 2000.
- Section 301 of P.L. 110-245, which provides for tax responsibilities of expatriation.
- Sections 15303 and 15351 of P.L. 110-246, related to the deduction for endangered species recovery, and limits the amount of farm losses that may offset nonfarming business income is limited to $300,000.
- Section 302 of division A, section 401 of division B, and sections 312, 322, 502(c), 707, and 801 of division C of P.L. 110-343, which limits executive compensation for employers participating in troubled assets relief program for the taxable year in which the troubled assets exceed $300,000,000. Caps the domestic production activities deduction at 6% for oil-related activities. The deduction for income attributable to domestic production activities in Puerto Rico applies to the first 8 taxable years beginning before January 1, 2010. Tax incentives for investment in the District of Columbia includes exclusion for gain on sale of an asset held from more than 5 years. Defines wages for purposes of the domestic production activities deduction. Creates sec. 198A to provide for expensing of disaster expenses for control of hazardous substances. Specifies treatment of nonqualified deferred compensation plans maintained by foreign corporations.
- Sections 1232, 1241, 1251, 1501, and 1502 of division B of P.L. 111-5, which suspends the special rules for original issue discount on high yield obligations issued during the period 9/1/2008 and 12/31/2009. Allows a 75% exclusion for small business stock issued between 1/17/2009 and 12/31/2009. Provides that no built-in-gain tax is imposed on a tax-option (S) Corporation for a taxable year beginning in 2009 and 2010 if the seventh taxable year in the corporation's recognition period preceded such taxable year. Tax-exempt obligations held by financial institutions, in an amount not to exceed 2 percent of the adjusted basis of the financial institution's assets, are not taken into account for determining the portion of the financial institutions interest expense subject to the pro rata interest disallowance rule of sec. 265(b). Modification of the small insurer exception to tax-exempt interest expense allocation rules for financial institutions.
- Sections 211, 212, 213, 214, and 216 of P.L. 111-226, which adopts a matching rule to prevent the separation of foreign taxes from the associated foreign income,

denies a foreign tax credit for the disqualified portion of any foreign income tax paid in connection with a covered asset acquisition, provides a separate application of foreign tax credit limitation to items resourced under treaties, limits the amount of foreign taxes deemed paid with respect to sec. 956 inclusions, treats a foreign corporation as a member of an affiliated group for interest allocation and apportionment purposes in more than 50% of gross income is effectively connected income and at least 80% of either the vote or value of all outstanding stock is owned directly or indirectly by members of the affiliated group.

- Sections 2011 and 2122 of P.L. 111-240, which provides a 100% exclusion for the gain on the sale of small business stock acquired after 9/27/2010 and before 1/1/2011, and clarifies the income sourcing rules for guarantee fees.
- Sections 753, 754, and 760 of P.L. 111-312, which excludes 60% of the gain on the sale of small business stock in an empowerment zone business to gain attributable to periods before 1/1/2016, specifies that gross income does not include gain on stock acquired before 1/1/2012 and held for more than 5 years, and excludes the gain on sale of small business stock acquired in 2011.
- Section 1106 of P.L. 112-95, which allows airline employees to contribute airline payment amounts under a bankruptcy claim to a traditional IRA as a rollover contribution.
- Sections 104, 318, 322, 323, 324, 326, 327, and 411 of P.L. 112-240, which makes the alternative minimum tax exemption permanent and indexed for inflation, extends through 2013 the deduction with respect to income attributable to domestic production activities in Puerto Rico, extends the subpart F exception for active financing income, extends the look-thru treatment of payments between related controlled foreign corporations under foreign personal holding company, provides 100% exclusion for gain on small business stock acquired in 2012 and 2013, extends through 2013 the reduction in tax-option (S) Corporation built-in gains tax and clarifies treatment of installment sales, provides a 60% exclusion for gain on small business stock acquired before 2019, and extends through 2013 the rules that allow gain certain sales of electric transmission property to be recognized ratably over 8 taxable years.

Other Exceptions to Internal Revenue Code

The following federal provisions in effect as of December 31, 2010, are specifically excluded for Wisconsin franchise and income tax purposes:

Domestic Production Activities Deduction. For federal tax purposes, taxpayers may claim a deduction against gross income equal to a percentage of its qualified production activities income or its taxable income without regard to the deduction. For taxable years beginning after December 31, 2004, and before January 1, 2009, the federal domestic production activities deduction also applied for Wisconsin income and franchise tax purposes. Effective for taxable years beginning on or after January 1, 2009, the domestic production activities deduction will no longer apply for

Depreciation and Bonus Depreciation

For taxable years beginning on or after January 1, 2014, for purposes of computing depreciation, depletion, and amortization, the Internal Revenue Code means the federal Internal Revenue Code in effect on January 1, 2014.

The provision that property required to be depreciated for taxable year 1986 under the Internal Revenue Code as amended to December 31, 1980, to continue to be depreciated under the Internal Revenue Code as amended to December 31, 1980, is limited to taxable years beginning before January 1, 2014.

Section 179 Expense

For taxable years beginning on or after January 1, 2014, sections 179, 179A, 179B, 179C, 179D, and 179E of the Internal Revenue Code, related to expensing of depreciable business assets, apply for Wisconsin tax purposes. "Internal Revenue Code" means the federal Internal Revenue Code in effect for the year in which the property is placed in service.

How to Report Differences

You must report any differences between federal income and income for Wisconsin purposes in Schedule 3K, column c. For differences relating to depreciation and amortization, you must prepare schedules detailing the differences between the federal and Wisconsin computations and submit them with your return.

Specific Instructions for Form 3

If you are filing federal Form 1065-B with the Internal Revenue Service, special instructions apply which are not covered here. For the special instructions, go to the Common Questions on the Department of Revenue web site at revenue.wi.gov/faqs/ise/pship.html#ps7 and click on the link for "Partnerships."

Items A Through M

Before completing items A. through M, fill in the partnership's 2014 taxable year at the top of the form and the partnership's name and address. The name and address information should be written on single lines. Do not stack the information on the lines. If more room is needed, abbreviate where possible.

Do not write "None" on the amount lines if there is not an entry for the lines. Instead, leave the lines blank.

■ **A. Federal Employer Identification Number –** Enter the partnership's federal employer identification number (EIN).

■ **B. Business Activity (NAICS) Code –** Enter the partnership's principal business activity code, based on the North American Industry Classification System (NAICS), from your federal return.

■ **C. State of Formation and Year –** Enter the 2-letter postal abbreviation for the state (or name of the foreign country) under whose laws the partnership was organized and the year of formation.

■ **D. Entity Type –** Check the space indicating which type of entity is filing this return. If your entity is not one of the types listed, check the space next to "Other" and indicate the type of entity.

■ **E. Extended Due Date –** If the partnership has an extension of time to file its Wisconsin return, check here and enter the extended due date.

■ **F. Amended Return –** If this is an amended return, check here. If filing by paper, circle or clearly underline the line number of the lines you are changing. Submit a detailed explanation of the changes made, including any supporting form or schedule.

■ **G. Filing Form 1CNP –** Check here if the partnership is filing a composite Wisconsin individual income tax return, (Form 1CNP) on behalf of its qualified and participating nonresident partners.

■ **H. Schedule RT Required –** Check here if the partnership is filing Schedule RT, *Wisconsin Related Entity Expenses Disclosure Statement*, with its return. Schedule RT is generally required if the partnership pays, accrues, or incurs more than $100,000 of expenses to a related person or entity in the taxable year. See the Schedule RT instructions for details of the requirement to file Schedule RT.

■ **I. Partnership Termination –** Check here if the partnership terminated during the taxable year.

■ **J. Partnership Formation –** Check here if the partnership is filing its first partnership return.

■ **K. Number of Partners –** Enter the total number of partners that the partnership had during the taxable year.

■ **L. Number of Nonresident Partners –** Enter the total number of nonresident partners that the partnership had during the taxable year, including individuals, estates, and trusts not domiciled in Wisconsin and other partnerships, limited liability companies, and corporations whose commercial domicile is not in Wisconsin.

■ **M. Limited Liability Companies** – Check here if the partnership is the sole owner of any limited liability companies. A single-member LLC that is disregarded for federal income tax purposes is also disregarded for Wisconsin franchise or income tax purposes. You must include the income of any disregarded entities owned by the partnership in the partnership's amounts on Schedule 3K. Include with your return Schedule DE, which lists the partnership's solely-owned LLCs.

Part I Amount of Refund

■ **Line 1. Form WT-11 Payments** –If the partnership had nonresident entertainer withholding paid on its behalf from Form WT-11, *Nonresident Entertainer's Application and Receipt for Surety Bond, Cash Deposit, or Withholding by Employer,* enter the amount of withholding reported on Form WT-11 that had not been claimed on Form PW-*1, Wisconsin Nonresident Income or Franchise Tax Withholding on Pass-Through Entity Income.*

Caution: Do not include withholding from Form PW-1 on line 1. If the partnership has tax withheld on its behalf by a pass-through entity of which it is a member, the partnership must file its own Form PW-1 to obtain credit for the tax withheld.

Note: Effective for taxable years beginning on or after January 1, 2013, the economic development surcharge does not apply to partnerships and limited liability companies treated as partnerships.

■ **Line 2. Withholding from Form W-2G** – If the partnership has Wisconsin withholding from lottery prizes or other gambling winnings, enter the amount of Wisconsin withholding reported on Form W-2G for the partnership.

■ **Line 3. Amended Return - Amount Previously Paid -** Complete this line only if this is an amended 2014 Form 3. Fill in the amount of tax you paid with your original Form 3 plus any additional amounts paid after it was filed.

If you did not pay the full amount shown on your original Form 3, fill in only the portion that you actually paid. Also, include any additional tax that may have resulted if your original return was changed or audited. This includes additional tax paid with a previously filed 2014 amended return and additional tax paid as a result of a department adjustment to your return. Do not include payments of interest or penalties.

■ **Line 5. Amended Return - Amount Previously Refunded -** Complete this line only if this is an amended 2014 Form 3. Fill in the refund from your original 2014 return.

If your refund was reduced because you owed underpayment interest or any penalties, fill in the amount of your refund before the reduction for underpayment interest or penalty. If your 2014 return was adjusted by the department, fill in the refund shown on the adjustment notice you received.

■ **Lines 7 and 8. Wisconsin Property and Total Company Property –** Enter the total amount of the company's real and tangible property located in Wisconsin and the company's total amount of real and tangible property everywhere. Use the cost basis of the property at the end of the year. Include the following types of property:

- Land
- Buildings
- Furniture and Fixtures
- Transportation equipment
- Machinery and other equipment
- Inventories

Include only property that is owned by the partnership; you do not need to include property you are renting.

■ **Lines 9 and 10. Wisconsin Payroll – Wisconsin Payroll and Total Company Payroll –** Enter the total amount of the company's payroll located in Wisconsin and the company's total amount of payroll everywhere. Include only amounts attributable to employees of the partnership. In the computation of payroll located in Wisconsin, include individuals that satisfy one or more of the following:

- 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 individual's service is performed in Wisconsin and the base of operations of the individual is in Wisconsin.
- A portion of the individual's 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 individual's 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.

■ **Lines 11 and 12. Wisconsin Sales and Total Company Sales–** Enter the amount of your Wisconsin sales. If **not** apportioning income, enter your **total** company sales. If apportioning income, enter your Wisconsin sales from Form A-1, Part I. For purposes of the sales factor, sales include, but aren't limited to, the following items related to the production of apportionable 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 member's share of a limited liability company's gross receipts or a partner's share of a partnership'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.

Part II Schedule 3K – Partners' Distributive Share Items

Schedule 3K is a summary schedule of all the partners' shares of the partnership's income, deductions, credits, etc., as computed under Wisconsin law, similar to federal Schedule K.

■ **Column b. Federal Amount –** Enter the applicable amounts from federal Schedule K in column b of Schedule 3K. For dividends and the net long-term capital gain (loss) items reported on lines 6 and 9, use the totals from federal Schedule K.

■ **Column c. Adjustment –** Enter in column c any adjustments to the federal amount necessary to arrive at the amount under Wisconsin law. However, note the following:

- Do not exclude a nonresident or part-year resident partner's share of partnership items that are attributable to business transacted outside Wisconsin, services performed outside Wisconsin, or real or tangible personal property located outside Wisconsin. These adjustments will be made on the Schedule 3K-1 of each affected partner, as described later in the specific instructions for Schedule 3K-1.
- Do not make any adjustments on Schedule 3K (or on Schedule 3K-1) for an individual, estate, or trust partner's capital gain deduction or capital loss limitation. Instead, each partner will compute its own capital gain deduction or loss limitation on Wisconsin Schedule WD.

For any adjustments you enter in column c, you must prepare an explanation and submit it with your return. See the section that follows for examples of the adjustments that you are required to enter in column c.

Relocated Business Deduction –

Note: The relocated business deduction is only available to claimants who were eligible to claim the credit in the 2013 taxable year.

If you are eligible to claim the relocated business deduction, complete Schedule RB and enter the amount of business income eligible to be excluded from Wisconsin income from line 14 of Schedule RB as an adjustment on line 1, column c, of Schedule 3K and the amount from line 15 of Schedule RB on line 8, 9 or 10 of column c, of Schedule 3K.

Enter the amount of wages paid during the taxable year to employees who were residents of Wisconsin at the time the wages were paid and the total amount of wages paid by the business during the taxable year to all employees of the business as separate entries on line 20c of Schedule 3K. The partners will need this information to complete lines 1 and 2 of the Schedule RB. See the Schedule RB instructions for further information on the eligibility to claim the relocated business deduction.

Job Creation Deduction – If you are eligible to claim the job creation deduction, complete Schedule JC and enter the amount from line 7 of Schedule JC as an adjustment on line 1, column c, of Schedule 3K. See the Schedule JC instructions for further information on the eligibility to claim the job creation deduction.

■ **Column d. Wisconsin Amount –** Combine the amount in column b with any adjustment in column c and enter the result in column d.

Adjustments Reportable on Schedule 3K, Column c

You must make adjustments on Schedule 3K, column c in the following situations:

When a Provision of Federal Law Doesn't Apply for Wisconsin Purposes. You must make an adjustment if an amount in column b is computed under a provision of the IRC that was not adopted for Wisconsin purposes, as described earlier in these instructions. For gains and losses on sales of depreciable or amortizable assets, you will need to compute an adjustment amount in cases where your asset basis for federal purposes was different than your asset basis for Wisconsin purposes due to differences in depreciation and amortization.

These adjustments are often called "Schedule I adjustments" because individuals must report them on Wisconsin Schedule I.

Adjustments required because different elections are made for federal and Wisconsin purposes. Examples of different elections include the following:

- For property placed in service after December 31, 1982, a taxpayer that claimed investment tax credit for federal purposes could either (a) claim the full 10% credit and reduce the depreciable basis of the property by one-half of the credit, or (b) in the case of regular investment tax credit property, claim a reduced credit and depreciate the full cost of the property. A partnership that claimed the regular investment tax credit and reduced the depreciable basis of the property for federal purposes could compute depreciation on the full (unreduced) basis of the property for Wisconsin purposes.

- Wages that aren't deductible for federal purposes because they were used in computing the federal work opportunity tax credit may be deducted for Wisconsin purposes.

Adjustments Required for Modifications Prescribed in Wisconsin Law. Most modifications required to compute a partner's Wisconsin net income are computed by that partner rather than at the partnership level. This includes many of the modifications prescribed in sec. 71.05(6) to (26), Wis. Stats. However, several types of modifications may be reportable by the partnership in column c. These modifications are described next.

Modifications Prescribed in Wisconsin Law

The following are examples of Wisconsin modifications that may be required in Schedule 3K, column c.

Tax Credit Amounts. Certain tax credits computed by the partnership are required to be added back to the partnership's ordinary income (line 1). These credits include the following:

- Community rehabilitation program credit
- Development zones credits
- Economic development tax credit
- Enterprise zone jobs credit
- Health Insurance Risk-Sharing Plan assessments credit
- Jobs tax credit
- Manufacturing and agriculture credit
- Manufacturing investment credit
- Research expense credit
- Technology zone credit
- Woody biomass harvesting and processing credit

State Taxes. For Wisconsin purposes, state taxes and taxes of the District of Columbia that are value-added taxes, single business taxes, or taxes on or measured by all or a portion of net income, gross income, gross receipts, or capital stock are not deductible by partnerships.

Related Entity Expenses. A partnership must make an addition modification to "add back" interest, rental, intangible expenses, or management fees paid, accrued, or incurred to a related entity. After the partnership makes this addition modification, the partnership completes Schedule RT to determine if it is eligible for a deduction for any of the amount added back. The partnership then makes a subtraction modification in the amount for which it is eligible for a deduction.

See the Schedule RT instructions for further details of the expenses that require this modification and the specific criteria that must be met in order to deduct related entity interest, rental, or intangible expenses or management fees.

The partnership reports the addition modifications for related entity expenses on Schedule 3K, line 21a. For the amount eligible for a deduction, the partnership enters the subtraction amount on Schedule 3K, line 21b. Additionally, these amounts must be reported as adjustments in column c on the lines to which the expenses relate. For example, if the related entity rental expense is an item of ordinary income, the modifications must also be reported on Schedule 3K, line 1, column c.

Income from Expenses Disallowed to Related Entity. If the partnership has interest, rental, or intangible income or management fees from a related entity, and that related entity was ineligible to claim a deduction for the interest, rental, or intangible expenses or management fees because it did not meet the criteria set forth in Schedule RT, the partnership may make a subtraction modification to exclude the income corresponding to the expense that the payor could not deduct. The partnership makes the subtraction on the line of Schedule 3K corresponding to the type of income being modified.

Certain Basis Differences. Certain basis differences are treated as modifications. For example, for Wisconsin purposes, property taxes paid on vacant land had to be capitalized for 1964 and prior taxable years. A transitional adjustment must be made for this basis difference upon disposition of the property. Recompute the gain or loss on federal Form 4797 or federal Schedule D, as appropriate, by substituting the Wisconsin basis for the federal basis. Show the difference as a modification in column c.

Basis, Section 179, Depreciation Differences – Difference in federal and Wisconsin basis of depreciated or amortized assets:

Starting with the first taxable year beginning in 2014, adjustments are to be made over a 5-year period for the difference between the Wisconsin adjusted basis and the federal adjusted basis of assets owned on the last day of the taxable year beginning in 2013. The assets must have been depreciated or amortized for both Wisconsin and federal tax purposes. As a result of these adjustments, the Wisconsin adjusted basis and the federal adjusted basis of these assets is deemed to be equal on the first day of the taxable year beginning in 2014.

You must first determine the difference between the Wisconsin adjusted basis and the federal adjusted basis of all assets that are being depreciated or amortized on the last day of your taxable year beginning in 2013. This would be on December 31, 2013, if you file your tax return on a calendar-year basis.

If the total federal adjusted basis of the assets is less than the total Wisconsin adjusted basis, a subtraction must be claimed to adjust for this difference. As result of this subtraction, your Wisconsin adjusted basis of all depreciated or amortized assets on the first day of your taxable year beginning in 2014 (January 1, 2014, for calendar-year filers) will be the same as the federal adjusted basis.

If the total Wisconsin adjusted basis is more than the total federal basis, complete the following worksheet to determine the amount of your subtraction for 2014 and each of the next 4 years.

Worksheet for Difference in Basis
(Keep for your records)

1. Combined Wisconsin adjusted basis of all depreciated and amortized assets as of the last day of the taxable year beginning in 2013……………….……______________
2. Combined federal adjusted basis of all depreciated and amortized assets as of the last day of your taxable year beginning in 2013…………………..…______________
3. Subtract line 2 from line 1……………______________
4. Multiply line 3 by .20 (20%). This is your subtraction for 2014……………..…______________

If the total federal adjusted basis of the assets is more than the total Wisconsin adjusted basis, complete the worksheet below to determine the required addition to income. As result of this addition, your Wisconsin adjusted basis of all depreciated or amortized assets on the first day of your taxable year beginning in 2014 (January 1, 2014, for calendar-year filers) will be the same as the federal adjusted basis.

Worksheet for Difference in Basis
(Keep for your records)

1. Combined federal adjusted basis of all depreciated and amortized assets as of the last day of the taxable year beginning in 2013……………….……______________
2. Combined Wisconsin adjusted basis of all depreciated and amortized assets as of the last day of your taxable year beginning in 2013……………….……______________
3. Subtract line 2 from line 1……………______________
4. Multiply line 3 by .20 (20%). This is your addition to income for 2014……..______________

Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Include a schedule showing the computation details.

These differences can happen because of IRC sections not adopted for Wisconsin purposes and electing a different depreciation method under the Internal Revenue Code in effect for Wisconsin purposes.

Differences in Taxable Interest Income. If the tax-exempt interest income reported on line 18a, column b, includes any interest that is exempt for federal purposes but taxable by Wisconsin (such as state and local government bond interest) report this amount as an *addition* on line 5, column c, and as a *subtraction* on line 18a, column c.

If the interest income reported on line 5, column b, includes any interest from obligations of the United States government and its instrumentalities, do not subtract this amount on Schedule 3K, line 5, column c. Instead, identify this amount on a separate schedule for line 20c.

CAUTION: Do not subtract interest income from obligations of the United States government and its instrumentalities from interest income on Schedule 3K, line 5, column c. This income is taxable to partners who are subject to Wisconsin franchise tax.

Differences for Other Income and Expense Items. Income reported on line 18b that is exempt for federal purposes but taxable by Wisconsin is shown as a *subtraction* in column c. If more income is nontaxable for Wisconsin purposes than for federal purposes, show the additional amount of exempt income as an *addition*. The amount under Wisconsin law in column d is the amount of tax-exempt income for Wisconsin purposes.

Expenses on line 18c that are nondeductible federally but deductible for Wisconsin purposes are shown as *subtractions* in column c. If more expenses are nondeductible for Wisconsin purposes than for federal purposes, show the additional amount of nondeductible expenses as an *addition*. The amount under Wisconsin law in column d is the nondeductible expense for Wisconsin purposes.

Credits Reportable on Schedule 3K, Line 15

To determine if you are eligible for any of the credits in lines 15a through 15n, see *Publication 123, Business Tax Incentives for 2014*, or refer to the instructions to the credit schedules referenced below. Except as otherwise indicated, you must file the credit schedule referenced below and required supporting documents with your Form 3 in order to claim the credits on Schedule 3K. Enter the abbreviation of the credit you are claiming next to the word "schedule" on line 15. The abbreviation for each credit is located in the upper left hand corner of the credit schedule and in parenthesis in the list below. Use a separate line for each credit you are claiming. For example, if you are claiming the enterprise zone jobs credit, enter "EC" next to the "Schedule" line.

- **Angel Investment Credit (VC) –** Enter the angel investment credit computed from Schedule VC, line 4.
- **Community Rehabilitation Program Credit (CM) –** Enter the community rehabilitation program credit from Schedule CM, line 5.
- **Development Zone Capital Investment Credit (DC)** – Enter the development opportunity zone or agricultural or airport development zone capital investment credit computed from Schedule DC, line 13.
- **Development Zones Credit (DC) –** Enter the development zones credit computed from Wisconsin Schedule DC, line 5.
- **Early Stage Seed Investment Credit (VC) –** Enter the early stage seed investment credit computed from Schedule VC, line 11.
- **Economic Development Tax Credit (ED) –** Enter the economic development tax credit computed from Wisconsin Schedule ED, line 3.
- **Enterprise Zone Jobs Credit (EC) –** Enter the enterprise zone jobs credit computed from Schedule EC, line 3.
- **Health Insurance Risk-Sharing Plan Assessments Credit (HI) –** Enter the Health-Insurance Risk Sharing Plan assessment credit computed from Schedule HI, line 4.
- **Jobs Tax Credit (JT) –** Enter the jobs tax credit computed from Schedule JT, line 5.
- **Manufacturing and Agriculture Credit (MA-A & MA-M)** – Enter the manufacturing and agriculture credit computed from Schedule MA-A & MA-M, line 22.
- **Manufacturing Investment Credit (MI) –** Enter the amount of manufacturing investment credit for which the partnership obtained certification from the Wisconsin Department of Commerce. Submit a copy of the Department of Commerce certification with the partnership's Form 3. The partnership is not required to complete Schedule MI.
- **Research Expense Credit (R)** – Enter the research expense credit from line 30 of Schedule R.
- **Research Expense Credit for Activities Related to Internal Combustion Engines (R-1)** – Enter the research expense credit from line 29 of Schedule R-1.
- **Research Expense Credit for Activities Related to Certain Energy Efficient Products (R-2)** – Enter the research expense credit from line 29 of Schedule R-2.
- **Supplement to Federal Historic Rehabilitation Credit (HR) –** Enter the supplement to the federal historic rehabilitation tax credit computed from Wisconsin Schedule HR, line 6.
- **Technology Zone Credit (TC) –** Enter the technology zone credit computed from Wisconsin Schedule TC, line 6.
- **Woody Biomass Harvesting and Processing Credit (WB) –** Enter the woody biomass harvesting and processing credit computed from Schedule WB, line 5.

- **Line 15o. Credit for Tax Paid to Other States –** If the partnership does business in another state and either the partnership or its partners must pay an income tax on the partnership's income earned there, Wisconsin resident partners may be able to claim credit on their individual income tax returns for their pro rata shares of the tax paid. Credit is allowed only if the income taxed by the other state is considered taxable income by Wisconsin. Fill in line 15o if:

  - The partnership files a combined or composite return with that state on behalf of the partners who are nonresidents of that state and pays the tax on their pro rata shares of the partnership's income earned there.
  - The partnership files a partnership income tax return with that state and pays tax on the income earned there that is attributable to the partners who are nonresidents of that state.

  Enter the postal abbreviation of the state in the space provided and the amount of income tax paid to that state. If tax is paid to more than three states, enter "See Attached" on one of the entry lines, enter the total amount on that line, and submit a schedule listing all states and the amount of income tax paid to each state. Submit with Form 3 a copy of the income tax return filed with each state for which a credit is claimed.

- **Line 15p. Wisconsin Tax Withheld –** If the partnership is subject to withholding tax on the Wisconsin income of nonresident partners, enter, the amount of Wisconsin tax withheld.

"Other Items and Amounts" Reportable on Schedule 3K, Item 20c

For line 20c, submit a schedule showing any items and amounts not included on lines 1 through 20b that must be reported separately to the partners. Include the federal amount, any adjustment, and the amount determined under

Wisconsin law for each item. Amounts that may be included on this schedule include, but are not limited to, the following:

U.S. Government Interest. If the interest income on line 5, column b, includes any interest from United States government obligations that is taxable for federal purposes but exempt from Wisconsin income taxes, report the amount of United States government interest on this schedule.

Disposal of Section 179 Property. If the partnership disposed of property for which a section 179 expense deduction was claimed in a prior year, provide the following information for each asset: description of the property; gross sales price; both the federal and the Wisconsin cost or other basis plus expense of sale (*excluding* the partnership's basis reduction in the property due to the section 179 expense deduction); depreciation allowed or allowable (*excluding* the section 179 expense deduction); and both the federal and Wisconsin amount of section 179 expense deduction passed through in previous years for the property and the partnership's taxable years for which the amounts were passed through.

Schedule 3K, Lines 21 Through 23

■ **Lines 21a and 21b. Related Entity Expenses –** On line 21a, enter in column d the amounts attributable to interest, rental, intangible expenses, or management fees paid, accrued, or incurred to a related entity. On line 21b, enter the amounts eligible for a deduction as determined by the Schedule RT instructions. If line 21a exceeds $100,000, the partnership must file Schedule RT with its Form 3. See the Schedule RT instructions for details.

■ **Line 22. Income (Loss) –** For each of columns b and d, combine lines 1 through 11. From the result, subtract the sum of lines 12 and 13a through 13d. Add or subtract, as appropriate, any income or deductions reported on line 20c that affect the computation of taxable income.

If you reported on line 20c the disposition of property for which a section 179 expense deduction was claimed in a prior year, complete federal Form 4797 to figure the amount of gain or loss to combine with the other items of income, loss, and deduction. If the federal and Wisconsin bases of the property or section 179 deductions differ, use two Forms 4797. Disregard the special instructions for partnerships and partners when filling out Form 4797. On one Form 4797, determine the federal gain or loss to combine with the other federal amounts reported in column b. Complete a second Form 4797 to compute the Wisconsin gain or loss to combine with the other Wisconsin amounts reported in column d.

■ **Line 23. Gross Income –** Enter the partnership's gross income that is reportable to Wisconsin. Gross income is the total amount received from all activities, before deducting the cost of goods sold or any other expenses. Gross income includes gross receipts from trade or business activities, gross rents and royalties, interest and dividends, the gross sales price of assets, and all other gross receipts. If the partnership is a member of one or more other pass-through entities, include gross income attributable to those other pass-through entities.

■ **Third Party Designee –** If you want to allow a tax preparer or tax preparation firm, or any other person you choose to discuss your 2014 tax return with the Department of Revenue, check "Yes" in the "Third Party Designee" area of your return. Also, fill in the designee's name, phone number, and any five digits the designee chooses as his or her personal identification number (PIN). If you check "Yes," you are authorizing the department to discuss with the designee any questions that may arise during the processing of your return. You are also authorizing the designee to:

- Give the department any information missing from your return,
- Call the department for information about the processing of your return or the status of your refund or payment(s), and
- Respond to certain department notices about math errors, offsets, and return preparation.

You are not authorizing the designee to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the department. If you want to expand the designee's authorization, you must submit Form A-222 (Power of Attorney). The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2015 tax return.

Contact Person – Enter the name, telephone number and fax number of the person the Department should contact with any questions regarding this return.

Submitting Your Form 3

Signatures. A general partner of the partnership or an LLC member must sign the form on page 4. If the return is prepared by someone other than an employee of the partnership, the preparer's signature is also required.

Supporting Documentation. Submit the following items with your Form 3:

- Federal Form 1065. (may be submitted as .pdf document with electronic returns)

- Supporting schedules (supporting schedules that are not Department-prescribed forms may be submitted as .pdf documents with electronic returns).
- Wisconsin Schedule 3K-1 or federal Schedule K-1 for each partner.
- Any extension of time to file.
- If the partnership has a nonresident partner who is not subject to income or franchise tax and would otherwise be subject to withholding tax based on income passed through to that partner, include a statement from that partner stating why no tax was withheld.

If you are filing Form 3 on paper because you submitted an electronic waiver request to the department and it was approved, **do not staple, fasten or bind these supporting documents to your return. Use paper clips instead.**

Specific Instructions for Schedule 3K-1

Schedule 3K-1 shows each partner's share of the partnership's income, deductions, credits, etc., which have been summarized on Schedule 3K. Like Schedule 3K, Schedule 3K-1 requires an entry for the federal amount, adjustment, and amount determined under Wisconsin law of each applicable item. In addition, Schedule 3K-1 for a nonresident or part-year resident partner requires a separate entry for the amount of each share item attributable to Wisconsin.

Prepare a Schedule 3K-1 for each individual or entity that was a partner in the partnership at any time during the partnership's taxable year. File a copy of each partner's Schedule 3K-1 with the Form 3 filed with the Department. Keep a copy as part of the partnership's records, and give each partner his, her, or its own separate copy. Schedule 3K-1 must be prepared and given to each partner on or before the day on which Form 3 is filed. In addition, give each partner a copy of the "Partner's Instructions for 2014 Schedule 3K-1."

Federal Schedules K-1

Since the Wisconsin Schedule 3K-1 replaces the federal Schedule K-1, a partnership doesn't have to also file a federal Schedule K-1 for each partner with Form 3. However, you may submit copies of the federal Schedules K-1 instead of preparing Schedules 3K-1 in the following situations:

- If the partnership operates only in Wisconsin and, on Schedule 3K, reports no adjustments in column c or credits in column d, you may use Schedules K-1 to report the Wisconsin partnership items for all partners.
- If the partnership operates in and outside Wisconsin and, on Schedule 3K, reports no adjustments in column c or credits in column d, you may use Schedules K-1 for **full-year Wisconsin resident** partners.

If you file federal Schedules K-1 instead of Wisconsin Schedules 3K-1, *you must state on the partner's federal Schedule K-1 that there aren't any Wisconsin adjustments or credits*.

Information About the Partnership

■ **Items A Through D.** Enter the information about the partnership from the partner's federal Schedule K-1.

Information About the Partner

■ **Items E Through H.** Enter the information about the partner from the partner's federal Schedule K-1.

■ **Item I.** Enter the partner's entity type from federal Schedule K-1. If the partnership is aware that the partner is a disregarded entity or grantor trust, enter in item I the name of the member or grantor to whom the income on Schedule 3K-1 will be reported. If you enter this information, it is less likely that the Department of Revenue will need to contact you or the partner to verify that the proper amount of income is reported.

■ **Items J and K.** Enter the information about the partner from the partner's federal Schedule K-1.

■ **Item L.** Enter the information about the partner's capital account from the partner's federal Schedule K-1. Check the appropriate box indicating which method was used to determine the partner's capital account. If tax basis was used, the Wisconsin amounts may be different than the federal amounts. For example, the basis of property contributed to the partnership may have been different for Wisconsin and federal purposes, or the current year increase (decrease) may differ if a federal provision is excluded from the definition of "Internal Revenue Code" for Wisconsin purposes.

If the amounts in item L represent tax basis, submit a schedule describing any differences between the Wisconsin and federal tax basis.

■ **Item M.** If the partner is an individual, enter the partner's state of residence (domicile). If the partner's state of residence changed during the partnership's taxable year, indicate all states involved. If the partner moved into or out of Wisconsin during the partnership's taxable year and the partnership has activities in more than one state, the partner's Wisconsin share of the distributive items will be affected. See the instructions below for more information.

■ **Item N.** If the partner is a nonresident individual or part-year Wisconsin resident individual during the partnership's taxable year and the partnership is a unitary, multistate partnership using apportionment, complete Form A-1, *Wisconsin Apportionment Data for Single Factor Formulas*, or Form A-2, *Wisconsin Apportionment Data for Multiple Factor Formulas*. Enter the partnership's apportionment percentage from Form A-1 or Form A-2, as appropriate.

■ **Item O.** Check this box only if the partner is a nonresident individual or part-year Wisconsin resident during the partnership's taxable year and the partnership is a nonunitary, multistate partnership using the separate accounting method. Prepare and submit a schedule, similar to Form C, that shows the allocation of the amount under Wisconsin law in column d of each applicable partnership item reported on Form 3, Schedule 3K, to Wisconsin and outside Wisconsin and the basis of such allocation.

■ **Item P.** Check this box if the partner is a nonresident who has received an approved Form PW-2 to claim exemption from pass-through entity withholding or received a continuous PW-2 exemption letter from the department. You must keep a copy of the approved Form PW-2, Part 2 or continuous PW-2 exemption letter to substantiate the withholding exemption. However, the partnership generally must still report that partner on Form PW-1 to disclose that the withholding exemption was claimed. See the Form PW-1 instructions for further details.

■ **Item Q.** If the partnership ceased to exist or withdrew from Wisconsin or if the partner terminated his, her, or its interest in the partnership during the taxable year, check the "Final 3K-1" box. To correct an error on a Schedule 3K-1 already filed, file an amended Schedule 3K-1 and check the "Amended 3K-1" box.

Schedule 3K-1, Columns (a) Through (e)

Column (a) – Distributive Share Items. These item descriptions are substantially identical to the item descriptions on federal Schedule K-1. However, on the lines for other income, other deductions, alternative minimum tax (AMT) items, nondeductible expenses, distributions, and other information, enter the actual description instead of the applicable code from the federal Schedule K-1.

Column (b) – Federal Amount. The federal amount is the partner's share of the amount from Wisconsin Schedule 3K, column b, and should agree with the amount for that item reported on the partner's federal Schedule K-1.

Column (c) – Adjustment. The adjustment is the partner's share of the amount from Wisconsin Schedule 3K, column c. On a separate schedule you submit with Schedule 3K-1, explain the reason for any adjustment in column c. If the difference arises because a federal law change has not been adopted by Wisconsin, identify it as a "Schedule I adjustment." Individual partners must account for this difference on Wisconsin Schedule I.

Column (d) – Amount Under Wisconsin Law. The amount under Wisconsin law is the partner's share of the amount from Wisconsin Schedule 3K, column d. This is the amount used in computing Wisconsin income by a full-year resident of Wisconsin or a corporation or another partnership that is a partner.

Column (e) – Wisconsin source amount. Fill in this column only for a nonresident individual or part-year Wisconsin resident individual. The Wisconsin source amount is the portion of the partner's amount in column d that is attributable to Wisconsin. If the partnership is doing business in and outside Wisconsin, this generally will be the amount from column d multiplied by the partnership's apportionment percentage from item N.

CAUTION: Do not fill in column e for a partner who is a corporation, another partnership, or a full-year Wisconsin resident individual, estate, or trust.

Partners That Are Corporations or Other Partnerships

For partners that are corporations or other partnerships, the amount in Schedule 3K-1, columns c and d should equal the amounts in Schedule 3K, columns c and d, multiplied by the partner's profit and loss sharing percentage. The amount in column d for each item is the amount determined under Wisconsin law *before* apportionment or separate accounting. *Do not fill in column e.*

Partners That Are Full-Year Wisconsin Resident Individuals, Estates, and Trusts

The amount in Schedule 3K-1, columns c and d should equal the amounts in Schedule 3K, columns c and d, multiplied by the partner's profit and loss sharing percentage. All partnership income of full-year Wisconsin residents is taxable regardless of the situs of the partnership or the nature of the income from the partnership, such as business income, service income, intangible income, or professional income, unless otherwise exempt (such as United States government interest). This applies to both general partners and limited partners. *Do not fill in column e.*

Partners That Are Nonresident Individuals, Estates, and Trusts

The amount in Schedule 3K-1, columns c and d should equal the amounts in Schedule 3K, columns c and d, multiplied by the partner's profit and loss sharing percentage. The partner uses the information from Schedule 3K-1, column d, to calculate the Wisconsin basis in the partnership. However, in column e, you will need to fill in the Wisconsin source amount of the amount in column d.

If the partnership's entire income is derived from business transacted or property located in Wisconsin, enter the amount from column d in column e. In this case, the entire amount in column d is the Wisconsin source amount.

However, if the partnership derives income from business transacted or property located in and outside Wisconsin, a nonresident individual partner's Wisconsin source amount in column e is determined as explained below.

Share of Income Apportioned or Allocated to Wisconsin. A nonresident individual's share of the partnership's income derived from the following items is taxable by Wisconsin:

- Business transacted in Wisconsin.
- Services performed in Wisconsin.
- Real or tangible personal property located in Wisconsin.

Further, business income is taxable whether or not the individual partner conducts business in Wisconsin.

The nonresident individual partner's Wisconsin source amount of each of these items is the amount from column d that is attributable to Wisconsin based on apportionment or separate accounting, as appropriate.

If the partnership is a unitary, multistate business, compute the nonresident partner's amount in column e of each of these items by multiplying the amount in column d by the apportionment percentage from item N. If the partnership has nonapportionable income (loss) on Form 4N, line 14, compute the nonresident partner's amount in column e of any affected item by multiplying the amount of the nonapportionable item from column d, that is attributed to Wisconsin on Form 4N by the partner's proportionate share.

If the partnership is a nonunitary, multistate business, compute the Wisconsin source amount in column e of each item by multiplying the amount from Schedule 3K-1, column d, that is allocated to Wisconsin on a schedule similar to Form 4C by the nonresident partner's proportionate share.

Personal Services Performed in Wisconsin. Partnership income derived from personal services, including professional services, is taxable to a nonresident partner only if the nonresident partner personally performs services in Wisconsin. The amount of personal service income attributable to the nonresident partner's services performed in Wisconsin is taxable.

If the partnership derives its income from personal services, a nonresident partner's Wisconsin source amount in column e is equal to the value of the services he or she personally performed in Wisconsin. If the nonresident partner didn't personally perform any services in Wisconsin, the Wisconsin source amount in column e for that partner is zero.

Examples. The Wisconsin source amount of column d is determined equally for general partners and limited partners. The following examples illustrate the rules described above:

Example 1: Two nonresident individuals are partners of a partnership that does business only in Wisconsin. Both nonresidents are taxed on their entire share of the partnership income for Wisconsin income tax purposes.

Example 2: A nonresident is one of two equal partners of a partnership that does business in Wisconsin and Illinois. The partnership derives 40% of its income from business activities in Wisconsin and 60% from business activities in Illinois. The Wisconsin resident partner operates the Wisconsin business. The nonresident partner operates the Illinois business. The Wisconsin resident is taxed on one-half of the total partnership income for Wisconsin income tax purposes. The nonresident is taxed on one-half of the 40% of the partnership income attributable to business activities in Wisconsin.

Example 3: A nonresident is a limited partner, with a 1% interest in partnership profits, of a partnership that derives income from real estate located in Wisconsin and in other states. The nonresident limited partner is taxed on 1% of the partnership income attributable to the real estate located in Wisconsin.

Example 4: A nonresident is a partner, with a 10% interest in partnership profits, of a certified public accounting firm that operates in and outside Wisconsin. One-fourth of the partnership's income is attributable to professional services performed in Wisconsin and three-fourths is attributable to professional services performed in other states. The nonresident partner doesn't personally perform any services in Wisconsin. The nonresident isn't subject to Wisconsin income tax on his or her proportionate share of the partnership income earned in Wisconsin.

Income Not Sourced to Wisconsin. Intangible income, such as interest and dividends, passed through to a nonresident partner who is an individual generally isn't taxable by Wisconsin. Gains and losses resulting from sales of stocks, bonds, or other intangibles which are passed through to nonresident partners also aren't taxable by Wisconsin. Thus, for line 5 (Interest Income) and line 6 (Ordinary Dividends), the Wisconsin source amount to report in column e is zero. For line 18a (Tax-Exempt Interest Income), do not fill in column e.

CAUTION: Regardless of any provision in the partnership agreement, a nonresident partner must limit his or her non-Wisconsin income to the same percentage that the partnership's non-Wisconsin income is to all its income. A nonresident partner also must limit his or her Wisconsin losses or deductions to the same percentage that the partnership's Wisconsin losses or deductions are to all its losses or deductions. The characterization in a partnership agreement of payments to nonresident partners as salary, or as interest for the use of capital, can't affect the determination of whether such payments are derived from Wisconsin sources.

Itemized Deduction Amounts. For lines 13 (Other Deductions) and 20 (Other Information), if these amounts are allowable in computing a nonresident individual's Wisconsin itemized deduction credit, enter the amount from column d in column e, even if the partnership derives income from business transacted or property located in and outside Wisconsin. For these items, you do not need to determine the Wisconsin source amount.

However, for amounts on lines 13 and 20 that are adjustments to Wisconsin income instead of deductions used in figuring the itemized deduction credit, determine the amount of column d that is sourced to Wisconsin as explained above, and enter the result in column e.

Partners That Are Part-Year Wisconsin Resident Individuals, Estates, and Trusts

The amount in Schedule 3K-1, columns c and d should equal the amounts in Schedule 3K, columns c and d, multiplied by the partner's profit and loss sharing percentage. The partner uses the information from Schedule 3K-1, column d, to calculate the Wisconsin basis in the partnership. However, in column e, you will need to fill in the Wisconsin source amount of the amount in column d.

For individuals who are part-year residents of Wisconsin, Wisconsin source income includes:

- All partnership income or loss, regardless of where it is earned or incurred, while they were residents of Wisconsin, and
- All partnership income or loss derived from business transacted in Wisconsin, personal services they personally performed in Wisconsin, or real or tangible personal property located in Wisconsin while they were nonresidents of Wisconsin.

If the partnership's entire income is derived from business transacted or property located in Wisconsin, enter the amount from column d in column e.

If the partnership derives income from activities in and outside Wisconsin, a part-year resident partner computes the Wisconsin source amount in column e of each item in two parts: one for the portion of the partnership's taxable year that the partner was a resident of Wisconsin and one for the portion of the partnership's taxable year that the partner was a nonresident of Wisconsin. For this purpose, the amount of any share item is determined on a daily basis. That is, every share item is allocated between the periods during which the partner was a resident or nonresident based on the number of days during the partnership's taxable year that the partner was a resident or nonresident of Wisconsin.

The partner's share of an item for each period (resident or nonresident) is figured in the same manner as that of full-year residents and nonresidents, respectively.

Schedule 3K-1, Line 10b – Enter portion of the net gain attributable to the sales of farm assets held more than one year. Neither include amounts treated as ordinary income for federal income tax purposes because of recapture of depreciation, or for any other reason, nor amounts treated as capital gain for federal income tax purposes from the sale or exchange of a lottery prize. "Farm assets" means livestock, farm equipment, farm real property, and farm depreciable property.

Credits Reportable on Schedule 3K-1, Line 15

■ **Line 15a through 15n.** Compute the credits in lines 15a through 15n in the same manner for partners who are full-year, part-year, or nonresidents of Wisconsin. For part-year and nonresident partners, also enter the allowable credits in column e.

Note: Do not multiply the partner's proportionate or specially allocated share of the credits by the partner's apportionment percentage. Nonresidents and part-year residents are eligible for the full amount of credits similar to a full-year resident.

For each credit, enter the partner's proportionate or specially allocated share of the amount on Schedule 3K. (**Note:** Only the early stage seed investment credit may be specially allocated. See the Schedule VC instructions for details.) Enter the abbreviation of the credit you are claiming next to the word "schedule" on line 15. The abbreviation for each credit is located in the upper left hand corner of the credit schedule and in the above instructions for Schedule 3K. Use a separate line for each credit you are claiming. For example, if you are claiming the enterprise zone jobs credit, enter "EC" next to the "Schedule" line.

■ **Line 15o. Credit for Tax Paid to Other States –** Complete this line only for full-year Wisconsin resident partners and part-year Wisconsin resident partners. Enter zero for partners who are nonresidents of Wisconsin or corporations.

For a full-year resident, enter in column d the partner's proportionate share of the tax credits on Schedule 3K, line 15o. For a part-year resident, enter in column d the amount computed by multiplying the credit on Schedule 3K, line 15o, by the partner's profit and loss percentage, multiplied by the ratio of days that the partner was a resident of Wisconsin during the partnership's taxable year to the total days in the partnership's taxable year. Enter the result in column e.

■ **Line 15p. Wisconsin Tax Withheld –** If the partnership was required to file Form PW-1 to withhold tax on behalf of its nonresident partners, enter in column d and column e the tax withholding allocated to the partner.

Schedule 3K-1, Lines 18 through 23

■ **Lines 18a Through 18c.** Enter the partner's proportionate share of the federal amount, adjustment, and amount determined under Wisconsin law from Schedule 3K for each of these items. Do not fill in column e.

If the partner is a corporation or another partnership, identify the sources of tax-exempt income for Wisconsin. This income may be includable in taxable income if passed through to a corporation subject to the franchise tax.

■ **Line 19. Distributions** – Enter the distributions of money and property made to each partner. Do not fill in column e.

■ **Line 20. Other Information –** Complete as necessary. Include the federal amount, adjustment, amount determined under Wisconsin law, and Wisconsin source amount for each item when applicable. Prepare and submit additional schedules if more space is needed. Include the following items on line 20:

- The amount of interest income from United States government obligations that is included on Schedule 3K-1, line 5, column d (column e for nonresidents and part-year residents of Wisconsin).
- Information on the sale, exchange, or other disposition of property for which the section 179 expense deduction was claimed.
- If the partnership is engaged in both farming and some other business activity, indicate on the Schedules 3K-1 of noncorporate partners the portion of each of the share items that is attributable to the farm operations. The partners use this information in applying the farm loss limitations.
- Any information needed by a partner to determine why the Wisconsin amount of any item differs from the federal amount.
- Enter the amount of wages paid during the taxable year to employees who were residents of Wisconsin at the time the wages were paid and the total amount of wages paid by the business during the taxable year to all employees of the business as separate entries on line 20c of Schedule 3K. The partners will need this information to complete lines 1 and 2 of the Schedule RB.

Note: Partnerships whose Wisconsin partners may qualify for farmland preservation credit should provide a copy of the farmland property tax bill with the Schedule 3K-1 given to each Wisconsin partner. It isn't necessary for the partnership to submit the property tax bill with the Schedules 3K-1 sent to the Department. Partners will compute their allowable credit based on their proportionate shares of the partnership's property taxes. For additional information about farmland preservation credit, see the Wisconsin Schedule FC and FC-A instructions. If the partnership is a member of one or more other pass-through entities, gross income includes the gross income attributable to those other pass-through entities.

■ **Lines 21a and 21b. Related Entity Expenses –** Enter in column d the partner's proportionate share of the amounts from Schedule 3K.

■ **Line 22. Income (Loss) –** For each of columns d and e, combine lines 1 through 11. From the result, subtract the sum of lines 12 and 13a through 13d. Add or subtract, as appropriate, any income or deductions reported on line 20 that affect the computation of taxable income.

If you reported on line 20 the disposition of property for which a section 179 expense deduction was claimed in a prior year, complete federal Form 4797 to figure the amount of gain or loss to combine with the other items of income, loss, and deduction. If the federal and Wisconsin bases of the property or section 179 deductions differ, use two Forms 4797. Disregard the special instructions for partnerships and partners when filling out Form 4797. On one Form 4797, determine the federal gain or loss to combine with the other federal amounts reported in column b. Complete a second Form 4797 to compute the Wisconsin gain or loss to combine with the other Wisconsin amounts reported in column d.

■ **Line 23. Gross Income –** Enter the partner's share of the partnership's gross income that is reportable to Wisconsin. Gross income includes:

- The partner's proportionate share of the total amount received from all activities, before deducting the cost of goods sold or any other expenses.
- The partner's proportionate share of gross receipts from trade or business activities, gross rents and royalties, interest and dividends, the gross sales price of assets, and all other gross receipts.
- The partner's share of guaranteed payments taxable by Wisconsin.
- If the partnership is a member of one or more other pass-through entities, the partner's share of gross income attributable to those other pass-through entities.

Enter the partner's share of the partnership's gross income in column d. For part-year and nonresident partners, enter the partner's share of the gross receipts that are attributable to Wisconsin in column e.

Partner's Share of Apportionment Factors

For a corporation or another partnership that is a partner, enter on lines 24 through 26 the partner's proportionate share of the partnership's apportionment factors from Form A-1 or Form A-2 (if applicable). If the partnership only has one apportionment factor (for example, the single sales factor apportionment formula), leave lines 25 and 26 blank.

An example of how to complete Schedule 3K-1 for Wisconsin resident individual partners, nonresident individual partners, and part-year Wisconsin resident individual partners, is on the next page.

Example of Schedule 3K-1 for Individual Partners

ABC Partnership is a calendar year partnership whose income is attributable 70% to a business located in Wisconsin. There are three individual partners, each with a one-third interest in the profits and losses of the partnership. Partner A was a Wisconsin resident during all of 2014. Partner B was an Illinois resident during all of 2014. Partner C was a resident of Wisconsin until moving to Florida on April 1, 2014. Therefore, Partner C was a Wisconsin resident for 90 days (January 1 through March 31) and a nonresident for 275 days (April 1 through December 31).

Schedule 3K for the year ending December 31, 2014, shows the following amounts on the lines indicated:

Schedule 3K

(a) Distributive share items	(b) Federal amount	(c) Adjustment	(d) Amt. under WI law
1 Ordinary Income	$9,000	$600	$9,600
5 Interest Income	700	300	1,000
18a Tax-exempt interest income	300	(300)	0
20 U.S. Government interest included on line 5, column d			100

The Partners' Schedules 3K-1 would show the following:

Partner A's Schedule 3K-1

(a) Distributive share items	(b) Federal amount	(c) Adjustment	(d) Amount under WI law	(e) WI Source Amount
1 Ordinary Income	$3,000	$200	$3,200	
5 Interest Income	233	100	333	
18a Tax-exempt Interest Income	100	(100)	0	
20 U.S. Government interest included on line 5, col. d			33	

Partner B's Schedule 3K-1

(a) Distributive share items	(b) Federal amount	(c) Adjustment	(d) Amount under WI law	(e) WI Source Amount
1 Ordinary Income	$3,000	$200	$3,200	$2,240
5 Interest Income	233	100	333	0
18a Tax-exempt Interest Income	100	(100)	0	
20 U.S. Government interest included on line 5, col. d			33	0

Partner C's Schedule 3K-1

(a) Distributive share items	(b) Federal amount	(c) Adjustment	(d) Amount under WI law	(e) WI Source Amount
1 Ordinary Income	$3,000	$200	$3,200	$2,477
5 Interest Income	233	100	333	82
18a Tax-exempt Interest Income	100	(100)	0	
20 U.S. Government interest included on line 5, col. d			33	8

Following are explanations of the Schedule 3K-1 amounts:

Partner A. The amounts in column d are computed by multiplying the amounts from Schedule 3K by Partner A's 33.33% profit and loss percentage. Column e is blank since Partner A is a full-year Wisconsin resident.

Partner B. The amounts in columns b, c, and d are computed by multiplying the amounts from Schedule 3K by Partner B's 33.33% profit and loss percentage. For ordinary income, compute the Wisconsin source amount for column e by multiplying the amount under Wisconsin law from column d by ABC Partnership's 70% apportionment percentage. Since Partner B is a nonresident, the Wisconsin source amount of the interest income on line 5, column e, is zero. Do not fill in line 18a, column e.

Partner C. The amounts in columns b, c, and d are computed by multiplying the amounts from Schedule 3K by Partner C's 33.33% profit and loss percentage. Compute the Wisconsin source amounts in column e in two parts: one for the period that Partner C was a Wisconsin resident and one for the period that Partner C was a nonresident. Do not fill in line 18a, column e. The computations of Partner C's amounts in column e are shown below:

Partner C's Line 1: Ordinary Income		
Period of residence	$3,200 x 90/365	= $789
Period of nonresidence	$3,200 x .7 x 275/365	= $1,688
Total		= $2,477

Partner C's Line 5: Interest Income		
Period of residence	$333 x 90/365	= $82
Period of nonresidence		-0-
Total		= $82

Partner C's U.S. Government Interest for Line 20		
Period of residence	$100 x .3333 x 90/365	= $8
Period of nonresidence		-0-
Total		= $8

Determining the Wisconsin Income of Multistate Partnerships

A partnership that does business in Wisconsin and at least one other state or foreign country must determine the amount of income attributable to Wisconsin for purposes of figuring the share of partnership income taxable to partners that are nonresident or part-year resident individuals or fiduciaries. The partnership must use either the apportionment method or the separate accounting method to allocate a portion of its income to Wisconsin.

Who Must Use Apportionment

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

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.

To use the apportionment method, a partnership must have business activity sufficient to create nexus in Wisconsin and at least one other state or foreign country.

"Nexus" means that a partnership'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 partnership selling tangible personal property if the partnership'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 the Apportionment Percentage

For unitary, multistate businesses (except direct air carriers, interstate air freight forwarders affiliated with a direct air carrier, motor carriers, railroads, sleeping car companies, pipeline companies, financial institutions, brokers-dealers, investment advisers, investment companies, underwriters, and telecommunications companies whose incomes are apportioned by special rules of the Department), the apportionment percentage is determined by the ratio of Wisconsin sales to total company (partnership) sales.

For most companies, the apportionment percentage is computed on Form A-1. Refer to the Wisconsin Form A-1 instructions for calculating the Wisconsin apportionment percentage. However, direct air carriers, interstate air freight forwarders affiliated with a direct air carrier, motor carriers, railroads, sleeping car companies, pipeline companies, financial institutions, brokers-dealers, investment advisers, investment companies, underwriters, and telecommunications companies should see Form A-2 and its instructions.

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.

All income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in Wisconsin shall be allocated to Wisconsin.

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.

Separate Accounting

A partnership engaged in a nonunitary business in and outside Wisconsin must 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. Under separate accounting, the partnership must keep separate records of the sales, cost of sales, and expenses for the Wisconsin business.

A unitary business may use separate accounting only with the approval of the Department. A request for approval must set forth, in detail, the reasons why separate accounting will more clearly reflect the partnership's Wisconsin net income. It should be mailed to the Wisconsin Department of Revenue, Mail Stop 3-107, PO Box 8906, Madison, WI 53708-8906 before the end of the taxable year for which the use of separate accounting is desired.

Since a partnership does not compute its income in the same manner as a corporation, a partnership cannot use Form C to determine its income attributable to Wisconsin.

Instead, a partnership using separate accounting should prepare a 5-column schedule that provides the following information: (a) a listing of all of the distributive share items from Wisconsin Schedule 3K, column a, and any supplemental schedules, (b) the total amount from Wisconsin Schedule 3K, column d, for each of the share items, (c) the amount from column b attributable to Wisconsin, (d) the amount from column b attributable to other states, and (e) the basis for the allocation.

The schedule should also include a detailed explanation of how income and expenses were allocated in and outside Wisconsin. For example, if the allocation is based on actual expenses, write “Actual” in column e. If the allocation is based on a percentage of sales at each location, enter the percentage in column e and provide details on how the percentage was computed.