2011

Wisconsin
Corporation Franchise and Income Tax

Form 5 Booklet

New for 2011:

- **Job Creation Deduction**
- **Relocated Business Credit**
- **Super Research and Development Credit**
- **Community Rehabilitation Program Credit**
- **Beginning Farmer and Farm Asset Owner Credit**

Go Electronic!

Fast ● Accurate ● Secure

File Form 5 through the Federal/State E-Filing Program. With approved third party software, you can file Form 5 along with other Wisconsin and federal returns in a single filing. Or, you may use Federal/State E-Filing to file Form 5 separately. See *Filing Methods* on page 3 for details.

Visit us online at

www.revenue.wi.gov to…

- Obtain tax forms and instructions.
- Get answers to frequently asked questions (FAQs).
- Find out which third-party software you can use to file Form 5 electronically.
- Register for electronic funds transfer.
- Check out the *Wisconsin Tax Bulletin* quarterly newsletter.
- Read Department of Revenue publications which explain specific topics in detail.
- Register to receive e-mail news about new laws and procedures.
- Determine which e-mail address or telephone number to use to contact the Department about a specific question.

Remember to file these with Form 5:

- Any extension
- A copy of your federal return, including consolidating schedules
- A list of solely owned LLCs
- Any other required forms or schedules, such as Schedule RT or Schedule CR

Do not staple attachments to your return. File electronically or use paper clips to submit these items.

Don't forget about use tax!
The corporation may owe use tax if it purchased tangible personal property or certain services for storage, use, or consumption in Wisconsin without paying a state sales or use tax. See page 6 for details.

This booklet contains:

- Form 5 and Instructions
- Schedule V: Additions and Instructions
- Schedule W: Subtractions and Instructions
- Schedule Y: Deductible Dividends and Instructions
- Form 4BL: Net Business Losses and Instructions
- Form 4U: Underpayment of Estimated Tax and Instructions

IC-052

Purpose of Form 5

Corporations whose entire business income is attributable to Wisconsin use Form 5 to report their income, gains, losses, deductions, and credits and to compute their franchise or income tax and economic development surcharge liability.

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General Franchise or Income Tax Return Instructions

Franchise or Income Tax

Franchise tax applies to:

- All domestic corporations (those organized under Wisconsin law) and
- Foreign corporations (those not organized under Wisconsin law) doing business in Wisconsin or buying or selling lottery prizes if the winning tickets were originally bought in Wisconsin, except where taxation is exempted by statute or barred by federal law.

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

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

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

Who Must File

"Corporation" includes corporations, joint stock companies, associations, common law trusts, and all other entities treated as corporations under section 7701 of the Internal Revenue Code (IRC).

Corporations Required to File. The following corporations are required to file a Wisconsin corporation franchise or income tax return:

- Corporations organized under Wisconsin law.
- Foreign corporations licensed to do business in Wisconsin.
- Unlicensed corporations doing business in Wisconsin.
- Foreign corporations engaged in buying or selling lottery prizes if the winning tickets were originally bought in Wisconsin.
- Foreign corporations issuing credit, debit, or travel and entertainment cards to customers in Wisconsin.
- Foreign corporations regularly selling products or services of any kind or nature to customers in Wisconsin that receive the product or service in Wisconsin.
- Foreign corporations regularly soliciting business from potential customers in Wisconsin.
- Foreign corporations regularly performing services outside Wisconsin for which the benefits are received in Wisconsin.
- Foreign corporations regularly engaging in transactions with customers in Wisconsin that involve intangible property and result in receipts flowing to the taxpayer from within Wisconsin.
- Foreign corporations holding loans secured by real or tangible personal property located in Wisconsin.
- Foreign corporations owning, directly or indirectly, a general or limited partnership interest in a partnership that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations owning, directly or indirectly, an interest in a limited liability company treated as a partnership that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations that are the sole owner of an entity that is disregarded as a separate entity under IRC section 7701 and does business in Wisconsin.

Corporations and Other Entities Not Required to File. The following entities are **not** required to file a Wisconsin corporation franchise or income tax return:

- A single-owner entity that is disregarded as a separate entity under IRC section 7701. Instead, the owner of the disregarded entity is subject to the tax on or measured by the entity's income and must file a Wisconsin franchise or income tax return if otherwise required.
- Corporations and associations exempt under sec. 71.26(1), Wis. Stats., except those with (a) unrelated business taxable income as defined in IRC section 512, (b) income derived from a health maintenance organization or a limited service health organization, or (c) income realized from the sale of or purchase and subsequent sale or redemption of lottery prizes if the winning tickets were originally bought in Wisconsin. Exempt entities include insurers exempt from federal income taxation under IRC section 501(c)(15), town mutuals organized under Chapter 612, Wis. Stats., foreign insurers, domestic insurers engaged exclusively in life insurance business, domestic mortgage insurers, some cooperatives, and religious, scientific, educational, benevolent, or other corporations or associations of individuals not organized or conducted for profit.
- Corporations that are completely inactive in and outside Wisconsin and have filed Form 4H.
- Credit unions that don't act as a public depository for state or local government funds and have filed Form CU.

When and Where to File

Generally, a corporation must file its franchise or income tax return by the 15th day of the 3rd month following the close of its taxable year.

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

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

If you aren't requesting a federal extension, Wisconsin law provides an automatic extension of 7 months or until the original due date of the corporation's corresponding federal return, whichever is later.

The fee for filing a late return after the extension date is $150.

CAUTION: An extension for filing the return doesn't extend the time to pay the franchise or income tax. Interest will be charged on the tax not paid by the 15th day of the 3rd month following the close of the taxable year. You can avoid interest charges during the extension period by paying the tax due by that date. Submit your payment with Wisconsin Form 4-ES, *Corporation Estimated Tax Voucher*.

Filing Methods. Corporations 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 www.revenue.wi.gov/eserv/corp/third.html.

If it is not possible to file the return electronically, a waiver must be obtained in order to file a paper return. Paper filed returns that do not have an electronic filing waiver attached will be returned. More information is available from the Department's web page at http://www.revenue.wi.gov/taxpro/news/110727b.html Also, see s. Tax 2.03(3)(b)(1), Wisconsin Administrative Code, for details.

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 the form.

Period Covered by Return

The return must cover the same period as the corporation's federal income tax return. A 2011 Wisconsin return must be filed by a corporation for calendar year 2011 or a fiscal year that begins in 2011. A fiscal year may end only on the last day of a month. The period covered by the return can't exceed 12 months.

However, corporations reporting on a 52-53 week period for federal tax purposes must file on the same reporting period for Wisconsin. A 52-53 week taxable year is deemed to begin on the first day of the calendar month beginning nearest to the first day of the 52-53 week taxable year. The taxable year is deemed to end on the last day of the calendar month closest to the last day of the 52-53 week taxable year for purposes of due dates, extensions, and assessments of interest and penalties.

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

Accounting Methods and Elections

In computing net income, the method of accounting must be the same method used in computing federal net income. However, if the method used for federal purposes isn't authorized under the IRC in effect for Wisconsin, use a method authorized under the IRC in effect for Wisconsin.

Consolidated Filing Not Permitted. Each corporation organized under Wisconsin law, licensed to do business in Wisconsin, or doing business in Wisconsin must file a separate Wisconsin franchise or income tax return and make its own estimated tax payments unless they qualify to be part of a Wisconsin combined group. If certain qualification are met, the corporations may file a combined Wisconsin Form 4. See the Form 4 combined instructions for further information. Wisconsin law doesn't permit corporations that are members of an affiliated group, as defined in IRC section 1504, to file consolidated returns.

Situations Where Installment Method Not Authorized for Wisconsin. A corporation, including a tax-option (S) corporation, entitled to use the installment method of accounting must take the unreported balance of gain on installment obligations into income in the taxable year of their distribution, transfer, or acquisition by another person or for the final taxable year for which it files or is required to file a Wisconsin franchise or income tax return, whichever year occurs first.

Further, for Wisconsin purposes, accrual basis taxpayers cannot generally use the installment method because Wisconsin did not adopt P.L. 106-573, which restored the installment method for accrual basis taxpayers for federal income tax purposes. See page 8 for further details.

Change in Accounting Method. A change in accounting method made for federal purposes must also be made for Wisconsin purposes, unless the change isn't authorized under the IRC in effect for Wisconsin. Adjustments required federally as a result of a change made while the corporation is subject to Wisconsin taxation must also be made for Wisconsin purposes, except in the last year that a corporation is subject to taxation by Wisconsin it must take into account all remaining adjustments required.

For the first taxable year for which the change applies, file with the Wisconsin return either a copy of the application for change in accounting method filed with the IRS and copy of the IRS's consent, if applicable, or an explanation of the change if the IRS's approval isn't required.

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

Payment of Estimated Tax

If the total of a corporation's franchise or income tax and economic development surcharge due is $500 or more, it generally must make quarterly estimated tax payments using Wisconsin Form 4-ES or by electronic funds transfer. Failure to make required estimated tax payments may result in an interest charge. You may download vouchers from the Department's web site at www.revenue.wi.gov, or you may request vouchers by calling any Department of Revenue office.

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

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

Electronic Funds Transfer Required for Certain Payments. Section Tax 1.12, Wisconsin Administrative Code, requires the payment of certain taxes by electronic funds transfer (EFT). A corporation must pay its estimated franchise or income taxes and economic development surcharge by EFT if its net tax less refundable credits on its prior year return was $1,000 or more. The Department will notify a corporation when EFT payments are required. The corporation will have 90 days after being notified to register for EFT. The first EFT payment is due on the first tax due date following the end of the 90-day registration period.

Corporations not required to pay by EFT may elect to do so. For more information, visit the Department of Revenue's web site at www.revenue.wi.gov/eserv/eftgen.html, e-mail, sales10@revenue.wi.gov, call (608) 266-2776, or write to the Electronic Funds Transfer Assistance, Wisconsin Department of Revenue, PO Box 8949, Madison, WI 53708-8949.

To make EFT payments of corporation franchise or income tax, choose the appropriate tax type code:

Tax Type	Tax Type Code
Corporation estimated tax payment	02100
Corporation tax due	02200
Corporation amended return tax due	02400
Corporation bill (except audit assessments)	02540

Note: For EFT payments of estimated franchise or income tax and economic development surcharge, enter the last day of your **taxable year**, not the last day of the quarterly installment period, for which the payment is being made.

Disclosure of Related Entity Expenses and Reportable Transactions

A corporation may be required to separately disclose certain expenses paid, accrued, or incurred to a related entity. A corporation or corporation'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 corporation will be deducting more than $100,000 (after considering the effect of apportionment) of interest, rent, or intangible expenses or management fees 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, or intangible expenses or management fees 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. See the Schedule V instructions and Schedule W instructions for details.

Corporation's Disclosure of Reportable Transactions. If a corporation was required to file federal Form 8886, *Reportable Transaction Disclosure Statement*, with the IRS and that form was required to be filed with the IRS after October 27, 2007, you must file a copy of Form 8886 with the Department of Revenue within 60 days of the date you are required to file it for federal income tax purposes. Send a paper copy of Form 8886, separate from your Form 5, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, PO Box 8958, Madison, WI 53708-8958.

See the instructions to federal Form 8886 to determine if you are required to file the form for federal purposes.

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 after October 27, 2007, 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 the Wisconsin return, to the following address: Wisconsin Department of Revenue, Tax Shelters Program, PO Box 8958, Madison, WI 53708-8958.

Uncertain Tax Positions. If you were required to file federal Schedule UTP-Uncertain Tax Position Statement, include a copy of the schedule with your Wisconsin tax return.

Internal Revenue Service Adjustments, Amended Returns, and Claims for Refund

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

Send a copy of the final federal audit reports and any associated amended Wisconsin returns to the Wisconsin Department of Revenue, PO Box 8908, Madison, WI 53708-8908. If submitting a federal audit report without an amended return, mail it to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906. Don't attach these items to the tax return for the current year.

Amended Returns. After you have filed a complete, original tax return, you may file an amended return to correct a tax return as you originally filed it or as it was later adjusted by an amended return, a claim for refund, or an office or field audit.

If you file an amended federal return and the changes affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net business loss carryforward, or a Wisconsin capital loss carryforward, you must file an amended Wisconsin return with the Department of Revenue within 90 days after filing the amended federal return.

To file an amended Wisconsin return, put a check mark in item D1 on the front of the return, complete the return, and include an explanation of any changes made. Show computations in detail, including any applicable supplemental forms or schedules. Also show how you figured your refund or additional amount owed.

Where applicable, the line-by-line instructions in this booklet provide specific instructions for how to compute the amounts on an amended return.

Send amended returns 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.

Claims for Refund. A claim for refund must be filed within 4 years of the unextended due date of the return. However, a claim for refund to recover all or part of any tax or credit paid as a result of an office or field audit must be filed within 4 years after such an assessment. That assessment must have been paid and must not have been protested by filing a petition for redetermination. See section Tax 2.12, Wisconsin Administrative Code, for more information.

Final Return

If the corporation liquidated during the taxable year, put a check mark in the space next to item D3 on the front of the return. Enter the date of liquidation as the taxable year ending date at the top of the return. Submit a copy of your plan of liquidation and a copy of federal Form 966 with your Wisconsin return.

Generally, the final return is due on or before the federal due date. In most cases, this is the 15th day of the 3rd month after the date the corporation dissolved. The tax is payable by the 15th day of the 3rd month after the date of dissolution, regardless of the due date of the final return.

Economic Development Surcharge

The economic development surcharge applies to corporations having gross receipts from all activities of $4 million or more during the taxable year. Corporations that must file Wisconsin franchise or income tax returns must pay the economic development surcharge, with certain exceptions. The surcharge doesn't apply to:

- Domestic corporations that don't have any business activities in Wisconsin.
- Foreign corporations that don't have nexus with Wisconsin, unless the foreign corporation is part of a combined group that has nexus in Wisconsin.
- Corporations that have less than $4 million of gross receipts from all activities. "Gross receipts from all activities" means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.
- Nuclear decommissioning trust funds.

For more information, refer to Publication 400, *Wisconsin's Economic Development Surcharge.*

Information Returns

Transfers of Capital Stock. If one or more individual shareholders of the corporation who are Wisconsin residents transfer the corporation's capital stock during the calendar year, the corporation must file Wisconsin Form 8, *Transfers of Capital Stock*, for that calendar year. For more information, see the Form 8 instructions.

Miscellaneous Income. If the corporation paid $600 or more in rents, royalties, or certain nonwage compensation to one or more individuals, the corporation 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 corporation 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 www.revenue.wi.gov/html/sales.html, call (608) 266-2776, e-mail sales10@revenue.wi.gov, or write to the Wisconsin Department of Revenue, Mail Stop 5-77, PO Box 8902, Madison, WI 53708-8902.

Penalties for Not Filing or Filing Incorrect Returns

If you don't file a franchise or income tax return that you are required to file, or if you file an incorrect return due to negligence or fraud, interest and penalties may be assessed against you. The interest rate on delinquent taxes is 18% per year. Civil penalties may be as much as 100% of the amount of tax not reported on the return. Criminal penalties for filing a false return include a fine of up to $10,000 and imprisonment. Further, if you fail to disclose reportable transactions, you may be subject to the penalties described in sec. 71.81, Wis. Stats., including a $30,000 penalty for failure to disclose a listed transaction.

Obtaining Forms and Assistance

If you need forms or publications, you may:

- Download them from the Department's Internet web site at www.revenue.wi.gov.
- Request them online at www.revenue.wi.gov.
- Call (608) 266-1961.
- Call or visit any Department of Revenue office.

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

- E-mail your question to corp@revenue.wi.gov.
- Send a FAX to (608) 267-0834.
- Call (608) 266-2772.
  (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)
- Write to the Corporation Franchise/Income Tax Assistance, Wisconsin Department of Revenue, PO Box 8906, Madison, WI 53708-8906.
- 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, 2011, Wisconsin's definition of the IRC is the IRC as of December 31, 2010 with numerous exceptions. Some of the exceptions are listed below followed by a listing of the IRC provisions that Wisconsin does follow.

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 2011.

Depreciation and Section 179 Expensing

If the corporation has depreciation deductions or section 179 expense deductions, it is very likely that the amount of deduction will be different for Wisconsin purposes than for federal purposes.

Depreciation or Amortization Provisions Enacted After December 31, 2000. For Wisconsin purposes, depreciation or amortization is determined under the provisions of the IRC in effect on December 31, 2000. For example, the following provisions do not apply for Wisconsin purposes because they were enacted after December 31, 2000:

- 30% bonus depreciation (sec. 101 of P.L. 107-147, sec. 201 of P.L. 108-27, sec. 403(a) of P.L. 108-311)
- 50% bonus depreciation (sec. 201 of P.L. 108-27)
- Accelerated depreciation for Indian reservation property (sec. 316 of P.L. 108-311)
- Modification of application of income forecast method of depreciation (sec. 242 of P.L. 108-357)
- Special expensing provisions for film and television productions (sec. 244 of P.L. 108-357)
- Special rules on depreciation for aircraft (sec. 336 of P.L. 108-357)
- Modification of placed in service rule for bonus depreciation (sec. 337 of P.L. 108-357)
- Expansion of limitation on depreciation of certain passenger automobiles (sec. 910 of P.L. 108-357)
- Treatment of electric transmission property as 15-year property (sec. 1308 of P.L. 109-58)
- Expansion of amortization for certain atmospheric pollution control facilities (sec. 1309 of P.L. 109-58)
- Special expensing provisions for equipment used in refining liquid fuels (sec. 1323 of P.L. 109-58)
- Natural gas distribution lines treated as 15-year property (sec. 1325 of P.L. 109-58)
- Natural gas gathering lines treated as 7-year property (sec. 1326 of P.L. 109-58)
- Special rules for amortization of geological and geophysical expenditures (sec. 1329 of P.L. 109-58, sec. 503 of P.L. 109-222)
- Extension for placed in service rules for bonus depreciation for taxpayers affected by Hurricane Katrina, Rita, and Wilma (sec. 105 of P.L. 109-135)

- Election to amortize musical works and copyrights over a 5-year period (sec. 207 of P.L. 109-222)
- Extension for the increase in section 179 expensing limit and phase out threshold (sec. 201 of P.L. 111-147)
- Increase in section 179 dollar limit and phase-out threshold (sec. 2021 of P.L. 111-240)

Section 179 Expense Limitations. For Wisconsin purposes, different maximum amounts and phase-out thresholds apply than for federal purposes. Additionally, off-the-shelf computer software is not considered qualifying property for Wisconsin purposes, although it is qualifying property for federal purposes.

In general, the maximum section 179 expense and phase out threshold amounts for taxable years beginning in 2011 are as follows:

Section 179 Property in General		
	Wisconsin Law	Federal Law
Maximum Section 179 Expense	$25,000	$500,000
Phase-out Threshold (Amt. of qualifying property)	$200,000	$2,000,000

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:

Small Business Stock. For federal purposes, an exclusion is allowed for 50% of the gain from the sale or exchange of qualified small business stock issued after August 10, 1993, and held for more than 5 years (sec. 13113 of P.L. 103-66). For Wisconsin purposes, this section does not apply.

Installment Method for Accrual Basis Taxpayers. For federal purposes, accrual basis taxpayers may report income from an installment sale under the installment method (P.L. 106-573). For Wisconsin purposes, accrual basis taxpayers cannot use the installment method. Gain from the sale of property must be recognized the year of the sale. This does not apply to dispositions of property used or produced in farming or for certain dispositions of timeshares or residential lots.

Note: Wisconsin law also provides a modification relating to installment obligations. See page 3 for details.

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 Wisconsin purposes (sec. 102 of P.L. 108-357).

Provisions of the Internal Revenue Code Adopted for Wisconsin Purposes:

- Section 209 of P.L. 109-222 and section 425 of Division A of P.L. 109-432 relating to loans to continuing care facilities.
- Section 844 of P.L. 109-280 relating to the treatment of annuities and life insurance contracts with a long-term care insurance feature.
- Section 117 of Division A of P.L. 109-432 relating to the extension of Archer medical savings accounts.
- Section 406 of Division A of P.L. 109-432 relating to whistleblower reforms.
- Section 409 of Division A of P.L. 109-432 relating to Superfund settlement funds.
- Section 410 of Division A of P.L. 109-432 relating to the active business test.
- Section 412 of Division A of P.L. 109-432 relating to capital gains treatment for self-created musical works.
- Section 417 of Division A of P.L. 109-432 and section 113 of P.L. 110-245 relating to gain on the sale of residence by members of the intelligence community.
- Section 418 of Division A of P.L. 109-432 relating to sales of property by judicial officers.
- Section 424 of Division A of P.L. 109-432 relating to unrelated business income for charitable remainder trusts.
- Section 403 of Division C of P.L. 109-432 relating to sale of mineral and geothermal rights to tax-exempt entities.
- Section 8215 of P.L. 110-28 relating to husband and wife partnership election.
- Section 8231 of P.L. 110-28 relating to eliminating gains from sales or exchanges of stock or securities from passive investment income of S-corporations.

- Section 8232 of P.L. 110-28 relating to treatment of bank director shares of S-corporation bank stock.
- Section 8234 of P.L. 110-28 relating to sale of interest in qualified subchapter S subsidiary.
- Section 8236 of P.L. 110-28 relating to interest deduction for electing small business trusts.
- P.L. 110-141 relating to payments from the Hokie Spirit Memorial Fund.
- Section 4 of P.L. 110-142 relating to cooperative housing pass-through treatment of interest and real estate taxes.
- Section 7 of P.L. 110-142 relating to the capital gain exclusion on sale of principal residence by surviving spouse.
- P.L. 110-172, except sections 3(b) and 11(b), (e), and (g), relating to technical corrections.
- Section 110 of P.L. 110-245 relating to gain on the sale of residence by Peace Corps volunteers.
- Section 4 of P.L. 110-246 relating to the repeal of P.L. 110-234.
- Sections 15312 – 15314 of P.L. 110-246 relating to Timber Real Estate Investment Trusts.
- Section 15316 of P. L. 110-246 relating to tax credit bonds.
- Section 15342 of P.L. 110-246 relating to the exchange of water rights.
- Sections 3031 – 3033, 3041, 3051, 3052, and 3061 of P.L. 110-289 relating to Real Estate Investment Trust income and asset tests.
- Section 3092 of P.L. 110-289 relating to nonqualified use of a principal residence.
- Section 3093 of P.L. 110-289, section 15 of P.L. 111-92 , and section 551 of P.L. 111-147 relating to delay in application of worldwide allocation of interest.
- Section 9 of P.L. 110-317 relating to the limitation on funeral trusts.
- Sections 116 and 208 of Division B of P.L. 110-343 relating to publicly traded partnership income treatment of alternative fuels.
- Section 211 of Division B of P.L. 110-343 relating to transportation fringe benefit to bicycle commuters.
- Section 301 of Division B of P.L. 110-343 relating to qualified energy conservation bonds.
- Section 313 of Division C of P.L. 110-343 relating to zone academy bonds.
- Section 504 of Division C of P.L. 110-343 relating to Exxon Valdez settlements.
- P.L. 110-351 relating to the uniform definition of a child.
- Sections 1261 and 1262 of Division B of P.L. 111-5 relating to the repeal of Internal Revenue Service Notice 2008-83, which affects section 382 of the Internal Revenue Code.
- Sections 1401, 1402, 1521, 1522, and 1531 of Division B of P.L. 111-5 relating to recovery zone economic development and facility bonds, tribal economic development bonds, school construction bonds, zone academy bonds, and Build America bonds.
- Section 1541 of Division B of P.L. 111-5 relating to the pass through of tax credit bonds by regulated investment companies.
- Section 14 of P.L. 111-92 relating to military base realignment and closure.
- Section 301 of P.L. 111-147 relating to tax credit bonds treated as Build America bonds.
- Sections 531-533 of P.L. 111-147 relating to foreign trusts.
- Section 1322 of P.L. 111-148 relating to nonprofit health insurers.
- Section 1515 of P.L. 111-148 relating to qualified health plan benefits under cafeteria plans.
- Section 9003 of P.L. 111-148 relating to disallowing over-the-counter medicine expenses under a flexible spending arrangement.
- Section 9021 of P.L. 111-148 relating to an income exclusion for Indian health care benefits.
- Section 9022 of P.L. 111-148 relating to cafeteria plans of small employers.
- Section 10108 of P.L. 111-148 relating to an income exclusion for free-choice vouchers to purchase a health plan.
- Section 10908 of P.L. 111-148 relating to loan repayments for health care professionals.
- Section 10909 of P.L. 111-148 relating to the income exclusion for employer-provided adoption assistance.
- Section 1407 of P.L. 111-152 relating to delay in effective date for elimination of the deduction of the subsidy for employers who maintain prescription drug coverage for retirees.

- P.L. 111-192 relating to qualified retirement plans.
- Section 1601 of P.L. 111-203 relating to the section 1256 mark-to-market requirements.
- Section 215 of P.L. 111-226 relating to the treatment of foreign subsidiary redemptions.
- Section 217 of P.L. 111-226 relating to the 80/20 rule for interest and dividends paid by a corporation.
- Section 2014 of P.L. 111-240 relating to the recognition period for S-corporation built-in gain tax.
- Section 2043 of P.L. 111-240 relating to documentation for claiming cell phones as a business expense.
- Section 2111 of P.L. 111-240 relating to allowing a section 457(b) plan to add a designated Roth account and allow rollovers to that account.
- Section 2112 of P.L. 111-240 relating to the treatment of rollovers from a section 401(k) or section 403(b) to a designated Roth account.
- Section 2113 of P.L. 111-240 relating to split annuity contracts.
- P.L. 111-325 relating to a Regulated Investment Company.

Capital Losses

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

Limitations on Certain Federal Deductions

You may have to recompute federal deduction limitations for Wisconsin purposes if the amount of your federal taxable income for federal purposes differs from your federal taxable income as determined under the IRC in effect for Wisconsin. Differences in your federal taxable income for federal and Wisconsin purposes may arise for the following reasons:

- A provision of the federal IRC is excluded from the definition of "Internal Revenue Code" in effect for Wisconsin under sec. 71.22(4), Wis. Stats.
- Different elections under the IRC are made for federal and Wisconsin purposes.

The deduction limitations are applied in computing federal taxable income *before* the Wisconsin modifications prescribed in secs. 71.26(2) and (3) and 71.30, Wis. Stats. Therefore, you may not recompute deduction limitations as a result of making Wisconsin modifications. For example, if your federal section 179 expense deduction was limited as a result of claiming federal bonus depreciation, you may not recompute the section 179 deduction because there is a specific Wisconsin modification (sec. 71.26(3)(y), Wis. Stats.), which disallows bonus depreciation in computing Wisconsin income.

The following examples further illustrate how the limitations on federal deductions apply:

Example 1: Corporation B reports federal taxable income of zero for the current taxable year and Wisconsin taxable income of $20,000. The difference results from adding to federal income the $20,000 of state income taxes paid that the taxpayer had deducted on its federal return. For federal purposes, the taxpayer has $25,000 of section 179 expense, but is limited by its business income to claiming a deduction of $5,000 and carrying forward the $20,000 balance. For Wisconsin purposes, the section 179 deduction is limited to $5,000, the federal amount. The Wisconsin section 179 deduction cannot be recomputed since the addback for state income taxes is a modification prescribed in sec. 71.26(3)(g), Wis. Stats.

Example 2: Corporation C reports federal taxable income of zero for the current taxable year and Wisconsin taxable income of $15,000. The taxpayer's Wisconsin income exceeds its federal taxable income because the taxpayer may not claim federal bonus depreciation for Wisconsin. For federal purposes, the taxpayer computes $44,000 of section 179 expense but can use only $17,000 of that amount due to the business income limitation. The $27,000 balance is carried forward. For Wisconsin purposes, the taxpayer's section 179 expense is limited to $25,000. However, the taxpayer may deduct on its current Wisconsin return only the $17,000 that was used for federal purposes and must carry forward the $8,000 Wisconsin balance. The taxpayer must compute Wisconsin depreciation for the current year based on a section 179 deduction of $25,000. The taxpayer must add back to Wisconsin income the $19,000 difference between the $27,000 federal section 179 expense carryforward and the $8,000 Wisconsin carryforward in future years when it is used on the taxpayer's federal return.

Example 3: Corporation F claims no section 179 expense deduction but $16,000 of bonus depreciation on its federal return for the current taxable year. The taxpayer could have elected to claim a section 179 expense deduction on its federal return in addition to or instead of the bonus depreciation. The taxpayer may elect to claim the $16,000 as a section 179 expense deduction on its Wisconsin return so that the computation of its regular MACRS allowance is the same for federal and Wisconsin purposes.

Line-by-Line Instructions for Form 5

You must complete pages 1 and 2 of Form 5 and the appropriate schedules to explain the adjustments to federal income and the computation of tax credits. Do not enter “See attached” instead of completing the entry spaces. If more space is needed, submit separate sheets using the same size and format as the printed forms.

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

Caution: Federal line numbers referred to on Form 5 and in these instructions may change.

Items A Through H

Before completing items A through H, fill in the corporation’s 2011 taxable year at the top of the form and the corporation’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.

If the corporation dissolved, enter the date of dissolution as the ending date of the 2011 taxable year.

■ **Item A. Federal Employer Identification Number** – Enter the corporation’s federal employer identification number (EIN). If you haven’t yet applied for a federal EIN, you may do so by filing federal Form SS-4 with the IRS, calling the IRS’s toll-free number (800) 829-4933, or applying online at www.irs.gov/.

■ **Item B. Business Activity (NAICS) Code** – Enter the corporation’s principal business activity code, based on the North American Industry Classification System (NAICS), from your federal return. If your federal return is a consolidated return, go to www.census.gov/epcd/www/naics.html to find the NAICS code for your principal business activity.

■ **Item C. State and Year of Incorporation** – Enter the 2-letter postal abbreviation for the state (or name of the foreign country) under the laws of which the corporation is organized and the year of incorporation.

■ **D1. Amended Return** – Check here if this is an amended return. Circle the line number of the lines you are changing and submit a detailed explanation of the changes made, including any supporting form or schedule.

■ **D2. First Return** – Check here if this is the first year that you are filing a Wisconsin return because the corporation wasn’t in existence or didn’t do business in Wisconsin in prior years.

■ **D3. Final Return** – If the corporation ceased to exist or withdrew from Wisconsin during the year, check here and submit a copy of your plan of liquidation and federal Form 966 if the corporation liquidated.

■ **D4-5. Short Period** – Indicate that a short period return is being filed due to a change in the corporation’s accounting period or a stock purchase or sale by checking the appropriate line.

■ **Item E. Extended Due Date** – Check here if the corporation has an extension of time to file its Wisconsin return, and enter the extended due date.

■ **Item F. No Business Transacted in Wisconsin** – If the corporation was incorporated under Wisconsin law or licensed to do business in Wisconsin but had no property or activity in Wisconsin for the taxable year, check here and provide a complete copy of the corporation’s federal return.

■ **Item G. Schedule RT Required** – Check here if the corporation is filing Schedule RT, *Wisconsin Related Entity Expenses Disclosure Statement*, with its return. Schedule RT is generally required if the corporation 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.

■ **Item H. Federal Consolidated Return** – If the corporation participated in filing a federal consolidated return, check here and enter the parent corporation’s federal employer identification number (EIN).

Line 1: Federal Taxable Income

Enter the federal taxable income before the net operating loss deduction and special deductions. Generally, this is the amount from federal Form 1120, line 28. However, for certain types of corporations the applicable line of the federal return may be different. These certain types of corporations and applicable lines include the following:

- Regulated investment companies (RICs) use Form 1120-RIC, line 26.
- Real estate mortgage investment conduits (REMICs) use Form 1066, Schedule J, line 4 plus line 9.

- Real estate investment trusts (REITs) use Form 1120-REIT, line 22.
- Cooperative associations use Form 1120-C, line 25c.
- For corporations that are treated as S corporations federally but are not treated as Wisconsin tax-option corporations, use Form 1120S, line 21.

Line 2: Additions to Federal Income (Schedule V)

Complete Schedule V and enter the total on Form 5, line 2.

Specific instructions for how to complete Schedule V follow:

■ ***Line 1. Interest Income*** – Enter interest income received on state and municipal obligations and any other interest income that is exempt from federal income tax and isn't included in federal taxable income.

Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn't enter interest income on line 1 that is exempt from income tax under both Wisconsin and federal law. This includes interest income on the following types of obligations:

- Public housing authority or community development authority bonds issued by municipalities located in Wisconsin
- Wisconsin Housing Finance Authority bonds
- Wisconsin municipal redevelopment authority bonds
- Wisconsin higher education bonds
- Wisconsin Housing and Economic Development Authority bonds issued on or after December 11, 2003, to fund multifamily affordable housing or elderly housing projects
- Wisconsin Housing and Economic Development Authority bonds issued before January 29, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds
- Public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest therefrom qualifies for exemption from federal taxation for a reason other than or in addition to section 103 of the IRC
- Local exposition district bonds
- Wisconsin professional baseball park district bonds
- Bonds issued by the Government of Puerto Rico, Guam, the Virgin Islands or, for bonds issued after October 16, 2004, the Government of American Samoa
- Local cultural arts district bonds
- Wisconsin professional football stadium bonds
- Wisconsin Aerospace Authority bonds
- Bonds issued on or after October 27, 2007, by the Wisconsin Health and Education Facilities Authority to fund acquisition of information technology hardware or software
- Southeast Regional Transit Authority bonds
- Conduit revenue bonds issued under sec. 66.0304, Wis. Stats., if the bonds or notes are used to fund multifamily affordable housing projects or elderly housing projects in Wisconsin and the Wisconsin Health and Education Facilities Authority has the authority to issue the bonds. The bonds or notes are used by a health facility to fund the acquisition of information technology hardware or software in Wisconsin and the Wisconsin Health and Educational Facilities Authority has the authority to issue the bonds. Bonds or notes issued to fund a redevelopment project or housing project in Wisconsin.
- Bonds issued by the Wisconsin Housing and Economic Development Authority to provide loans to a public affairs network.

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

■ ***Lines 3 and 4. Related Entity Expenses –*** A corporation must make an addition modification to "add back" management fees and intangible, interest or rental expenses paid, accrued, or incurred to a related entity. These expenses must generally also be disclosed on Schedule RT. See the Schedule RT instructions for further details of the expenses required to be disclosed on Schedule RT and added back to income on Schedule V.

After the corporation makes this addition modification, the corporation uses Part II of Schedule RT to determine if it is eligible for a deduction for any of the amount added back. The corporation then makes a subtraction modification on Schedule W of the amount for which it is eligible for a deduction.

If the corporation is a partner, member, or beneficiary of a pass-through entity, also include the amount of modification included on line 21a of Schedule 3K-1 and on line 14a of Schedule 2K-1, if applicable.

■ ***Line 5. Expenses Related to Nontaxable Income*** – Enter expenses deducted in computing federal taxable income that are directly or indirectly related to nontaxable income.

Refer to the specific instructions for Schedule W, line 6, for an explanation of "nontaxable income." Examples of expenses related to nontaxable income include taxes, interest, and administrative fees related to the production of such income.

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

■ ***Line 6. Percentage Depletion –*** Enter percentage depletion deducted in computing federal taxable income. **Note:** Cost depletion is deductible for Wisconsin and should be entered on Schedule W, line 8, if not deducted on the federal return.

■ ***Line 7. Section 179 Expense –*** Enter the amount by which the federal section 179 expense deduction exceeds the Wisconsin deduction.

■ ***Line 8. Depreciation/Amortization*** – Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction. Include a schedule showing the computation details.

These differences can happen because of IRC sections not adopted for Wisconsin purposes and also because of differences that existed between Wisconsin and federal law for assets placed in service before January 1, 1987.

CAUTION: For assets first placed in service in taxable years beginning on or after January 1, 2001, you must compute depreciation or amortization under the Internal Revenue Code as amended to December 31, 2000.

An asset must continue to be depreciated or amortized under the method allowable for Wisconsin purposes for the year in which it was placed in service. Thus, the differences in Wisconsin and federal depreciation and amortization that existed before January 1, 1987 continue to exist. These differences are described in items **a.** through **i.** below.

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

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

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

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

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

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of either claiming the same depreciation deduction as for federal purposes, or continuing their present method of depreciation. For more information, see the tax release in *Wisconsin Tax Bulletin* 84 (October 1993, page 18).

f. A corporation electing to claim an investment tax credit for federal income tax purposes could either claim the credit and reduce the depreciable basis of the property by one-half of the credit, or claim a reduced investment credit and not reduce the depreciable basis of the property. These corporations weren't required to reduce the depreciable basis of the investment credit property for Wisconsin purposes.

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

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

i. For Wisconsin purposes, before the 1987 taxable year, corporations (except regulated investment companies and real estate investment trusts) couldn't claim section

179 expense. Instead, depreciation was allowable on the cost basis of the property, without reduction for the amount the corporation may have elected to expense under section 179 for federal purposes.

■ ***Line 9. Basis Differences for Assets Disposed –*** Enter the amount by which the federal basis of assets disposed of exceeds the Wisconsin basis. If more than one asset is disposed of, you may combine the bases of the assets so that you need only one entry either on this line or Schedule W, line 10. Provide a schedule showing the computation details.

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

	Federal Basis	Wisconsin Basis	Difference
Equipment	$1,500	$500	$1,000
Machinery	1,000	2,000	(1,000)
Building	20,000	10,000	10,000
Net Difference			$10,000

The amount to enter on Schedule V, line 9, is $10,000. If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 10, instead.

■ ***Line 10. Addition for Credits Computed –*** Enter the total amount of the credits you computed on your 2010 return from the list provided. These credits are required to be included in the corporation's income in the year computed.

■ ***Line 12. Other Additions*** – Enter any other additions to federal income. These could include:

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

Line 4: Subtractions from Federal Income (Schedule W)

Complete Schedule W and enter the total on Form 5, line 4.

Specific instructions for how to complete Schedule W follow:

■ ***Line 1. Dividends Received Deduction (Schedule Y) –*** Enter, from Schedule Y, line 4, dividends received which are included in the amount on Form 5, line 3, and qualify for deduction for Wisconsin purposes. In general, a dividend is deductible for Wisconsin purposes if it meets the following requirements:

- It is paid on common stock, and
- The corporation receiving the dividend owned at least 70% of the total combined voting stock of the payer corporation for the entire taxable year.

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

Combined groups should use Schedule Y to account for dividends between combined group members and should not account for the dividends on Form 4R.

Instructions for Schedule Y: On line 1, list the names of the payers, the date or dates the stock was acquired, the percentage of the voting stock owned, and the dividends received which meet the above requirements and have been included on Form 5, line 1, or on Schedule V. On line 3, enter taxes paid to a foreign nation on dividends listed on line 1, which were claimed as a deduction in computing federal taxable income or are being included on Schedule W, line 7.

Dividends received from certain subsidiary corporations may be nontaxable. See the instructions for Schedule W, line 6. Don't include such dividends on Schedule Y.

■ ***Line 2. Related Entity Expenses –***A corporation must make an addition modification to "add back" management fees, and intangible, interest or rental expenses paid, accrued, or incurred to a related entity. The "addback" is reported on Schedule V, line 3. After the corporation makes this addition modification, the corporation completes Part II of Schedule RT to determine if it is eligible for a deduction for any of the amount added back. The corporation then makes a subtraction modification on Schedule W, line 2, for the amount for which it is eligible for a deduction. See the Schedule RT instructions for details of the conditions necessary to claim the subtraction modification.

If the corporation is a partner, member, or beneficiary of a pass-through entity, also include the amount of modification included on line 21b of Schedule 3K-1 and on line 14b of Schedule 2K-1, if applicable.

■ ***Line 3. Income from Related Entity Expenses*** – If the corporation has management fees, and intangible, interest or rental income from a related entity which paid, accrued, or incurred the management fees, and intangible, interest or rental expenses to the corporation, and that related entity could not deduct those expenses because the conditions set forth in Schedule RT, Part II, were not met, the corporation may subtract the corresponding management fees, and intangible, interest or rental income from its taxable income.

In order to claim this subtraction, the corporation must obtain Schedule RT-1 from the related entity and submit Schedule RT-1 with its return. See the Schedule RT-1 instructions for further details.

■ ***Line 4. Subpart F Income –*** Enter income from controlled foreign corporations under Subpart F of the IRC as reported on Form 1120, Schedule C, line 14.

■ ***Line 5. Foreign Dividend Gross-Up –*** Enter foreign dividend gross-up reported on Form 1120, Schedule C, line 15.

■ ***Line 6. Nontaxable Income –*** Enter nontaxable income included in computing federal taxable income. Include a schedule with your return showing the payers and amounts of nontaxable income and explaining why that income isn't taxable.

Interest, dividends, and capital gains from the disposition of intangible assets are nontaxable if both of the following are true:

- The operations of the payer are not unitary with those of the payee, and
- The payer and payee are not related as parent company and subsidiary or affiliates and the investment activity from which the income is received is not an integral part of a unitary business.

Note: Such income may also be nontaxable under the principles of the U.S. Supreme Court decision in *Allied-Signal v. Director, Div. of Taxation*, 504 U.S. 768 (1992), if the investment is passive and does not serve an operational function.

For corporations subject to the Wisconsin income tax rather than the franchise tax, nontaxable income includes interest on United States government obligations. **Note:** Expenses related to nontaxable income aren't deductible and must be added to federal taxable income on Schedule V, line 5.

■ ***Line 7. Foreign Taxes –*** Enter foreign taxes paid or accrued during the year that aren't deducted in computing federal taxable income and aren't included on Schedule W, line 5.

■ ***Line 8. Cost Depletion –*** Enter cost depletion that wasn't deducted in computing federal taxable income. **Note:** Percentage depletion isn't deductible for Wisconsin and must be added to federal taxable income on Schedule V, line 6.

■ ***Line 9. Depreciation/Amortization –*** Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Refer to the instructions for Schedule V, line 8, for a detailed discussion of depreciation and amortization. Provide a schedule showing the computation details.

■ ***Line 10. Basis Differences –*** Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 9, for an example. Provide a schedule showing the computation details.

■ ***Line 11. Federal Work Opportunity Credit Wages –*** Enter wages not deductible in computing federal income as a result of being used in computing the federal work opportunity tax credit.

■ ***Line 12. Federal Research Credit Expenses –*** Enter research expenses not deductible in computing federal income as a result of being used in computing the federal credit for increasing research activities.

■ ***Line 13. Other Subtractions –*** Enter any other subtractions from federal income. These could include:

- Adjustments required as a result of changes made to the IRC which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Development zones investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.
- Separately stated items of expense and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.

■ ***Line 15. Job Creation Deduction –*** Enter the job creation deduction from line 7 of Schedule JC. See Schedule JC for further information regarding the job creation deduction.

■ **Line 6. Wisconsin Net Business Loss Carryforward** – Enter the total Wisconsin net business loss carryforward from Form 4BL, line 30. The instructions for Form 4BL are included with the form.

If line 5 is zero or a loss, do not fill in line 6. If the net business loss carryforward from Form 4BL exceeds the income reported on line 5, do not enter more than the amount on line 5. Regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, and financial asset securitization investment trusts enter zero.

■ **Line 7. Wisconsin Net Income (Loss)** – Subtract line 6 from line 5. If line 5 shows a loss, enter the loss from line 5 on line 7.

■ **Line 8. Gross Tax** – Enter 7.9% of the Wisconsin net income reported on line 7.

■ **Line 9. Nonrefundable Credits** – Enter any nonrefundable credits the corporation is claiming from Schedule CR, line 48. However, you may not offset these credits against the economic development surcharge.

To determine if the corporation qualifies for any credits, see Publication 123, *Business Tax Credits for 2010* (available on the Department of Revenue's web site at www.revenue.wi.gov/html/taxpubs.html#business). To claim a credit, complete the appropriate credit schedule as instructed by Publication 123, enter the credit amount on the appropriate line of Schedule CR, and submit the credit schedule and Schedule CR with your return.

If you are claiming more than one credit, you must claim the credits in a specific order. See the Schedule CR instructions for details.

■ **Line 10. Relocated Business Credit** – If qualified to claim the relocated business credit, check the box on line 10 and enter the balance remaining after subtracting line 9 from line 8;. If not qualified to claim the relocated business credit, enter 0. See the Schedule RB instructions for further information.

■ **Line 11. Net Tax** – Subtract lines 9 and 10 from line 8. If lines 9 and 10 are more than line 8, enter zero.

■ **Line 12. Economic Development Surcharge** – Enter the greater of $25 or 3% of the gross tax on line 8, but not more than $9,800. However, the following corporations should enter zero on line 12:

- Domestic corporations that don't have any business activities in Wisconsin
- Foreign corporations that don't have nexus with Wisconsin, unless the foreign corporation is part of a combined group that has nexus in Wisconsin.
- Corporations that have less than $4 million of gross receipts from all activities.
- Nuclear decommissioning trust funds.

■ **Line 13. Endangered Resources Donation** – Your donation supports the preservation and management of more than 200 endangered and threatened Wisconsin plants and animals. It also helps protect Wisconsin's finest remaining examples of prairies, forests, and wetlands.

Support endangered resources in Wisconsin. Fill in line 13 with the amount you wish to donate. Your gift will either reduce your refund or be added to tax due. You can also send a check directly to the Endangered Resources Fund, Department of Natural Resources, PO Box 7921, Madison, WI 53707-7921.

■ **Line 14. Veterans Trust Fund Donation –** You may designate an amount as a veterans trust fund donation. Your donation will be used by the Wisconsin Department of Veterans Affairs for the benefit of veterans or their dependents.

Fill in line 14 with the amount you wish to donate. Your donation will either reduce your refund or be added to tax due.

■ **Line 16. Estimated Tax Payments** – Enter estimated tax payments made by the corporation or overpayments applied from prior years' returns, minus any "quick refund" applied for on Form 4466W. *You cannot claim estimated tax payments that were made by a related corporation.*

■ **Line 17. Wisconsin Tax Withheld –** Enter your share of Wisconsin tax withheld from pass-through entities of which you are a member, as reported on Wisconsin Schedules 3K-1 and 2K-1. Include a copy of the Schedule 3K-1 or 2K-1, as applicable, with the tax return that you file. Also enter the amount of Wisconsin tax withheld from lottery prizes.

If this is an amended return, enter the Wisconsin tax withheld reported on your original return, unless the amount you originally reported was incorrect.

■ **Line 18. Refundable Credits –** Enter any refundable credits the corporation is claiming from Schedule CR, line 51. To determine if the corporation qualifies for any credits, see Publication 123, *Business Tax Credits for 2010* (available on the Department's web site at www.revenue.wi.gov/html/taxpubs.html#business). To claim a credit, complete the appropriate credit schedule as instructed by Publication 123, enter the credit amount on the appropriate line of Schedule CR, and submit the credit schedule and Schedule CR with your return.

■ **Line 19. Amended Return - Amount Previously Paid -** Complete this line only if this is an amended 2011 Form 5. Fill in the amount of tax you paid with your original Form 5 plus any additional amounts paid after it was filed.

If you did not pay the full amount shown on your original Form 5, 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 2011 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 21. Amended Return - Amount Previously Refunded -** Complete this line only if this is an amended 2011 Form 5. Fill in the refund from your original 2011 return (not including the amount applied to your 2012 estimated tax).

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 2011 return was adjusted by the department, fill in the refund shown on the adjustment notice you received. If the adjustment notice shows a tax due rather than a refund, complete line 19 instead of line 21.

■ **Line 23. Interest, Penalty, and Late Fee Due –** Enter any interest, penalty, and late fee due from Form 4U, line 17 or 26. Check the designated line if you computed underpayment interest using the annualized income installment method on Form 4U, page 2.

If you are filing an amended return and you were previously assessed interest for underpayment of estimated taxes, complete an amended Form 4U, Part I, based on the total of the amounts shown on lines 11 and 12. Enter the difference between the underpayment interest from the amended Form 4U, line 17, and the amount you previously paid on line 23. Show an overpayment as a negative number. File Form 4U with your amended return. Otherwise, leave line 23 blank. The Department will compute interest on the amount of refund approved or tax owed.

■ **Line 24. Tax Due –** If the total of lines 15 and 23 is larger than line 22, subtract line 22 from the total of lines 15 and 23. Pay by electronic funds transfer or mail your check with a 2011 Form 4-ES, *Corporation Estimated Tax Voucher,* to the address shown on the voucher. **Otherwise, use paper clips to fasten your check to the front of Form 5**.

■ **Line 25. Overpayment** – If line 22 is larger than the total of lines 15 and 23, subtract the total of lines 15 and 23 from line 22.

> **NOTE:** If you must recapture development zones investment credit because the property is disposed of or ceases to be qualified property before the end of the recapture period, add the amount from Schedule DC, line 34, to the tax due on line 24 or reduce the overpayment on line 25.

■ **Line 26. 2012 Estimated Tax –** Enter the amount of any overpayment from line 25 that is to be credited to the corporation's 2012 estimated tax. The balance of any overpayment will be refunded. An overpayment shown on a corporation's final return will be refunded to the corporation that made the payments. You cannot claim these payments on the surviving corporation's return in a merger situation.

If this is an amended return and you have already filed your 2012 return, enter the overpayment that you claimed as a credit on your 2012 return from your previously filed original or amended 2011 return. Otherwise, you may allocate the overpayment from line 25 between line 26 and line 27 as you choose.

Lines 28 through 32

■ **Line 28. Gross Receipts –** Enter total company gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

■ **Line 29. Total Assets** – Enter the total company assets from the federal return.

■ **Lines 30 and 31** – Provide the requested information and answer the question.

■ **Line 32. Uncertain Tax Positions.** If you were required to file federal Schedule UTP-Uncertain Tax Position Statement, include a copy of the schedule with your Wisconsin tax return.

Additional Information, Signatures, and Supplemental Schedules

■ **Additional Information** – Provide the requested information. For item 3 (relating to use tax) and item 4 (relating to IRS adjustments) refer to the general instructions earlier in this booklet.

■ **Signatures –** An officer of the corporation must sign the form at the bottom of page 2. If the return is prepared by someone other than an employee of the corporation, the individual who prepared the return must sign the form, by hand, in the space provided for the preparer's signature and furnish the preparing firm's federal employer identification number. A self-employed individual must enter "SSN" or "PTIN" and the social security number or preparer tax identification number in the space for the preparer's federal employer identification number.

■ **Supplemental Schedules** – File the following items as supplemental schedules to your Form 5:

- Your federal return with all supporting schedules.
- If you are filing a federal consolidated return, a breakdown by individual company or a copy of the pro forma federal return for each corporation in the consolidated group.
- A list of your solely owned LLCs.
- Any extension of time to file your return.
- Supporting schedules for Form 5 (supporting schedules that are not Department-prescribed forms may be submitted as Portable Document Files (*.pdf) with electronic returns).

If you have an approved electronic filing waiver and must file Form 5 on paper, **do not staple, fasten or bind these supplemental schedules to your return. Use paper clips instead.**

Special Instructions for Certain Entities

Personal Holding Companies and Lottery Prizes

For taxable years beginning prior to January 1, 2009, the intangible income of a personal holding company was generally allocated to the personal holding company's state of incorporation. The 2009 Wisconsin Act 2 repealed this particular treatment for personal holding companies effective for taxable years beginning on or after January 1, 2009. "Personal holding company" has the meaning prescribed in IRC section 542 in effect on December 31, 1974.

The treatment of lottery prizes has not changed. Income that is realized from the sale of or purchase and subsequent sale or redemption of lottery prizes shall be allocated to Wisconsin if the winning tickets were originally bought in Wisconsin.

Foreign Sales Corporations (FSCs)

FSCs no longer receive special treatment for Wisconsin. The income and tax of FSCs are computed in the same manner as for other corporations.

Interest Charge Domestic International Sales Corporations (IC-DISCs)

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

RICs, REMICs, REITs, and FASITs

Depreciation Differences. For corporations that qualify as regulated investment companies (RICs), real estate mortgage investment conduits (REMICs), or real estate investment trusts (REITs) under the IRC, the following depreciation differences apply:

- Depreciation and amortization on property located outside Wisconsin and placed in service on or after January 1, 1983, and before January 1, 1987, were to be determined under the December 31, 1980, IRC. However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Corporations have the option of either claiming the same depreciation deduction as for federal purposes, or continuing their present method of depreciation.
- IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes.
- Depreciation for residential real property and property used in farming (if the corporation's Wisconsin gross farm receipts or sales exceeded $155,000 for the 1986 taxable year), acquired in the 1986 taxable year, but before January 1, 1987, must be determined under the December 31, 1980, IRC.

Other Federal-Wisconsin Adjustments. The only adjustments that RICs, REMICs, qualified REITs, and FASITs must make to federal taxable income to arrive at Wisconsin net income are:

- Those necessary to account for the depreciation and amortization differences described above,
- Differences in depreciation because Wisconsin follows the federal depreciation and amortization provisions in effect as of December 31, 2000,
- Any difference in the Wisconsin and federal basis of any asset disposed of in a taxable transaction, and
- Any other adjustment needed for changes made to the IRC that don't apply for Wisconsin.

All other adjustments listed on Schedules V and W don't apply to RICs, REMICs, qualified REITs, and FASITs.

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

FASITs. The special rules for financial asset securitization investment trusts (FASITs) generally do not apply after 2004.

S Corporations That Aren't Wisconsin Tax-Option (S) Corporations

For corporations that are treated as S corporations federally but have elected not to be treated as Wisconsin tax-option (S) corporations, enter the ordinary income or loss from federal Form 1120S, line 21 on line 1 of Form 5.

These corporations determine their Wisconsin net income under the Wisconsin corporate franchise and income tax law (secs. 71.22 and 71.26(2) and (3), Wis. Stats.), the same as any other corporation. Therefore, adjustments are required on Schedules V and W for separately stated items of income and expense and any other differences between the federal computation of S corporation income and deduction items and the Wisconsin computation of a regular (C) corporation's net income.

Obtaining Forms and Assistance

If you need forms or publications, you may:

- Download them from the Department's Internet web site at www.revenue.wi.gov.
- Request them online at www.revenue.wi.gov.
- Call (608) 266-1961.
- Call or visit any Department of Revenue office.

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

- E-mail your question to corp@revenue.wi.gov.
- Send a FAX to (608) 267-0834.
- Call (608) 266-2772.
  (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)
- Write to the Corporation Franchise/Income Tax Assistance, Wisconsin Department of Revenue, PO Box 8906, Madison, WI 53708-8906.
- Call or visit any Department of Revenue office.

Form **5** ***Wisconsin Corporation Franchise or Income Tax Return***

2011

For 2011 or taxable year beginning ___ ___ ___ ___ ___ ___ ___ ___ (M M D D C C Y Y) and ending ___ ___ ___ ___ ___ ___ ___ ___ (M M D D C C Y Y).

Complete form using BLACK INK. **Due Date:** 15th day of 3rd month following close of taxable year.

DO NOT STAPLE OR BIND

Corporation Name

Number and Street			Suite Number
City	State	ZIP (+ 4 digit suffix if known)	**A** Federal Employer ID Number

D Check ✓ if applicable and attach explanation:

1 ___ Amended return

2 ___ First return - new corporation or entering Wisconsin

3 ___ Final return - corporation dissolved or withdrew

4 ___ Short period - change in accounting period

5 ___ Short period - stock purchase or sale

B Business Activity (NAICS) Code

C State of Incorporation and Year

Enter abbreviation of state in box, or if a foreign country, enter below.

C C Y Y

Check ✓ if applicable and see instructions:

E ___ If you have an extension of time to file, enter extended due date ___ ___ ___ ___ ___ ___ ___ ___ (M M D D C C Y Y)

F ___ If no business was transacted in Wisconsin during the taxable year, attach a complete copy of your federal return.

G ___ If you have related entity expenses and are required to file Schedule RT with this return.

H ___ If you filed a federal consolidated return, enter Parent Company's federal employer ID number ▶ ____________

IF NO ENTRY ON A LINE, LEAVE BLANK

ENTER NEGATIVE NUMBERS LIKE THIS → –1000 NOT LIKE THIS → (1000) **NO COMMAS; NO CENTS**

PAPER CLIP check or money order here

1	Federal taxable income from Form 1120, line 28	1	.00
2	Additions (from Schedule V, line 13)	2	.00
3	Add lines 1 and 2	3	.00
4	Subtractions (from Schedule W, line 16)	4	.00
5	Subtract line 4 from line 3. This is net income (loss) before net business loss offset	5	.00
6	Wisconsin net business loss carryforward (from Form 4BL, line 30) but not more than line 5.	6	.00
7	Subtract line 6 from line 5. This is Wisconsin net income (loss) ▶	7	.00
8	Enter 7.9% (0.079) of Wisconsin net income on line 7. This is gross tax	8	.00
9	Nonrefundable credits (from Schedule CR, line 48)	9	.00
10	Relocated business credit. If qualified, subtract line 9 from line 8. If not qualified, enter 0. (See instructions). Check here if claimed ___	10	.00
11	Subtract lines 9 and 10 from line 8. If lines 9 and 10 are more than line 8, enter zero (0). This is net tax	11	.00
12	Economic development surcharge (see instructions)	12	.00
13	Endangered resources donation (decreases refund or increases amount owed)	13	.00
14	Veterans trust fund donation (decreases refund or increases amount owed) VETS	14	.00
15	Add lines 11 through 14	15	.00
16	Estimated tax payments less refund from Form 4466W. 16 .00		
17	Wisconsin tax withheld 17 .00		

18	Refundable credits (from Schedule CR, line 51)	18	.00	
19	Amended Return Only – amount previously paid	19	.00	
20	Add lines 16 through 19		20	.00
21	Amended Return Only – amount previously refunded	21	.00	
22	Subtract line 21 from 20		22	.00
23	Interest, penalty, and late fee due (from Form 4U, line 17 or 26) If you annualized income of Form 4U, check (✓) the space after the arrow ▶ ___		23	.00
24	**Tax Due.** If the total of lines 15 and 23 is greater than line 22, subtract line 22 from the total of lines 15 and 23		24	.00
25	**Overpayment.** If line 22 is larger than the total of lines 15 and 23, subtract the total of lines 15 and 23 from line 22		25	.00
26	Enter amount from line 25 you want credited on 2012 estimated tax		26	.00
27	Subtract line 26 from line 25. **This is your refund**		27	.00
28	Enter total company gross receipts from all activities (see instructions)		28	.00
29	Enter total company assets from federal Form 1120		29	.00

30 If the corporation is the sole owner of any limited liability companies (LLCs), enter the names and FEINs of those LLCs below. Submit an additional schedule if necessary.

Name of LLC	FEIN

31 Did you include the income of the LLCs listed on line 30 on this return? ___ Yes ___ No

32 Did you file federal Schedule UTP – Uncertain Tax Position statement with the Internal Revenue Service?
___ Yes ___ No If yes, enclose federal Schedule UTP with your Wisconsin tax return.

Additional Information Required

1 Person to contact concerning this return: ______________ Phone #:__________ Fax #:__________

2 City and state where books and records are located for audit purposes: ______________

3 Did you purchase any taxable tangible personal property or taxable services for storage, use, or consumption in Wisconsin without payment of a state sales or use tax? ___ Yes ___ No If yes, you owe Wisconsin use tax. See instructions for how to report use tax.

4 Did any adjustments made by the Internal Revenue Service to your income for prior years become finalized during this year? ___ Yes ___ No
If yes, see instructions and indicate years adjusted: ______________

Under penalties of law, I declare that this return and all attachments are true, correct, and complete to the best of my knowledge and belief.

Signature of Officer ▶	Title	Date
Preparer's Signature ▶	Preparer's Federal Employer ID Number	Date

You must file a copy of your federal return with Form 5, even if no Wisconsin activity.

If you are not filing your return electronically,
make your check payable to and mail your return to:

Wisconsin Department of Revenue
PO Box 8908
Madison, WI 53708-8908

Schedule **V**

Wisconsin Department of Revenue

Wisconsin Additions to Federal Income

File with Wisconsin Form 4 or 5

Read instructions before filling in this schedule

2011

Corporation or Designated Agent Name	Federal Employer ID Number

1	Interest income from state and municipal obligations	1	.00
2	State taxes accrued or paid	2	.00
3	Related entity expenses (from Schedule RT, Part I, Sch. 2K-1, and Sch. 3K-1)	3	.00
4	Domestic production activities deduction	4	.00
5	Expenses related to nontaxable income	5	.00
6	Percentage depletion	6	.00
7	Federal section 179 expense deduction in excess of Wisconsin deduction	7	.00
8	Federal depreciation/amortization in excess of Wisconsin depreciation/amortization *(attach schedule)*	8	.00
9	Amount by which the federal basis of assets disposed of exceeds the Wisconsin basis *(attach schedule)*	9	.00
10	Total additions for certain credits computed (see instructions)	10	.00
11	Special additions for insurance companies (from Schedule 4I, line 4)	11	.00
12	Other (list):		

a		.00
b		.00
c		.00
d		.00
e		.00
f		.00
g		.00
h		.00

	Add lines 12a through 12h	12	.00
13	Total (enter on Form 4 or 5, page 1, line 2)	13	.00

Instructions for 2011 Schedule V: Wisconsin Additions to Federal Income

Purpose of Schedule V

Corporations and combined groups complete Schedule V to report addition modifications that are needed to account for differences between taxable income under Wisconsin law and under federal law. The corporation or combined group files Schedule V with its Wisconsin Form 4 or Form 5.

Special Instructions for Combined Groups

For combined groups, you do not need to file more than one Schedule V. Instead, you may aggregate all combined group members' additions to federal income on one Schedule V and submit a supplemental schedule showing the amount of each addition modification attributable to each member.

> **CAUTION:** When completing Schedule V for a combined group, make sure that the amounts you are adding are attributable to corporations that are members of the group. Do not make addition modifications for corporations that are in the federal consolidated return but aren't members of the combined group.

Line-by-Line Instructions

■ **Line 1. Interest Income –** Enter interest income received on state and municipal obligations and any other interest income that is exempt from federal income tax and isn't included in federal taxable income.

Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn't enter interest income on line 1 that is exempt from income tax under both Wisconsin and federal law. This includes interest on the following types of obligations:

- Public housing authority or community development authority bonds issued by municipalities located in Wisconsin
- Wisconsin Housing Finance Authority bonds
- Wisconsin municipal redevelopment authority bonds
- Wisconsin higher education bonds
- Wisconsin Housing and Economic Development Authority bonds issued on or after December 11, 2003, to fund multifamily affordable housing or elderly housing projects
- Wisconsin Housing and Economic Development Authority bonds issued before January 29, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds
- Public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest therefrom qualifies for exemption from federal taxation for a reason other than or in addition to section 103 of the IRC
- Local exposition district bonds
- Wisconsin professional baseball park district bonds
- Bonds issued by the Government of Puerto Rico, Guam, the Virgin Islands or, for bonds issued after October 16, 2004, the Government of American Samoa
- Local cultural arts district bonds
- Wisconsin professional football stadium bonds
- Wisconsin Aerospace Authority bonds
- Bonds issued on or after October 27, 2007, by the Wisconsin Health and Education Facilities Authority to fund acquisition of information technology hardware or software
- Southeast Regional Transit Authority bonds
- Conduit revenue bonds issued under sec. 66.0304, Wis. Stats., if the bonds or notes are used to fund multifamily affordable housing projects or elderly housing projects in Wisconsin and the Wisconsin Health and Education Facilities Authority has the authority to issue the bonds. The bonds or notes are used by a health facility to fund the acquisition of information technology hardware or software in Wisconsin and the Wisconsin Health and Educational Facilities Authority has the authority to issue the bonds. Bonds or notes issued to fund a redevelopment project or housing project in Wisconsin.
- Bonds issued by the Wisconsin Housing and Economic Development Authority to provide loans to a public affairs network

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

NOTE: The state taxes you add back on line 2 should include all components of the Michigan Business Tax and the Texas Margins Tax regardless of which computation is used. However, the Ohio Commercial Activity Tax is not required to be added back since it is deductible.

■ **Line 3. Related Entity Expenses –** A corporation must make an addition modification to "add back" expenses attributable to transactions with related parties. The expenses that must be added back include the following, if paid, accrued, or incurred to a related entity:

- Interest expenses
- Rent expenses
- Management fees
- Intangible expenses

However, if the corporation is a combined group member and pays, accrues, or incurs one of these types of expenses to another member of the same combined group, you do not need to add those expenses back if the net effect of the transaction on combined unitary income was zero (in other words, if the payer's expense and the corresponding income of the member to which the expense was paid are both included in combined unitary income so that they cancel each other out).

Corporations that are partners, members, or beneficiaries of pass-through entities must include on line 3 their share of the pass through entity's related entity expenses shown on line 21a of Schedule 3K-1 and line 14a of Schedule 2K-1, as applicable.

NOTE: If the corporation meets one of the specific conditions provided in the Wisconsin Statutes, the corporation may take a subtraction modification on Schedule W for some or all of the amount added back on Schedule V, line 3. See the instructions for Schedule W, line 2 for details.

Definitions Applicable to Line 3. In determining whether an addback of related entity expenses is necessary, the following definitions apply:

"Related entity" – A related person under one of the following sections of the Internal Revenue Code (IRC):

- Section 267(b), which defines relationships through which taxpayers would be considered "related" for purposes of the disallowance of deduction or loss on transactions between related taxpayers
- Section 1563, relating to controlled groups of corporations, which is incorporated into section 267 by reference
- Section 707(b), relating to partners of partnerships, which is also incorporated into section 267 by reference

A "related entity" also includes certain real estate investment trusts (REITs) if they are not "qualified REITs." For more on qualified REITs, see *Wisconsin Tax Bulletin* #158, page 17, Questions A2 and A3.

"Interest expenses" – Interest that would otherwise be deductible under section 163 of the IRC and otherwise deductible in the computation of Wisconsin income.

"Rent expenses" – Gross amounts that would otherwise be deductible under the IRC, as modified for Wisconsin purposes, for the use of, or the right to use, real property and tangible personal property in connection with real property, including services rendered in connection with such property, regardless of how reported for financial accounting purposes and regardless of how computed.

"Management fees" – Expenses and costs, not including interest expenses, pertaining to accounts receivable, accounts payable, employee benefit plans, insurance, legal matters, payroll, data processing, purchasing, taxation, financial matters, securities, accounting, or reporting on compliance matters or similar activities, to the extent that the amounts would otherwise be deductible in determining net income under the IRC as modified for Wisconsin purposes.

"Intangible expenses" – Any of the following, to the extent the amounts would otherwise be deductible in determining net income under the IRC as modified for Wisconsin purposes:

- Expenses, losses, or costs for, related to, or directly or indirectly in connection with, the acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property
- Losses related to, or incurred in connection directly or indirectly with, factoring transactions or discounting transactions
- Royalty, patent, technical, and copyright fees
- Licensing fees

If a corporation purchases an amortizable intangible asset from a related entity, the amortization expenses on that asset are considered intangible expenses and should be added back.

Schedule RT Filing Requirement for Amount on Line 3. If the amount a corporation reports on line 3 of Schedule V exceeds $100,000, the corporation must file Schedule RT, *Wisconsin Related Entity Expenses Disclosure Statement*, with its return. However, for corporations and combined groups using apportionment, you may multiply the amount on line 3 by the apportionment percentage (Form 4, line 8) for purposes of determining whether you meet the $100,000 threshold for filing Schedule RT.

CAUTION: Don't forget to file Schedule RT if the amount on line 3, multiplied by the amount on Form 4, line 8, is greater than $100,000.

■ **Line 4. Domestic Production Activities Deduction –** Enter the amount of domestic production activities deduction (also called "section 199 deduction") included in federal taxable income. For taxable years beginning on or after January 1, 2009, Wisconsin does not allow the federal domestic production activities deduction.

■ **Line 5. Expenses Related to Nontaxable Income –** Enter expenses included in federal taxable income that are directly or indirectly related to nontaxable income. Refer to the specific instructions for Schedule W, line 6, for an explanation of "nontaxable income." Examples of expenses related to nontaxable income include taxes, interest, and administrative fees related to the production of nontaxable income.

Also enter on this line any losses included in federal taxable income from disposing of assets, if gains from disposing those assets would have been nontaxable income if the assets were disposed of at a gain.

■ **Line 6. Percentage Depletion –** Enter percentage depletion deducted in computing federal taxable income. Percentage depletion is not allowed for Wisconsin purposes. However, cost depletion is allowed. See the instructions for Schedule W, line 8.

■ **Line 7. Section 179 Expense –** Enter the amount by which the federal section 179 expense deduction exceeds the Wisconsin deduction. For Wisconsin purposes, the section 179 expense is limited to $25,000 and phases out at $200,000 of qualifying property.

In the case of a combined group, the section 179 expense limitation applies to the group as a whole, in the same way it would apply to a federal controlled group as provided in section 179(d)(6) of the IRC.

NOTE: For a combined group, apply the section 179 expense limitation to the entire group as if it is a single corporation.

For further information about the differences between the limitations for federal and Wisconsin purposes, see the section titled *Conformity with Internal Revenue Code and Exceptions* in the Form 4 or Form 5 instructions, as applicable.

■ **Line 8. Depreciation/Amortization –** Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction. Include a schedule showing the computation details.

These differences can happen because of IRC sections not adopted for Wisconsin purposes and also because of differences that existed between Wisconsin and federal law for assets placed in service before January 1, 1987.

CAUTION: For assets first placed in service in taxable years beginning on or after January 1, 2001, you must compute depreciation or amortization under the Internal Revenue Code as amended to December 31, 2000.

For further information about the differences between federal and Wisconsin basis and depreciation, see the section titled *Conformity with Internal Revenue Code and Exceptions* in the Form 4 or Form 5 instructions, as applicable.

■ **Line 9. Basis Differences for Assets Disposed –** Enter the amount by which the federal basis of assets disposed of exceeds the Wisconsin basis. If more than one asset is disposed of, you may combine the bases of the assets so that you need only one entry on either this line or Schedule W, line 10. Provide a schedule showing the computation details.

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

	Federal Basis	**Wisconsin Basis**	**Difference**
Equipment	$1,500	$500	$1,000
Machinery	1,000	2,000	(1,000)
Building	20,000	10,000	10,000
Totals	$22,500	$12,500	$10,000

The amount to enter on Schedule V, line 9, would be $10,000. If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 10, instead.

The modification on line 9 may also apply in cases where a parent corporation disposes of subsidiary stock for which the basis is determined under Treas. Reg. §1.1502-32. See s. Tax 2.61(6)(f), Wisconsin Administrative Code, for details.

■ **Line 10. Addition for Credits Computed –** Enter the total amount of credits from the list provided that you computed on your 2011 return. In the case of a combined group, enter the total amount of these credits computed by all combined group members on the 2011 combined return. If you have a credit that is not on the list provided for line 10, do not include that credit in the amount on line 10.

- Beginning farmer and farm asset owner credit (Sch. FL, line 2 or 6 or 6b)
- Community development finance credit (Sch. CR, line 41)
- Community rehabilitation program credit (Sch. CM, line 5 or 5b)
- Dairy and livestock farm investment credit (Sch. DI, line 7 or 7b)
- Dairy manufacturing facility investment credit (Sch. DM, line 11)
- Development zones credits (Sch. DC, lines 5, 13, and 21, or 5b, 13b, and 21b)
- Economic development credit (Sch. ED, line 3 or 3b)
- Enterprise zone jobs credit (Sch. EC, line 3 or 3b)
- Ethanol and biodiesel fuel pump credit (Sch. EB, line 5 or 5b)
- Farmland preservation credit (from prior Sch. FC, line 18 or Sch. FC-A, line 13)
- Film production credits (Sch. FP, lines 3, 6, or 3b, 6b)
- Health insurance risk-sharing plan assessments credit (Sch. HI, line 4)
- Internet equipment credit (Sch. IE, line 3 or 3b)
- Manufacturing investment credit (Sch. MI, line 4 or 4b)
- Meat processing facility investment credit (Sch. MP, line 7 or 7b)
- Research credits (Sch. R, line 15 or 28, line 32, and line 42)
- Additional research credits (Sch. R-1 and R-2, line 14 or 27 and line 31)
- Technology zone credit (Sch. TC, line 6 or 6b)
- Food processing plant and food warehouse investment credit (Sch. FW, line 7 or 7b)
- Jobs tax credit (Sch. JT, line 5 or 5b)
- Postsecondary education credit (Sch. PE, line 5 or 5b)
- Woody biomass harvesting and processing credit (Sch. WB, line 5 or 5b)
- Water consumption credit (Sch. WC, line 8 or 8b)

■ **Line 11. Special Additions for Insurance Companies –** If the corporation is an insurance company, or in the case of a combined group, if any member of the combined group is an insurance company, you must complete Schedule 4I to account for addition modifications that are unique to insurance companies. Enter the total from Schedule 4I, line 4 on Schedule V, line 11.

■ **Line 12. Other Additions –** Enter any other additions to federal income. These could include:

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

Additional Information and Assistance

Web Resources. The Department of Revenue has a web page dedicated to combined reporting issues, including:

- Frequently asked questions
- Training materials
- Links to Administrative Code sections that relate to combined reporting
- Articles on combined reporting

Access the combined reporting web page at: http://www.revenue.wi.gov/combrept/index.html

For questions that do not relate to combined reporting, the web page also has a library of frequently asked questions on general business tax topics, available at: http://www.revenue.wi.gov/faqs/index.html

Contact Information. If you cannot find the answer to your question in the resources available on the Department of Revenue's web page, contact the Department using any of the following methods:

- E-mail your question to corp@revenue.wi.gov
- Call (608) 266-2772

  (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.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906

Schedule **W**

Wisconsin Department of Revenue

Wisconsin Subtractions From Federal Income

File with Wisconsin Form 4 or 5

Read instructions before filling in this schedule

2011

Corporation or Designated Agent Name	Federal Employer ID Number

1	Wisconsin subtraction modification for dividends (from Sch. Y, line 4)	1	.00
2	Related entity expenses eligible for subtraction (from Schedule RT, Part II, Sch. 2K-1, and Sch. 3K-1)	2	.00
3	Income from related entities whose expenses were disallowed (obtain Schedule RT-1 from related entity and submit with your return)	3	.00
4	Subpart F income	4	.00
5	Gross-up of foreign dividend income	5	.00
6	Nontaxable income *(attach schedule)*	6	.00
7	Foreign taxes (do not include deemed taxes)	7	.00
8	Cost depletion	8	.00
9	Wisconsin depreciation/amortization in excess of federal depreciation/amortization *(attach schedule)*	9	.00
10	Amount by which the Wisconsin basis of assets disposed of exceeds the federal basis *(attach schedule)*	10	.00
11	Federal work opportunity credit wages	11	.00
12	Federal research credit expenses	12	.00
13	Other (list, but do not include any adjustment for nontaxable income from life insurance operations)		

a		.00
b		.00
c		.00
d		.00
e		.00
f		.00
g		.00
h		.00

	Add lines 13a through 13h	13	.00
14	Nontaxable income from life insurance operations (from Schedule 4I, line 13)	14	.00
15	Job creation deduction (from line 7 of Schedule JC)	15	.00
	Enter number of members from combined group claiming job creation deduction		__ __ __ __
16	Total (enter on Form 4 or 5, page 1, line 4)	16	.00

Instructions for 2011 Schedule W: Wisconsin Subtractions from Federal Income

Purpose of Schedule W

Corporations and combined groups complete Schedule W to report subtraction modifications that are needed to account for differences between taxable income under Wisconsin law and under federal law. The corporation or combined group files Schedule W with its Wisconsin Form 4 or Form 5.

Special Instructions for Combined Groups

For combined groups, you do not need to file more than one Schedule W. Instead, you may aggregate all combined group members' subtractions from federal income on one Schedule W and submit a supplemental schedule showing the amount of each subtraction modification attributable to each member.

CAUTION: When completing Schedule W for a combined group, make sure that the amounts you are subtracting were included in the amount on Form 4, line 1 to begin with. Do not make subtraction modifications for corporations that are in the federal consolidated return but that aren't members of the combined group.

Line-by-Line Instructions

■ **Line 1. Wisconsin Subtraction Modification for Dividends –** Enter the total from line 4 of Schedule Y. See the Schedule Y instructions for an explanation of dividends that are eligible for the subtraction.

■ **Line 2. Related Entity Expenses –** If the corporation or combined group made an addition modification for related entity expenses on Schedule V, line 3, this is where you report the amount that qualifies for a deduction. Enter the amount of the expenses from Schedule V, line 3, that are deductible using the criteria described in *Conditions for Deducting Related Entity Expenses*, below.

For corporations that are partners, members, or beneficiaries of pass-through entities, also include the amount of allowable related entity expense reported on line 21b of Schedule 3K-1 and on line 14b of Schedule 2K-1, as applicable.

Conditions for Deducting Related Entity Expenses. Section 71.80(23)(a)3., Wis. Stats., provides that a related entity expense that was added back on Schedule V, line 3, qualifies for a deduction if all of the following conditions are met:

- The primary motivation for the transaction was one or more business purposes other than the avoidance or reduction of state income or franchise taxes;
- The transaction changed the economic position of the taxpayer in a meaningful way apart from tax effects; and
- The expenses were paid, accrued, or incurred using terms that reflect an arm's length relationship.

Factors that may indicate that the expense does not qualify for a deduction include the following:

- There was no actual transfer of funds from the taxpayer to the related entity, or the funds were substantially returned to the taxpayer, either directly or indirectly.
- If the transaction was entered on the advice of a tax advisor, the advisor's fee was determined by reference to the tax savings.
- The related entity does not regularly engage in similar transactions with unrelated parties on terms substantially similar to those of the subject transaction.
- The transaction was not entered into at terms comparable to arm's length as determined by Treas. Reg. 1.482-1(b).
- There was no realistic expectation of profit from the transaction apart from the tax benefits.
- The transaction resulted in improper matching of income and expenses.
- An expense for the transaction was accrued under FIN 48.

The statutes (sec. 71.80(23)(a)1. and 2., Wis. Stats.) provide some additional conditions under which a related entity expense may qualify for a deduction, subject to some important exceptions. Those conditions are:

- If the expense was paid to a related entity that is merely acting as a conduit between the taxpayer and an unrelated entity, or
- If the related entity was subject to a tax measured by net income or receipts and the net in-

come or receipts of the transaction were included in its tax base.

More Information on Related Entity Expenses. For more information on the deductibility of related entity expenses, see the Schedule RT instructions. Even if you weren't required to file Schedule RT for the expenses you added back on Schedule V, the instructions to Schedule RT provide helpful information regarding deductibility of related entity expenses.

■ **Line 3. Income from Related Entities Whose Expenses Were Disallowed –** If the corporation, or any corporation in the combined group, has income from a related entity which paid, accrued, or incurred expenses to the corporation, and that related entity could not deduct those expenses according to the instructions for line 2, the corporation may subtract the corresponding income from its taxable income.

In order to claim a subtraction on line 3, the corporation must obtain Schedule RT-1 from the related entity and submit Schedule RT-1 with Schedule W. See the Schedule RT-1 instructions for further details.

■ **Line 4. Subpart F Income –** Enter income from controlled foreign corporations under Subpart F of the Internal Revenue Code as reported on Form 1120, Schedule C, line 14. For combined groups, enter the amount of Subpart F income that is included in the amount on Form 4, line 1. This may be the sum of the amounts from Form 1120, Schedule C, line 14 for more than one company.

■ **Line 5. Foreign Dividend Gross-Up –** Enter foreign dividend gross-up reported on Form 1120, Schedule C, line 15. For combined groups, enter the amount of foreign dividend gross-up income that is included in the amount on Form 4, line 1. This may be the sum of the amounts from Form 1120, Schedule C, line 15 for more than one company.

■ **Line 6. Nontaxable Income –** Enter nontaxable income included in computing federal taxable income. Include a schedule with your return showing the payers and amounts of nontaxable income and explaining why that income isn't taxable.

Interest, dividends, and capital gains from the disposition of intangible assets are nontaxable if both of the following are true:

- The operations of the payer are not unitary with those of the payee, and
- The payer and payee are not related as parent company and subsidiary or affiliates and the investment activity from which the income is received is not an integral part of a unitary business.

Income may also be nontaxable under the principles of the U.S. Supreme Court decision in *Allied-Signal v. Director, Div. of Taxation*, 504 U.S. 768 (1992), if the investment is passive and does not serve an operational function.

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

CAUTION: Expenses related to nontaxable income aren't deductible and must be added to federal taxable income on Schedule V, line 5.

■ **Line 7. Foreign Taxes –** Enter foreign taxes paid or accrued during the year that aren't deducted in computing federal taxable income and aren't included on Schedule W, line 5.

■ **Line 8. Cost Depletion –** Enter cost depletion that wasn't deducted in computing federal taxable income.

CAUTION: Percentage depletion isn't deductible for Wisconsin and must be added to federal taxable income on Schedule V, line 6.

■ **Line 9. Depreciation/Amortization –** Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Provide a schedule showing the computation details. For further information about the differences between federal and Wisconsin basis and depreciation, see the section titled *Conformity with Internal Revenue Code and Exceptions* in the Form 4 or Form 5 instructions, as applicable.

■ **Line 10. Basis Differences –** Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 9, for an example. Provide a schedule showing the computation details.

■ **Line 11. Federal Work Opportunity Credit Wages –** Enter wages that aren't deductible in computing federal income because they are being used in computing the federal work opportunity tax credit.

■ **Line 12. Federal Research Credit Expenses –** Enter research expenses that aren't deductible in computing federal income because they are being used in computing the federal credit for increasing research activities.

■ **Line 13. Other Subtractions –** Enter any other subtractions from federal income, except for the insurance company adjustment reportable on line 14. These other subtractions may include:

- Adjustments required as a result of changes made to the Internal Revenue Code which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Development zones investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.
- Separately stated items of expense and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.
- For credit unions, an adjustment to remove income from non-public deposits from Wisconsin income as described in the instructions to Schedule CU-1.

■ **Line 14. Nontaxable Income from Life Insurance Operations –** If the corporation, or any corporation in the combined group, is an insurance company that has both life insurance operations and non-life insurance operations, enter the amount of nontaxable income from life insurance operations as computed on Schedule 4I, line 13. See the Schedule 4I instructions for details.

■ **Line 15. Job Creation Deduction -** Enter the job creation deduction from line 7 of Schedule JC. The job creation deduction for combined return filers is determined by each member of the combined group separately. Each member of the combined group that is eligible to claim the job creation deduction should complete a Schedule JC and the designated agent filing Form 4 will enter the total from line 7 of all members' Schedules JC on line 15 of Schedule W.

Enter the number of members in the combined group claiming the job creation deduction in the line below and to the left of line 15. For more information regarding the job creation deduction, refer to Schedule JC.

Additional Information and Assistance

Web Resources. The Department of Revenue has a web page dedicated to combined reporting issues, including:

- Frequently asked questions
- Training materials
- Links to Administrative Code sections that relate to combined reporting
- Articles on combined reporting

Access the combined reporting web page at: http://www.revenue.wi.gov/combrept/index.html

For questions that do not relate to combined reporting, the web page also has a library of frequently asked questions on general business tax topics, available at: http://www.revenue.wi.gov/faqs/index.html

Contact Information. If you cannot find the answer to your question in the resources available on the Department of Revenue's web page, contact the Department using any of the following methods:

- E-mail your question to corp@revenue.wi.gov
- Call (608) 266-2772
  (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.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906

Schedule **Y**

Wisconsin Department of Revenue

Wisconsin Subtraction Modification for Dividends

File with Wisconsin Form 4 or 5

Read instructions before filling in this schedule

2011

Corporation or Designated Agent Name | Federal Employer ID Number

Dividends Received

1a Name of Payer Corporation | Date Acquired by Payee M M D D C C Y Y
Name of Payee Corporation | Payee's Ownership of Payer (check (√) one) ☐ > 70% ☐ > 50% but < or = 70% **1a** .00

1b Name of Payer Corporation | Date Acquired by Payee M M D D C C Y Y
Name of Payee Corporation | Payee's Ownership of Payer (check (√) one) ☐ > 70% ☐ > 50% but < or = 70% **1b** .00

1c Name of Payer Corporation | Date Acquired by Payee M M D D C C Y Y
Name of Payee Corporation | Payee's Ownership of Payer (check (√) one) ☐ > 70% ☐ > 50% but < or = 70% **1c** .00

1d Name of Payer Corporation | Date Acquired by Payee M M D D C C Y Y
Name of Payee Corporation | Payee's Ownership of Payer (check (√) one) ☐ > 70% ☐ > 50% but < or = 70% **1d** .00

1e Name of Payer Corporation | Date Acquired by Payee M M D D C C Y Y
Name of Payee Corporation | Payee's Ownership of Payer (check (√) one) ☐ > 70% ☐ > 50% but < or = 70% **1e** .00

1f Name of Payer Corporation | Date Acquired by Payee M M D D C C Y Y
Name of Payee Corporation | Payee's Ownership of Payer (check (√) one) ☐ > 70% ☐ > 50% but < or = 70% **1f** .00

1g Add lines 1a through 1f . . . . **1g** .00

1h Total of line 1g from additional Schedules Y (see instructions) . . . . **1h** .00

2 Add lines 1g and 1h . . . . **2** .00

3 Enter foreign taxes paid on dividends included on line 2. . . . . **3** .00

4 Subtract line 3 from line 2. Enter this amount on Schedule W, line 1 . . . . . . **4** .00

Instructions for 2011 Schedule Y: Wisconsin Subtraction Modification for Dividends

Purpose of Schedule Y

Corporations and combined groups complete Schedule Y to report the amount of dividends that may be subtracted from federal taxable income under the Wisconsin dividends received deduction. Combined groups also use Schedule Y to report the amount of intra-group dividends that may be eliminated from combined unitary income in cases where the Wisconsin dividends received deduction does not apply.

Combined groups complete Schedule Y for the group as a whole; they do not need to complete it for each member.

NOTE: Do not use Schedule Y to report dividends that are nontaxable for reasons other than the Wisconsin dividends received deduction or the elimination of intra-group dividends from combined unitary income. See the instructions for Schedule W, line 6 for reporting those dividends.

Below is an explanation of each type of dividend reportable on Schedule Y, followed by line-by-line instructions.

Wisconsin Dividends Received Deduction

The Wisconsin dividends received deduction is available to corporations that are separate entity filers as well as combined group filers. Under sec. 71.26(3)(j), Wis. Stats., a dividend is deductible for Wisconsin purposes if it meets the following requirements:

- It is paid on common stock, and
- The corporation receiving the dividend owned at least 70% of the total combined voting stock of the payer corporation for the entire taxable year.

If the payee corporation is in a combined group, it must own the stock of the payer corporation for the payee's entire taxable year that is included in the combined return.

For purposes of Schedule Y, the Wisconsin dividends received deduction under sec. 71.26(3)(j), Wis. Stats., is called the "70% ownership" dividend deduction.

Elimination of Dividends from Combined Unitary Income

The elimination of dividends from combined unitary income applies only to corporations that are in combined groups. Under sec. 71.255(4)(f), Wis. Stats., and s. Tax 2.61(6)(e), Wisconsin Administrative Code, a dividend paid between two members of the same combined group may be eliminated from the group's combined unitary income if it meets the following requirements:

- The dividend doesn't already qualify for the Wisconsin dividends received deduction under sec. 71.26(3)(j), Wis. Stats.
- The dividend was paid out of earnings and profits attributable to net income or loss that was included in the group's combined unitary income in the current taxable year or a prior taxable year
- The dividend does not exceed the payee's basis in the payer's stock

Note: Dividends between combined group members should not be accounted for on the Form 4R reconciliation since they are accounted for here.

Transitional Rule. If the intra-group dividend was paid out of earnings and profits (E&P) that were generated in a taxable year beginning before January 1, 2009, the dividend may be eliminated from combined unitary income to the extent the net income that generated the E&P would have been included in combined unitary income under sec. 71.255, Wis. Stats., (the statute requiring combined reporting) if that section had been in effect in those years.

Computing Earnings and Profits. The following rules apply to the computation of E&P for purposes of the dividend elimination:

1. *LIFO Rule:* Dividends are treated as paid first out of current E&P. If the dividends paid exceed current E&P, then the dividends are treated as paid out of E&P accumulated in preceding years, beginning with the year closest to the current year.

2. *Pro Rata Rule:* With respect to an individual taxable year, dividends are treated as paid from all E&P earned in that taxable year on a pro rata basis according to the proportion of net income that was included in the combined unitary income for that taxable year.

3. *Tiering-up Rule:* The dividend payer's E&P are generally determined using the federal consolidated return regulations (Treas. Reg. §1.1502-33) as if the combined group is a federal consolidated group. This means that a combined group member's E&P are adjusted to reflect the undistributed E&P of any subsidiary that is a member of the same combined group. However, s. Tax 2.61(6)(g), Wisconsin Administrative Code, provides that a subsidiary's E&P can only be "tiered up" to its parent company to the extent it relates to income that was (or the case of E&P from taxable years before 2009, would have been), included in combined unitary income.

The following examples illustrate these rules:

Example 1:

Combined Group MN consists of Member M and Member N. The combined group was formed when Corporation M acquired 60% of Corporation N on June 1, 2010. Group MN uses a calendar year. During 2011, N paid a dividend to M of $500,000. N's current E&P for 2011, before accounting for the distribution to M, are $100,000. N's E&P attributable to its 2010 calendar year are $1,000,000, of which $50,000 (5% of the total) were earned while N was a member of Group MN. Assume N had no separate entity items while it was a member of Group MN. Also assume M did not deduct any foreign taxes attributable to the dividend and N has sufficient stock basis.

Applying the LIFO and pro rata rules, the amount of dividend that qualifies for elimination from Group MN's combined unitary income in 2011 is $120,000 (= $100,000 + (5% x $400,000)). Under the pro rata rule, 95%, or $380,000, of the dividend paid out of N's 2010 E&P is considered to be paid from pre-acquisition E&P.

Example 2:

Combined Group FGH consists of Member F, Member G, and Member H. F owns all the stock of G, and G owns of all the stock of H. Group FGH is on a calendar year. During the taxable year 2011, F has current year E&P of $300,000 and G has current year E&P of $500,000, both exclusive of any amounts attributed from subsidiaries. Assume F and G's E&P amounts are attributable entirely to items included in Group FGH's 2011 combined unitary income. H has current year E&P of $400,000. However, $50,000 of this amount is attributable to overseas operations, the income from which was not included in combined unitary income under the water's edge rules.

Assume none of the corporations made distributions in 2010. Under the tiering-up rule, G's total current year E&P are $850,000 (= $500,000 + ($400,000 - $50,000 attributed from F)), and F's current year E&P are $1,150,000 (= $300,000 + $850,000 attributed from H).

Line-by-Line Instructions

First, group the total dividends received by the corporation into amounts paid by each payer. If this is a combined return, group the dividends received by each member into amounts paid by each payer.

From the total amounts paid by each payer, identify the dividends that qualify for the "70% ownership" dividend deduction. If this is a combined group, identify any of the remaining dividends that would qualify for elimination from combined unitary income.

■ **Lines 1a through 1f. Qualifying Dividends –** On lines 1a to 1f, enter the aggregate totals of qualifying dividends based on the groupings described above. Each of these lines represents the total dividends paid from one payer corporation to one payee corporation during the entire taxable year. You do not need to report each dividend separately. Instructions for each field of lines 1a through 1f follow:

Name of Payer Corporation. Enter the name of the corporation that paid the dividends eligible for the subtraction.

Name of Payee Corporation. If this is a combined return, enter the name of the corporation that received the dividends from the payer corporation. If this is not a combined return, you may leave this field blank.

Date Acquired by Payee. Enter the date on which the payee obtained the level of voting stock ownership indicated in the *Payee's Ownership of Payer* field described below.

Payee's Ownership of Payer. Check the appropriate line to indicate the payee's level of ownership of the payer's stock. The percentages shown represent the total ownership of the combined voting power of the payer's stock.

CAUTION: If the corporation is not in a combined group, it cannot claim a subtraction for dividends unless it owned more than 70% of the combined voting power of the payer's stock for the entire taxable year.

Dividends Received. Enter the dividends received by the payee from the payer to the extent they qualify for either the dividends received deduction or the elimination from combined unitary income.

CAUTION: If the payee owned more than 50%, but less than or equal to 70%, of the combined voting power of the payer's stock, you must determine how much of the dividends qualify to be eliminated from combined unitary income. You may only report the qualifying amount on lines 1a through 1f.

The following example illustrates how to complete Schedule Y in the case of a combined group:

Example of Lines 1a to 1f for a Combined Group: Combined Group ABC consists of Member A, Member B, and Member C and uses a calendar year. Member A has owned 60% of the voting stock of B since July 1, 2006 and 80% of the voting stock of C since January 15, 2005. During 2011, A received a total of $200,000 in dividends from B and $500,000 in dividends from C. No other corporations in the group received dividends. Member A determined that 25% of the dividend from B was paid out of E&P that wasn't attributable to combined unitary income. Therefore, only $150,000 (= 75% x $200,000) of the dividend from B qualifies for the elimination of dividends.

Group ABC would complete lines 1a and 1b as follows:

Line 1a

Name of Payer Corporation…………………Member B
Name of Payee Corporation……………….Member A
Date Acquired by Payee……………………07/01/2006
Payee's Ownership of Payer..“> 50% but < or = 70%”
Dividends Received:…………………………$150,000

Line 1b

Name of Payer Corporation…………………Member C
Name of Payee Corporation…………………Member A
Date Acquired by Payee……………………01/15/2005
Payee's Ownership of Payer……………….....“>70%”
Dividends Received:…………………………$500,000

Alternatively, the dividends from Member C could have been reported on line 1a and the dividends from Member B on line 1b.

■ **Line 1h. Additional Schedules Y –** If the corporation or combined group has more qualifying dividends than can be reported on lines 1a to 1f, you must use lines 1a to 1f of an additional Schedule Y (or additional Schedules Y) to report the remaining qualifying dividends. Complete lines 1h through 4 only for the first Schedule Y.

■ **Line 3. Foreign Taxes –** On line 3, enter taxes paid to a foreign nation on dividends listed on lines 1a to 1f (including dividends listed on lines 1a to 1f of additional Schedules Y) if you are claiming those foreign taxes as a deduction elsewhere on your return. You may be including them as a deduction in the federal taxable income you report on line 1 of Form 4 or Form 5, or you may be claiming them as a subtraction on Schedule W, line 7.

Additional Information and Assistance

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- Training materials
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- Call (608) 266-2772
  (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.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906

Form **4BL**

Wisconsin Department of Revenue

Wisconsin Net Business Loss Carryforward

File with Wisconsin Form 4 or 5

2011

Name | Federal Employer ID Number

Part I - Separate Entity Corporations *(see instructions)*

Starting with column (a), complete all applicable lines for one column before filling in the next column.	**(a)** Year	**(b)** Loss	**(c)** Income	**(d)** Loss Used/ Expired	**(e)** Years Losses Incurred	**(f)** Remaining Loss Available
1 30th preceding taxable year						
2 29th preceding taxable year						
3 28th preceding taxable year						
4 27th preceding taxable year						
5 26th preceding taxable year						
6 25th preceding taxable year						
7 24th preceding taxable year						
8 23rd preceding taxable year						
9 22nd preceding taxable year						
10 21st preceding taxable year						
11 20th preceding taxable year						
12 19th preceding taxable year						
13 18th preceding taxable year						
14 17th preceding taxable year						
15 16th preceding taxable year						
16 15th preceding taxable year						
17 14th preceding taxable year						
18 13th preceding taxable year						
19 12th preceding taxable year						
20 11th preceding taxable year						
21 10th preceding taxable year						
22 9th preceding taxable year						
23 8th preceding taxable year						
24 7th preceding taxable year						
25 6th preceding taxable year						
26 5th preceding taxable year						
27 4th preceding taxable year						
28 3rd preceding taxable year						
29 2nd preceding taxable year						
30 1st preceding taxable year						

Name of Combined Group Member	Member's FEIN

Part II - Combined Group Members *(see instructions)*

Starting with column (a), complete all applicable lines for one column before filling in the next column.	(a) Year	(b) Income	Loss (c) Nonshareable	Loss (d) Shareable	Loss Used/Expired (e) Nonshareable	Loss Used/Expired (f) Shareable	Remaining Loss Available (g) Nonshareable	Remaining Loss Available (h) Shareable
1 30th preceding taxable year								
2 29th preceding taxable year								
3 28th preceding taxable year								
4 27th preceding taxable year								
5 26th preceding taxable year								
6 25th preceding taxable year								
7 24th preceding taxable year								
8 23rd preceding taxable year								
9 22nd preceding taxable year								
10 21st preceding taxable year								
11 20th preceding taxable year								
12 19th preceding taxable year								
13 18th preceding taxable year								
14 17th preceding taxable year								
15 16th preceding taxable year								
16 15th preceding taxable year								
17 14th preceding taxable year								
18 13th preceding taxable year								
19 12th preceding taxable year								
20 11th preceding taxable year								
21 10th preceding taxable year								
22 9th preceding taxable year								
23 8th preceding taxable year								
24 7th preceding taxable year								
25 6th preceding taxable year								
26 5th preceding taxable year								
27 4th preceding taxable year								
28 3rd preceding taxable year								
29 2nd preceding taxable year								
30 1st preceding taxable year								

Instructions for 2011 Form 4BL
Wisconsin Net Business Loss Carryforward

Purpose of Form 4BL

Corporations use Form 4BL to determine the amount of available net business loss carryforward for the current year. Corporations that are members of a combined group must complete Form 4BL on a separate company basis.

Net business losses incurred in the 1980 taxable year and thereafter may be carried forward and offset against net income for up to 15 years. The corporation must have sustained the loss in a taxable year in which it was subject to Wisconsin franchise or income taxation. The carryforward period for losses incurred prior to the 1980 taxable year is limited to 5 years. **Carrybacks are not permitted.**

In the case of a merger, acquisition, ownership change, etc., occurring in the 1987 taxable year or thereafter, any net business losses that would be available to the predecessor corporation are available to the successor corporation, as provided in section 381 of the Internal Revenue Code (IRC). However, the Wisconsin losses may be limited as provided in IRC section 382. **Provide the predecessor's name and FEIN and attach a copy of its Form 4BL to document the Wisconsin loss.**

Part I Separate Entity Corporations

Specific Instructions for Part I

Part I should only be used by corporations filing on separate entity basis.

Column (a). Starting with line 30, fill in the dates for the taxable years necessary to account for all of the Wisconsin net business losses that may affect the computation of the loss carryforward available for the current taxable year.

For example, a calendar year corporation having no taxable years of less than 12 months and net business losses going back to 1980 would begin by entering "2010" on line 30 and continue by entering the dates of the prior years, ending with "1980" on line 1.

Column (b). For the years shown in column (a), enter the amount, if any, of Wisconsin net business loss incurred.

Column (c). For the years shown in column (a), enter the amount, if any, of Wisconsin net income ***before*** applying any net business loss carryforwards.

> **Note for columns (b) and (c):** Corporations filing income tax returns rather than franchise tax returns must adjust the amounts to enter in column **(b)** or **(c)** by reversing any exclusions of interest earned on obligations of the United

Column (d). For those years in which income is reported in column (c), enter, as a negative number, any net business losses from prior years which were used to offset that income. Apply only as much loss as is needed to reduce the income to zero. Also enter in column (d) any net business loss from a prior year that expired at the end of this taxable year.

Column (e). Enter the year or years in which the loss shown in column (d) was incurred. Offset the oldest losses first.

Column (f). Enter the total loss carryforward available at the end of each taxable year. This is the column (f) amount for the immediately preceding taxable year increased by any net business loss incurred in the taxable year and decreased by (1) any loss used to offset net income of the taxable year and (2) any loss that expired at the end of the taxable year.

Enter this amount on Form 4, line 17 or Form 5, line 6.

Part II Combined Group Members

Specific Instructions for Part II

Part II should only be used by corporations filing as a member of a combined group.

Column (a). Starting with line 30, fill in the dates for the taxable years necessary to account for all of the Wisconsin net business losses that may affect the computation of the loss carryforwards available for the current taxable year.

Column (b). For the years shown in column (a), enter the amount, if any, of Wisconsin net income ***before*** applying any net business loss carryforwards. If the corporation originally filed as a separate entity, enter the Wisconsin net income amount from the separate Wisconsin franchise or income tax return. If the corporation filed as part of a Wisconsin combined franchise or income tax return, enter the Wisconsin net income amount from your Wisconsin Form 4M. The Wisconsin net income amount would be line L1 + L2 + M - N of your Wisconsin Form 4M.

Column (c). For the years shown in column (a), enter the amount, if any, of Wisconsin net business loss incurred. If the corporation filed as a separate entity, enter the Wisconsin net business loss amount from the separate Wisconsin franchise or income tax return.

Column (d). For the years shown in column (a), enter the amount, if any, of Wisconsin net business loss incurred. If the corporation filed as part of a Wisconsin combined franchise or income tax return, enter the Wisconsin net business loss amount from the Wisconsin Form 4M. The Wisconsin net business loss amount would be line L1 + L2 + M - N of your Wisconsin Form 4M.

Note for columns (b), (c), and (d): Corporations filing income tax returns rather than franchise tax returns must adjust the amounts to enter in columns (b), (c), and (d) by reversing any exclusions of interest earned on obligations of the United States government.

Column (e). For those years in which income is reported in column (b), enter as a negative number any net business losses from prior years which were used to offset that income. Apply only as much loss as needed to reduce the income to zero. The amount of non-shareable net business loss used would be from the separate Wisconsin franchise or income tax return for separate entity filers or from the Wisconsin Form 4M, Part II, line 7, if the corporation filed as part of a Wisconsin combined franchise or income tax return.

Also enter any non-shareable net business loss from a prior year that expired at the end of this taxable year.

Column (f). Enter as a negative number any net business losses from prior years which were used to offset your income or the income of other members of the combined group. The amount of shareable net business loss used would include any amounts that you are sharing with other members of the combined group. The amount of shareable net business loss used would be from your Wisconsin Form 4M, Part II, line 10 plus line 13.

Also enter any shareable net business loss from a prior year that expired at the end of this taxable year.

Column (g). Enter the total non-shareable net business loss carryforward available at the end of each taxable year. This is the column (g) amount for the immediately preceding taxable year decreased by (1) any non-shareable loss used to offset your net income and (2) any non-shareable loss that expired at the end of the taxable year.

Column (h). Enter the total shareable net business loss carryforward available at the end of each taxable year. This is the column (h) amount for the immediately preceding taxable year increased by any net business loss incurred in the taxable year and decreased by (1) any shareable loss used to offset your net income or the net income of the other members of the combined group and (2) any shareable loss that expired at the end of the taxable year.

Enter the amounts from line 30, columns (g) and (h), on your Form 4M, Part II, lines 6 and 9, respectively.

Form **4U**

Wisconsin Department of Revenue

Underpayment of Estimated Tax by Corporations

File with Wisconsin Form 4, 4T, 5, or 5S

2011

Corporation or Designated Agent Name	Federal Employer ID Number

Part I Computation of Underpayment and Interest Due on Underpayment

1 a Enter 2011 tax before the surcharge plus the economic development surcharge *(see instructions)*		
b Enter 2011 refundable credits (excluding estimated tax and surcharge paid)		
c Subtract line 1b from line 1a. This is 2011 net tax and surcharge. If less than $500, enter zero and go to Part II, if applicable		
2 Enter 90% of line 1c		
3 a Enter 2010 tax before the surcharge plus the recycling surcharge, if applicable *(see instructions)* . . .		
b Enter 2010 refundable credits (excluding estimated tax and surcharge paid)		
c Subtract line 3b from line 3a. This is 2010 net tax and surcharge		
4 If 2011 net income is less than $250,000 and 2010 return covered 12 months, enter smaller of line 2 or 3c; otherwise, enter line 2		

	(a)	(b)	(c)	(d)
5 Enter installment due dates (the 15th day of the 3rd, 6th, 9th, and 12th months of your taxable year)				
6 Divide line 4 by 4 and enter the result in each column or, if you use the annualized income installment method for any period, first fill in Part III and enter the amounts from line 47				
7 Estimated tax and surcharge paid				
8 If line 7 is less than line 6, subtract line 7 from line 6. This is your underpayment				
9 If line 7 is more than line 6, subtract line 6 from line 7. This is your overpayment				
10 Carryback of overpayment or late payment				
11 Carryforward of overpayment				
12 Subtract the total of lines 10 and 11 from line 8. This is your net underpayment				
13 Number of days from the due date of the installment to the date carryback on line 10 was paid				
14 Number of days from the due date of the installment to the date balance due on return was paid or unextended due date of return, whichever is earlier				
15 Interest: 12% per year on amount on line 10 for the number of days on line 13				
16 Interest: 12% per year on amount on line 12 for the number of days on line 14				

17 Add all of the amounts on lines 15 and 16 and enter the total. If your return is filed after the unextended due date and shows a tax due, enter the total on Part II, line 22. Otherwise, enter the total on the line provided on your tax return	

Part II Computation of Total Amount Due

Complete this part only if your return is not filed by the unextended due date and shows a tax due.	(a) Interest at 18% per year	(b) Interest at 12% per year	(c) Total
18 If return filed late without an extension, enter net tax (including surcharge)			
19 If return filed with extended due date and shows –	(90%)	(10%)	
a Net tax (including surcharge) of $500 or more, enter portion of net tax indicated . .			
b Net tax (including surcharge) of less than $500, enter net tax			
20 Enter payments made (apply first to 18% per year column)			
21 Subtract line 20 from line 18 or 19a or 19b. This is amount due 15th day of 3rd month after end of taxable year			
22 Interest on underpayment from Part I, line 17			
23 Add lines 21 and 22.			
24 Interest on amounts on line 23 to ____________ (date return filed)	(18% per year)	(12% per year) *	
25 If your return is filed late without an extension or after the extended due date –			
a Enter penalty of 5% of net tax due on your return for each month or fraction thereof that your return is late, but not more than 25%			
b Enter a $150 late fee			
26 Add lines 22, 24, 25a, and 25b. Enter the total on the line provided on your return and increase the “Amount Due”			

*** Note:** See the instructions for line 24.

Part III Annualized Income Installment Method Worksheet

Fill in this worksheet only if computing required installments using the annualized income installment method. **Complete one column through line 47 before completing the next column.** Form 4T filers see instructions to figure lines 27 and 29.

	Annualization Period			
	(a) First 2 months	(b) First 5 months	(c) First 8 months	(d) First 11 months
27 Enter Wisconsin net income for each period *(see instructions)*				
28 Annualization factor	6	2.4	1.5	1.091
29 Multiply line 27 by line 28				
30 Adjustments (NBLs, etc. – *see instructions)*				
31 Combine lines 29 and 30. This is annualized income				
32 Multiply line 31 by 7.9% (0.079). This is annualized gross tax				
33 Enter your nonrefundable credits				
34 Subtract line 33 from line 32. If zero or less, enter zero				
35 Enter economic development surcharge (based on amount in this column)				
36 Add lines 34 and 35				
37 Enter your refundable credits (excluding estimated tax and surcharge paid)				
38 Subtract line 37 from line 36. If zero or less, enter zero. This is annualized net tax				
39 Applicable percentage	22.5%	45%	67.5%	90%
40 Multiply line 38 by line 39				
41 Enter the combined amounts of line 47 from all preceding columns				
42 Subtract line 41 from line 40. If zero or less, enter zero				
43 Divide Part 1, line 4, by 4 and enter the result in each column				
44 Enter the amount from line 46 for the preceding column				
45 Add lines 43 and 44 and enter the total				
46 If line 45 is more than line 42, subtract line 42 from line 45. Otherwise, enter zero				
47 Enter the smaller of line 42 or 45 here and on Part 1, line 6				

Instructions for 2011 Form 4U: Underpayment of Estimated Tax by Corporations

Purpose of Form 4U

Corporations, combined groups, and tax exempt organizations required to file Form 4T use Form 4U to determine if they are subject to interest for underpayment of estimated tax and, if so, the amount of interest. A corporation, combined group, or exempt organization may be subject to underpayment interest if the total of its tax and economic development surcharge for its taxable year beginning in 2011 is $500 or more.

Form 4U is also used to compute both extension and delinquent interest whenever the tax due is not paid within 2½ months after the end of the taxable year.

If this is a combined return, prepare only one Form 4U for the entire combined group. Section Tax 2.66(3), Wisconsin Administrative Code, provides that the combined group is generally treated as a single corporation for purposes of determining required estimated payments and underpayment interest.

Required Estimated Payments

Required installments differ for large and small corporations. A "small" corporation is a corporation (or combined group) having 2011 Wisconsin net income of less than $250,000. A "large" corporation is a corporation (or combined group) having 2011 Wisconsin net income of $250,000 or more. On Form 5S, net income is the amount on line 3.

NOTE: Since a combined group is treated as a single corporation, a "large" corporation includes a combined group for which the combined group's total Wisconsin net income on Form 4, line 18 is $250,000 or more.

Required installments for **small** corporations are based on the smaller of:

1. 90% of 2011 Wisconsin net tax,
2. 90% of the 2011 Wisconsin net tax figured by annualizing income, as computed in Part III of Form 4U, or
3. 100% of 2010 Wisconsin net tax, provided the 2010 return covered an entire 12-month period.

For combined groups for the taxable year 2011, the computation based on 100% of 2010 net tax doesn't apply unless all members of the combined group filed a 2010 Wisconsin return that covered an entire 12-month period. See s. Tax 2.66(3)(f), Wisconsin Administrative Code, for details.

Required installments for **large** corporations are based on the smaller of:

1. 90% of 2011 Wisconsin net tax, or
2. 90% of the 2011 Wisconsin net tax figured by annualizing income, as computed in Part III of Form 4U.

Line-by-Line Instructions

Following are instructions which explain the parts of Form 4U in the order they appear on the form:

Part I: Computation of Underpayment and Interest Due

■ **Line 1a. 2011 Tax –** Enter the amounts from 2011 Form 4, line 24 plus line 25; Form 4T, line 24 plus line 25; Form 5, line 11 plus line 12; or Form 5S, line 8 plus line 10.

■ **Line 1b. 2011 Refundable Credits and Withholding –** Enter your refundable credits and withholding from 2011 Form 4, line 30 plus line 31; Form 4T, line 30 plus line 31; Form 5, line 17 plus line 18; or Form 5S, line 15.

NOTE: You do not have to complete lines 3a and 3b unless the taxpayer qualifies to base its estimated payments on 100% of 2010 net tax. See *Required Estimated Payments* in the previous column.

■ **Line 3a. 2010 Tax –** If this is not a combined return, enter the amounts from 2010 Form 4, line 16 plus line 17; Form 4T, line 21 plus line 22; Form 5, line 10 plus line 11; or Form 5S, line 8 plus line 10.

If this is a combined return and the group qualifies to base its estimated payments on 100% of 2010 net tax, enter on line 3a the sum of all members' amounts on 2010 Form 4, line 16 plus line 17; Form 4T, line 21 plus line 22; or Form 5, line 10 plus line 11; as applicable.

■ **Line 3b. 2010 Refundable Credits and Withholding –** If this is not a combined return, enter your refundable credits and withholding from 2010 Form 4, line 22 plus line 23; Form 4T, line 27 plus line 28; Form 5, line 16 plus line 17; or Form 5S, line 15.

If this is a combined return and the group qualifies to base its estimated payments on 100% of 2010 net tax, enter on line 3b the sum of all members' amounts on 2010 Form 4, line 22 plus line 23; Form 4T, line 27 plus line 28; Form 5, line 16 plus line 17; or Form 5S, line 15; as applicable.

■ **Line 4. Total Required Estimated Payments –** If you didn't complete line 3 because you don't qualify to base required estimated payments on 100% of 2010 net tax, enter the amount from line 2.

■ **Line 5. Installment Due Dates –** If this is a combined return, the "taxable year" means the taxable year shown on the front of the combined Form 4, even if some combined group members are on a different taxable year. If this is a short period return, special rules apply. See s. Tax 2.89, Wisconsin Administrative Code, for details.

■ **Line 7. Payments Made on or Before Due Date –** In each column, enter the total payments made on or before the installment due date shown but after the previous installment due date. Include any carryovers of overpayments from prior years, but do not include the same overpayment in more than one column.

If you had any tax withheld on your behalf from pass-through entities or from a Form W-2G during the taxable year, also include 25% of that withholding in each column.

If this is a combined return and group members other than the designated agent are applying payments to this return, enter the total of all combined group members' amounts that apply to that column. Then, you must identify those payments and carryovers separately for each combined group member (except the designated agent) when you file Form 4M, *Wisconsin Combined Group Member-Level Data*. See the Form 4M instructions for details.

CAUTION: If multiple corporations made estimated payments applicable to the same combined return, you must separately identify those payments on Form 4M.

■ **Line 10. Carryback of Overpayment or Late Payment –** Complete line 10 only if you have an overpayment on line 9 for one or more installment periods. The overpayment may be carried back to prior installment periods and offset against an underpayment for such periods. If you use overpayments from more than one installment period to offset an underpayment of one period, fill in separately on line 10 each carryback used to offset the underpayment.

If this is a combined return and the amounts on line 9 include payments from more than one corporation, complete line 10 as if the combined group is a single corporation.

■ **Line 11. Carryforward of Overpayment –** Any overpayment remaining after completing line 10 should be carried forward to the next period.

■ **Line 13. Number of Days Until Carryback Paid –** Complete this line only if there is a carryback amount reported on line 10. If the amount you carried back includes more than one payment (for example, payments from multiple combined group members if this is a combined return), skip line 13 and see the instructions to line 15.

■ **Line 15. Interest on Late Payments Carried Back –** If you have an amount on line 13, compute interest at 12% per year for the number of days on line 13. Use a 365-day year.

If you don't have an amount on line 13 because you carried back more than one payment, use a separate schedule to compute the interest on each payment carried back. Use the worksheet at the end of these instructions to prepare that schedule, or prepare your own schedule using the worksheet as a model. Enter the total on line 15, and submit the schedule with your return.

■ **Line 17. Interest through Unextended Due Date –** If you do not have a balance due after 2½ months after the close of your taxable year, enter the amount from line 17 on your franchise or income tax return. Otherwise, enter the amount from line 17 on Part II, line 22, and complete the rest of Part II.

Part II: Computation of Total Amount Due

Complete Part II only if your return is not filed by the unextended due date and shows a balance due.

■ **Line 20. Total Amounts Applied –** Enter the total estimated tax payments made, plus any withholding and refundable credits for the taxable year.

■ **Line 24. Late Return Interest –** Tax not paid by the original unextended due date is subject to interest at 18% per year on 90% and at 12% on 10% during the extension period of the return. Underpayment interest not paid by the original unextended due date is subject to 18% per year during the extension period. After the extension period, all remaining tax and underpayment interest due is charged interest at 18% per year.

On line 24, column a, enter the amount of interest computed at 18% per year, for the number of days between the unextended due date and the date the return is filed, on the amount on line 23, column a.

On line 24, column b, enter the amount of interest computed at 12% per year for the number of days between the unextended due date and the extended due date on the amount on line 23, column b, plus the amount of interest computed at 18% per year for the number of days between the extended due date and the date the return is filed on the amount on line 23, column b.

■ **Line 25a. Late Filing Penalty and Fee –** The "net tax due" is the total tax and economic development surcharge less any allowable credits, withholding, and estimated payments that were made by the extended due date of the return.

NOTE: For combined returns, the late filing fee is $150 for the combined group as a whole, regardless of the number of members.

Part III: Annualized Income Installment Method

Complete this worksheet if you compute one or more installments under the annualized income installment method.

If this is a combined return and you are using the annualized income installment method, use one worksheet for the entire combined group.

■ **Lines 27 through 29. Annualized Wisconsin Net Income –** On line 27, do not include items which remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting. Instead, enter those items on line 30, columns a through d, in total.

Exception for Tax Exempt Organizations. For tax-exempt organizations that file Form 4T or are included in a combined return to report unrelated business taxable income, you must modify the annualization period and annualization factor. Instead of using the amounts shown on the form, use the following amounts:

	(a)	(b)	(c)	(d)
Annualization Period	First 1 month	First 4 months	First 7 months	First 10 months
Annualization Factor	12	3	1.714	1.2

If a combined group includes a tax exempt organization, use the above amounts only for the tax exempt organization's Wisconsin net income.

■ **Line 30. Adjustments –** This is where you enter the items you could not include in line 27 because they remain constant from period to period, such as net business loss carryforwards and amortization of adjustments for changes in method of accounting.

■ **Line 35. Economic Development Surcharge –** If this is a combined return, compute the economic development surcharge separately for each company in the group based on its annualized gross tax on line 32.

CAUTION: In the computation of required installments, combined groups must compute the economic development surcharge separately for each company in the group.

(See the next page for the worksheet for line 15)

Worksheet for Line 15:

Interest on Carryback of Multiple Payments to the Same Installment Due Date

	(a) Payment amount carried back	(b) Date the amount in column (a) was paid	(c) By how many days is the date in column (b) after the installment due date?	(d) Interest at 12% on amount in column (a) for number of days in column (c)
Totals				
	(Column (a) total should equal amount on line 10 for the installment to which this worksheet applies)			(Enter Column d total on line 15 for the installment to which this worksheet applies)

Additional Information and Assistance

Web Resources. The Department of Revenue has a web page dedicated to combined reporting issues, including:

- Frequently asked questions
- Training materials
- Links to Administrative Code sections that relate to combined reporting
- Articles on combined reporting

Access the combined reporting web page at: http://www.revenue.wi.gov/combrept/index.html

For questions that do not relate to combined reporting, the web page also has a library of frequently asked questions on general business tax topics, available at: http://www.revenue.wi.gov/faqs/index.html

Contact Information. If you cannot find the answer to your question in the resources available on the Department of Revenue's web page, contact the Department using any of the following methods:

- E-mail your question to corp@revenue.wi.gov
- Call (608) 266-2772
  (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.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906