

Instructions for 2011 Form 4C: Wisconsin Allocation and Separate Accounting Data

Purpose of Form 4C

If a corporation is required or eligible to use separate accounting, it uses Form 4C to compute the amount of its taxable income that is allocable to Wisconsin and outside Wisconsin.

A corporation engaged in a **nonunitary** business in and outside Wisconsin is required to use separate accounting. A nonunitary business is one in which the operations in Wisconsin are not dependent upon or contributory to the operations outside Wisconsin.

A corporation or combined group engaged in a **unitary** business must obtain the approval of the Department to use separate accounting. An application for approval should set forth in detail why separate accounting more clearly reflects the corporation's Wisconsin net income.

CAUTION: A unitary business may use separate accounting only if it obtains prior approval from the Department.

Mail the application for approval to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906 before the end of the taxable year for which the use of separate accounting is desired.

File Form 4C with Wisconsin Form 4.

Special Instructions for Combined Groups

A member of a combined group may use Form 4C if it is eligible according to the explanation above. If you are completing Form 4C for a member of a combined group, include only that corporation's amounts, determined on a separate entity basis.

Line-by-Line Instructions

On lines 1 through 14, enter the amounts as if **all** of the corporation's income or loss is eligible for separate accounting. If the corporation has other income or loss that is required to be apportioned instead of allocated, you will account for the amount you are apportioning when you complete line 15.

Part I: Allocation of Book Income or Net Income per Income Statement

■ **Lines 1 and 3. Book Income and Expenses –** Federal Schedule M-1 filers allocate book income and expenses, as computed on a separate company basis, **to Wisconsin** and **outside Wisconsin**. Federal Schedule M-3 filers should allocate the income and expenses per the income statement, as computed on a separate company basis. Indicate the basis used for the allocation and provide further details in Part II, line 19.

For example, if the allocation is based on actual expenses, as figured on a separate company basis, incurred at each location, write "actual" in the "Basis of Allocation" column in Part I and explain this in Part II, line 19. If the allocation is based on the percentage of sales at each location, enter the percentage allocable to Wisconsin in Part I and explain how you determined the percentage in Part II, line 19.

■ **Line 5. Total Book Income –** The total company book income shown on line 5, column 3 must agree with federal Schedule M-1, line 1, computed on a separate company basis. For federal Schedule M-3 filers, the total on line 5, column 3 should agree with the net income per income statement computed on a separate company basis. Transfer the book income or net income per income statement in all 3 columns of Part I, line 5, to the appropriate columns in Part II, line 6.

Part II: Reconciliation of Book Income or Net Income per Income Statement with Net Income

NOTE: Complete this part after you have completed Schedules V and W.

■ **Lines 6 through 10. Federal Taxable Income –** Allocate the federal Schedule M-1 adjustments **to Wisconsin** and **outside Wisconsin**. For federal Schedule M-3 filers, allocate the sum of the addition adjustments from Parts II and III on line 7 and the sum of the subtraction adjustments from Parts II and III on line 9.

■ **Line 11. Additions to Federal Income –** Allocate your additions to federal income **to Wisconsin** and

outside Wisconsin. Use the amounts you reported on Schedule V.

■ **Line 13. Subtractions from Federal Income –** Allocate the subtractions from federal income to **Wisconsin** and **outside Wisconsin**. Use the amounts you reported on Schedule W.

■ **Line 15. Amount Subject to Apportionment –** If the corporation completing this form has both income or loss it is apportioning and income or loss it is allocating under separate accounting, enter the amount in each column that will be apportioned instead of allocated.

If you had any adjustments on Schedules V or W attributable to income you will be apportioning, be sure

the amounts you report on line 15 include those Schedule V and W adjustments.

■ **Line 16. Total Allocable Net Income –** Subtract the amount on line 15 from the amount on line 14. This is the corporation's allocable net income. Enter the amount from column 1 on Form 4N, line 6, column a. Enter the amount from column 3 on Form 4N, line 6, column b.

■ **Lines 17 through 19. Additional Information –** Enter the information requested. Include a detailed explanation of how transfer prices were determined for transactions between Wisconsin branches and branches located outside Wisconsin.

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 about transitional issues

Access the combined reporting web page at: <http://www.revenue.wi.gov/comb rept/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