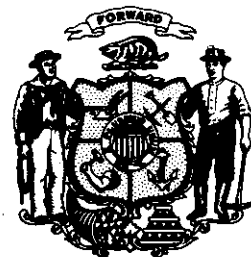


WISCONSIN TAX BULLETIN

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TAX FORMS WILL BE DIFFERENT FOR 1980

Department of Revenue personnel are in the process of finalizing the 1980 individual income and corporate tax forms and instructions. Some of the changes are as follows:

Form 1A - Wisconsin Individual Income Tax Return (Short Form):

The 16% one-time tax credit, which appeared on the 1979 return, applied only to 1979 and therefore will not be reflected on the 1980 return. Also, taxpayers who claim credit for taxes paid to another state will no longer be able to use Form 1A, but instead must use Form 1, the long form.

Part-year residents and nonresidents in 1980 will be required to enter their federal adjusted gross income on Form 1A. Part-year residents must also enter the dates and number of months they were Wisconsin residents in 1980.

Form 1 - Wisconsin Individual Income Tax Return (Long Form): As on Form 1A, the 16% credit will also not be available on the 1980 Form 1. Part-year residents and nonresidents will also be required to enter their federal adjusted gross income on Form 1. Part-year residents will have to enter the dates and number of months they were a Wisconsin resident in 1980.

The major change to the 1980 Form 1 is the rearrangement of the income and tax computation areas. On the 1979 Form 1, the entries to compute Wisconsin total income were made on page 2 and the tax computation (gross tax, personal exemptions, credits, etc.) was made on page 1. These two parts will be reversed on the 1980 Form 1, with the computation of Wisconsin total income being made on page 1

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and the tax computation being made on page 2.

When you receive your 1980 Form 1 or 1A booklet in the mail later this year, you will notice that Schedule H (Homestead Credit claim) and its instructions are not included in the 1980 booklets. Persons who filed a Schedule H for 1979 will automatically receive a 1980 Wisconsin Homestead Credit booklet in a separate mailing. The 1981 Form 1-ES,

Wisconsin Declaration of Estimated Tax form, also will not be in the 1980 Form 1 booklet, but instead will be mailed separately to those persons who made 1980 declaration of estimated tax payments.

Persons who wish to file a 1980 Schedule H or 1981 Form 1-ES, but do not receive it in the separate mailing, may obtain these forms and instructions from any department office.

Form 5 - Wisconsin Corporation Franchise Tax Return (Short Form):

The 1980 Form 5 has been revised to include computations for apportioning income for those corporations engaged in business activities in Wisconsin and one or more other states. As a result, such corporations will now be able to use Form 5. Previously, they could only use Form 4, the long form.

Form 4 - Wisconsin Corporation Franchise Tax Return (Long Form):

The 1980 Form 4 booklet, which is sent to those corporations engaged in business in Wisconsin and at least one or more other states will include both Form 4 and Form 5 and instructions for completing both these forms. Previously, such corporations only received a Form 4 but because of the revisions to Form 5 as mentioned above, they will now have the option of using Form 5 or Form 4.

Form WT-9 - Wisconsin Withholding Tax Statement:

Form WT-9 no longer will be available for use by employers beginning for 1980 and thereafter. Employers will instead use the "state" copy of the federal wage statement, Form W-2, for reporting wage and withholding information to the Department of Revenue.

FEDERAL TAX LAWS ENACTED IN 1980 DO NOT APPLY FOR WISCONSIN PURPOSES

For the taxable year 1980, Wisconsin law provides that only those provisions of the federal Internal Revenue Code (IRC) which became law by December 31, 1979 may be used in determining Wisconsin taxable income. Therefore, none of the federal tax changes enacted during 1980, including the Crude Oil Windfall Profit Tax Act of 1980 and the Technical Corrections Act of 1979, apply for Wisconsin purposes for 1980.

This will result in certain income and deduction items being different on 1980 Wisconsin and federal income tax returns. As in past years, Wisconsin Schedule I should be used to adjust for these differences.

The following federal law changes enacted as part of the Crude Oil Windfall Profit Tax Act of 1980 (Public Law 96-223) will not apply for Wisconsin income tax purposes for 1980:

- Deduction for Tertiary Injectants (Act Sec. 251)
- Accelerated Depreciation Reinstated for Boilers Fueled by Petroleum Coke and Pitch (Act Secs. 222 (b) and 223 (a))
- Inclusion in Income of Alcohol Fuel Credit (Act Sec. 232 (c))
- Deduction for Windfall Profit Tax (Act Sec. 101 (b))

The changes listed below which were enacted as part of the Technical Corrections Act of 1979 (Public Law 96-222) also will not apply for Wisconsin for 1980:

- Tax-free Rollover to Individual Retirement Arrangement (IRA) Allowed to Surviving Spouse Upon Retirement Plan Termination (Act Sec. 101 (a) (14) (C))
- Deduction for Employer Contributions to IRA at Age 70½ or in Later Years Under Simplified Employee Pension Plan (Act Sec. 101 (a) (10) (D))
- Estate Taxes Deductible From Total Taxable Amount of a Lump-Sum Distribution (Act Sec. 101 (a) (8) (A))
- Inclusion in Income of Excess Medical Reimbursements - Discriminatory Benefits Defined (Act Sec. 103 (a) (13) (C))
- Inclusion in Income of Excess Medical Reimbursements - Effective Date (Act Sec. 103 (a) (13) (D))

- Limitation on Ordinary Loss on Small Business Corporation Stock (Act Sec. 103 (a) (9))
- Adjustment to Shareholder's Basis in Regulated Investment Company (Act Sec. 104 (a) (3) (B))
- Entertainment Facility Expenses - Club Dues Limitations (Act Sec. 103 (a) (10) (A), and (B))
- Entertainment Facility Expenses - Nonemployees (Act Sec. 103 (a) (10) (C))
- Deductibility of Expenses for Cooperative Housing Corporations (Act Sec. 105 (a) (6))
- Exclusion for Cost-Sharing Conservation Payments Received Under Local Programs (Act Sec. 105 (a) (7) (E))
- Exclusion Rules Modified for Cost-Sharing Conservation Program Payments (Act Sec. 105 (a) (7))

A more detailed explanation of these differences between Wisconsin and federal law for 1980 will be included on the instructions for the 1980 Schedule I.

If additional new federal tax laws, other than those laws mentioned above, are enacted in late 1980 which cause a difference in federal and Wisconsin income or deductions, such laws will be explained in the January, 1981 issue of the Wisconsin Tax Bulletin.

NEW FORM FOR REPORTING SALES AND USE TAX ON MOTOR VEHICLE TRANSFERS

Effective June 2, 1980 the sales and use tax information relating to transfers of motor vehicles, trailers, semitrailers and mobile homes was incorporated into and became part of Department of Transportation Form MV-1-80, Application For Title/Registration.

The new form will be used both for sales by dealers and sales between individuals. It will replace Department of Revenue Forms ST-9 (Motor Vehicle Dealer Statement of Tax Payment) and ST-10 (Sales and Use Tax Return-Occasional or Non-Wisconsin Motor Vehicle, Mobile Home, Trailer or Semi-Trailer Sale).

Although the Department of Transportation will be the primary source of supply for the new Form MV-1-80, copies will also be available at all

Department of Revenue offices and law enforcement agency offices.

HOMESTEAD AND FARMLAND PRESERVATION CREDIT FILING DEADLINES

Less than three months remain for Wisconsin residents to file a claim for the 1979 Homestead Credit and for farmland owners to file a 1979 Farmland Preservation Credit claim.

December 31, 1980 is the last day allowed for filing a claim for 1979 Homestead Credit. It is also the last day for filing a 1979 Farmland Preservation Credit claim for farmland owners who are calendar year taxpayers.

Homestead Credit should be claimed on Schedule H and Farmland Preservation Credit on Schedule FC.

If a person previously filed a 1979 Wisconsin income tax return and now wishes to file either a homestead or farmland preservation claim, write the words "income tax return previously filed" at the top of the homestead or farmland preservation claim. Attach a complete copy of the income tax return to the claim and write "duplicate" at the top of the income tax return.

So far this year, 351,500 Homestead claims and 4,900 Farmland Preservation claims have been received. These claims have provided more than \$99 million in rent and property tax rebates.

BULK ORDERS OF TAX FORMS

In early October, the department will mail out the order blank (Form P-744) which practitioners and other persons or organizations should use to request bulk orders of 1980 Wisconsin income tax forms. As in past years, professional tax preparers are subject to a handling charge on orders which they submit. No charge is made for forms which will be used for distribution to the general public (for example, in a bank, library or post office).

In view of increasing paper and printing costs, every person ordering forms is urged to determine their needs as accurately as possible. Orders should be placed as early as possible after you receive the order blank. By receiving the orders early, the department can better identify possible shortages of specific forms.

This year's mailing list for bulk order blanks contains the names of all persons and organizations who placed orders for 1979 forms. If you are not on this mailing list and do not receive a Form P-744, you may request the bulk order blank by contacting any department office or by writing to the Wisconsin Department of Revenue, Central Services Section, Post Office Box 8903, Madison, WI 53708.

REMINDER! TAXPAYERS MUST NOTIFY DEPARTMENT OF FEDERAL ADJUSTMENTS AND AMENDED RETURNS

If an individual or corporation taxpayer's federal income tax return is adjusted by the Internal Revenue Service (IRS), and the adjustments affect the amount of Wisconsin income reportable or tax payable, such adjustments must be reported to the Wisconsin Department of Revenue within 90 days after they become final. In addition, taxpayers filing an amended return with the IRS or another state must also notify the department within 90 days of filing if any information contained in the amended return affects the amount of Wisconsin income reportable or tax payable.

If a taxpayer fails to notify the department of federal audit adjustments or an amended return filed, the statute of limitations for adjusting the Wisconsin return for the year involved is extended from the normal 4 year period to 10 years. Administrative Rule Tax 2.105 provides additional information regarding this reporting requirement and indicates when adjustments made by the IRS are considered to become final.

To simplify the filing of an amended return, Wisconsin Form 1X for individuals and Form 4X for corporations may be used. These forms are available at any department office. The amended Wisconsin return or copy of the federal audit report should be sent to:

Wisconsin Department of Revenue
Audit Bureau
Post Office Box 8906
Madison, Wisconsin 53708

REMINDER! EMPLOYERS MUST SUBMIT COPIES OF CERTAIN EMPLOYEE WITHHOLDING EXEMPTION CERTIFICATES TO THE DEPARTMENT

Effective April 30, 1980, Wisconsin law (Section 71.20 (8) (f) as created by Chapter 221, Laws of 1979) requires employers to submit copies of employee withholding exemption certificates to the department whenever they are required to provide such information to the Internal Revenue Service (IRS). The copies must be submitted to the department within 15 days after they are filed with IRS.

For both federal and Wisconsin purposes employers are required to submit copies of any employee's withholding exemption certificate if: 1) the number of exemptions claimed is 10 or more, or 2) the employee is claiming complete exemption from withholding and he or she earns more than \$200 per week.

SALES AND USE TAX NEWSLETTER NOW PRINTED AS PART OF THE WTB

A copy of the department's sales and use tax newsletter entitled "Tax Report" has been included in the mailing of the last several issues of the Wisconsin Tax Bulletin (WTB). Beginning with this issue of the WTB, the "Tax Report" will be reproduced as part of the bulletin (see page 14).

Generally the "Tax Report" is published three times each year (in March, June and September) and mailed to all sales tax registrants. It will be reproduced (without change) and appear as part of the next WTB published after those dates. Because the "Tax Report" will not be changed when it is placed in the WTB, it is possible that some articles may duplicate information included in the WTB.

DO YOU HAVE SUGGESTIONS FOR ARTICLES?

The Wisconsin Tax Bulletin is designed to provide current and accurate information on topics of general interest to taxpayers and tax practitioners. Articles pertain primarily to income, franchise, sales and use, inheritance, gift, motor fuel, cigarette, and beer and liquor taxes.

To make this bulletin more useful to its readers, the department is seeking suggestions for topics and areas of reader interest for articles in future issues. Send your suggestions to: Wisconsin Tax Bulletin, Technical Services Staff, Post Office Box 8910, Madison, WI 53708.

TAX RELEASES

("Tax Releases" are designed to provide answers to the specific tax questions covered, based on the facts indicated. However, the answers may not apply to all questions of a similar nature. In situations where the facts vary from those given herein, it is recommended that advice be sought from the Department. Unless otherwise indicated, Tax Releases apply for all periods open to adjustment. All references to section numbers are to the Wisconsin Statutes unless otherwise noted.)

INCOME TAXES

I. Standard Mileage Rates

The Internal Revenue Service has issued Revenue Procedure 80-32 increasing the optional standard mileage rate for the first 15,000 miles of business use of an automobile from 18½ cents to 20 cents. It also increased the standard rate for mileage in excess of 15,000 miles per year from 10 cents per mile to 11 cents per mile.

The rate per mile for use of an automobile for charitable, medical, and moving expense purposes has been increased from 8 to 9 cents a mile.

The new standard mileage rates are effective for transportation expenses paid or incurred in 1980 and thereafter. The rates will apply in the same manner for Wisconsin income tax purposes for 1980 and thereafter as they do for federal purposes.

II. Taxable Status of Interest From Transit Bond of Washington Metropolitan Area Transit Authority

Under federal law, the Secretary of Transportation is authorized to guarantee payment of principal and interest on bonds issued by the Transit Authority. Since the U.S. government, acting through the Secretary of Transportation, guarantees the payment of principal and