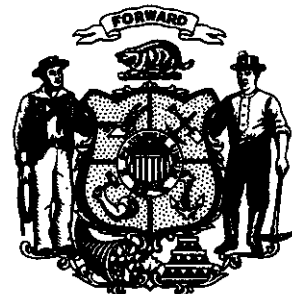


# WISCONSIN TAX BULLETIN

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Wisconsin Department of  
Revenue  
Income, Sales, Inheritance and  
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P.O. Box 8910  
Madison, Wisconsin 53708



## EXTENSION OF TIME TO FILE INCREASED TO 4 MONTHS

Beginning with 1982 returns, individuals can receive from the IRS a 4-month extension of time to file their federal individual income tax return, Form 1040, by filing federal Form 4868 ("Application for Automatic Extension of Time to File U.S. Individual Income Tax Return"). This will mean that calendar year taxpayers can get an automatic extension until August 15, 1983 to file their 1982 federal Form 1040.

Wisconsin law provides that any extension of time granted by the IRS for filing a corresponding individual return will also extend the time for filing the Wisconsin return. Therefore, persons allowed a 4-month extension by the IRS will also be allowed a 4-month extension to file their Wisconsin returns (Form 1 and Form 1A).

## MAJOR CHANGES FOR 1982 FORM 1

The 1982 Form 1 is similar in basic design to the 1981 Form 1 except for the following major changes:

**Line 9** Refunds of state and local income taxes - Column B (Single Person or Husband) and Column C (Wife) have been shaded to indicate no entry should be made in these columns. A subtraction modification is not needed to remove refunds of state and local income taxes from federal income.

**Line 14** Unemployment compensation - Taxable unemployment compensation will be entered as determined in the schedule on page 3 of the Form 1 instructions. This amount

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will not always be the same as reported on the federal return.

**Line 23** Married couple deduction - Column B (Single Person or Husband) and Column C (Wife) have been shaded to indicate no entry should be made in these columns. The federal deduction for a married couple when both work is not allowed on the Wisconsin return.

**Lines 40-43** Computation of Wisconsin itemized deductions - These

lines have been rearranged to reduce errors in completing line 44 (total Wisconsin itemized deductions).

**Line 65** Combined refund for married persons - This new line has been added for married persons to indicate if they want one combined refund check rather than two separate refund checks if both spouses are receiving refunds. The combined refund check will be issued in both spouses' names. Mailing only a combined check will save time and costs.

**Line 67** Refund you want applied to your 1983 Wisconsin declaration of estimated tax - To reduce errors in the refund/tax due computation area, this line has been relocated to the last line of Form 1.

## REMINDER OF MAJOR LAW CHANGES FOR 1982

### Individual Income Tax Changes

**1. Update Internal Revenue Code reference to December 31, 1981.** For taxable year 1982 and thereafter, individuals, estates and trusts must use the Internal Revenue Code (IRC) in effect on December 31, 1981. However, the following provisions of federal law may not be used for Wisconsin purposes, even though they are part of the December 31, 1981 IRC:

- (a) Deduction allowed married couples when both spouses work.
- (b) Exclusion for stock dividends from a dividend reinvestment plan of a public utility.
- (c) Charitable contribution deduction for persons who do not itemize deductions.

- (d) Exclusion for interest from "All-Saver" certificates.
- (e) Incentive stock option provisions.

In addition, Wisconsin law continues to provide:

- (a) An itemized deduction for child-care expenses.
- (b) An itemized deduction for political contributions.
- (c) An exclusion for foreign earned income (based on the provisions of the December 31, 1977 IRC).

**2. Capital gain exclusion allowed beginning in 1982.** For Wisconsin purposes, a long-term capital gain will be taxable as follows: 80% in 1982, 60% in 1983 and 40% in the taxable year 1984 and thereafter.

**3. Gain on sale of residence allowed to be deferred even if replacement residence is located outside Wisconsin.** Beginning with the taxable year 1982, a gain on the sale of a personal residence which may be deferred under Internal Revenue Code section 1034 (a) may also be deferred for Wisconsin, even though the replacement residence may be located outside of Wisconsin.

**4. Capital gain exclusion is subject to the Wisconsin minimum tax.** The portion of a long-term capital gain which is excludable from the Wisconsin taxable income of an individual, estate or trust is treated as a tax preference item for purposes of computing the Wisconsin minimum tax.

#### Farmland Preservation Credit Changes

**1. Depreciation expense in excess of \$25,000 may not be deducted.** For purposes of computing household income on a 1982 farmland credit claim, a claimant is limited to a maximum depreciation expense deduction of \$25,000. Each member of a claimant's household is individually subject to this limitation. (Note: For 1981 the limitation was \$20,000.)

#### Corporation Franchise/Income Tax Changes

**1. 10% surtax for 1982 and 1983.** For the taxable years 1982 and 1983, a surtax of 10% will be added to the franchise/income tax

payable by corporations. The surtax must be computed on the basis of gross tax (i.e., tax before subtracting credits allowable for sales tax paid on fuel and electricity and farmland preservation credit).

**2. Federal safe-harbor provisions may not be used.** Corporations are not permitted to use the special safe-harbor leasing provisions of federal law for Wisconsin purposes. (Note: This change was also retroactive to 1981.)

**3. Business income follows situs of business.** For taxable years 1982 and thereafter, only nonbusiness income or loss derived from rentals and royalties from real estate or tangible personal property or from the sale of real property or tangible personal property follows the situs of the property. All other income or loss, including income or loss from the sale or exchange of petroleum at the well-head, follows the situs of the business.

#### Sales Tax Changes

**1. Retailer's Discount Changed.** On sales and use tax returns filed for taxable years beginning on or after January 1, 1983, retailers will receive the following levels of discount:

- (a) 2% discount on the first \$10,000 of sales and use tax payable during the taxable year.
- (b) 1% discount on the second \$10,000 of sales and use tax payable during the taxable year.
- (c) .5% discount on sales and use tax payable which exceeds \$20,000 during the taxable year.

No discount is allowable with respect to any amount of sales and use tax which is delinquent.

#### Other Changes

**1. Nonresident entertainers required to file a bond or cash deposit.** Effective January 1, 1983 nonresident entertainers and public speakers who perform in Wisconsin and their employers are subject to the following new requirements:

- (a) The entertainers and public speakers must file a surety bond or place a cash deposit with the Department of Revenue equal to 6% of the total

performance contract price if the performance contract price exceeds \$3,200. This must be done at least two days prior to the date of a performance.

- (b) Employers of such nonresidents must verify that the employee has filed the bond or placed the security deposit with the Department of Revenue. If that has not been done, the employer must withhold an amount from the payment to the entertainer.
- (c) Employers must furnish an informational return (Wisconsin Form 9C) to the Department of Revenue within 90 days of the performance if the contract price exceeds \$3,200.

For more information about this new law regarding nonresident entertainers, obtain Publication 508, Wisconsin Tax Requirements Relating to Nonresident Entertainers, from any Department of Revenue office.

#### CORPORATION DECLARATION VOUCHERS FOR 1983 MUST BE FILED ONLY IF PAYMENT IS DUE

**Question #1:** A corporation completes Schedule C of the 1983 Form 4-ES instructions and determines that no installment payment is required until the 3rd quarter of the corporation's taxable year. Is this corporation required to file declaration vouchers for the first and second quarter of the taxable year even though no payment will be made?

**Answer:** No. Declaration vouchers should be filed only for purposes of making payments.

**Question #2:** A corporation files its 1982 corporate franchise tax return and computes an overpayment. The corporation elects on the 1982 return to have the overpayment applied to its 1983 estimated taxes. As a result, no first quarter installment payment is due for 1983. Is this corporation required to file a declaration voucher for the 1st quarter of 1983?

**Answer:** No. The Department of Revenue will automatically apply the 1982 overpayment to the corporation's 1983 estimated taxes, even though a declaration voucher is not filed.

## MAILING OF 1982 CORPORATE TAX FORMS

Corporations with taxable years ending July, 1982 through January, 1983 were mailed 1982 corporate franchise/income tax booklets during 1982. Corporations with fiscal years ending February, 1983 through June, 1983 will be mailed 1982 booklets in early 1983.

Three types of corporation franchise/income tax booklets are available for 1982 - Form 4, Form 5 and Form 5A. The Form 4 booklet contains a Form 4 and supporting schedules, Form 4S (relating to Subchapter S), Form 4U ("Underpayment of Estimated Tax by Corporations") and instructions for these forms. Form 4 is the corporate "long form" and can be used by any corporate taxpayer. Corporations reporting under the separate accounting method *must* use Form 4. Generally only multi-state corporations who filed a 1981 Form 4 will be mailed the Form 4 booklet.

The Form 5 booklet contains a Form 5, Form 4S, Form 4U and instructions. Form 5 (the corporate "short form") can be used by all corporate taxpayers except those that determine their Wisconsin net income by the separate accounting method. The Form 5 booklet does not contain the apportionment Schedule 4B. Corporations operating 100% in Wisconsin will be mailed the Form 5 booklet.

The Form 5A booklet contains a Form 5, Form 4B, Form 4S, Form 4U and instructions. Multi-state corporations that filed a 1981 Form 5 will be mailed this booklet.

NOTE: Form 4-ES for 1983 is not included in the 1982 corporate booklets. Declaration forms will automatically be mailed to all corporations that filed a Form 4-ES and made declaration payments for 1982. A single mailing will provide all 1983 declaration forms (including 4 pre-addressed payment vouchers) and instructions. The 1983 declaration forms will be mailed at least 4 weeks before the due date of the corporation's first installment payment.

## IRA TREATMENT FOR NON-WORKING SPOUSES - CHANGES IN 1982

1977-1981 Taxable Years: WTB #7 (January, 1978) stated that a work-

ing spouse who contributes to both his or her own IRA plan and to a non-working spouse's plan is not required to allocate the allowable deduction between spouses on a 1977 Wisconsin income tax return. This applies for Wisconsin purposes only for taxable years 1977 through 1981.

For example, a working spouse contributed \$1,500 to his own plan and \$250 to his non-working spouse's plan during 1981. The working spouse may deduct the entire \$1,750 of contributions from his income on the 1981 Wisconsin return (assuming this amount did not exceed limitations provided under the Internal Revenue Code).

**1982 and Thereafter:** The federal Internal Revenue Code relating to IRAs was revised effective with the 1982 taxable year. In WTB #30 it was indicated that for 1982 one spouse may *not* claim an IRA deduction for contributing to the other spouse's IRA account.

As part of the federal Economic Recovery Tax Act of 1981, changes were made to the eligibility standards for individual retirement accounts. As a result of these changes for 1982 and thereafter, one spouse may not deduct from his or her Wisconsin income, contributions made to the other spouse's IRA account.

For example, during 1982 a taxpayer earned \$25,000 and contributed \$2,000 to her IRA account and \$250 to her non-working spouse's IRA. This taxpayer may only claim a \$2,000 IRA deduction and her spouse may claim a \$250 IRA deduction on their 1982 Wisconsin return.

## PERSONS CONVICTED FOR FAILURE TO FILE

Arnold L. Lawrence, from Alma, Wisconsin, has been ordered to serve probation and pay \$400 in fines for criminal violations of the Wisconsin state income tax laws. Arnold Lawrence was convicted in Dane County Circuit Court after he entered guilty pleas to two counts of failing to file state income tax returns. Circuit Judge Michael B. Torphy withheld sentence and ordered Lawrence to serve probation for one year on each count concurrently. Under the conditions of probation, Lawrence must pay a \$200 fine on each count and file all income tax re-

turns required to be filed by the Wisconsin Department of Revenue.

Criminal charges were filed against Lawrence by the Dane County District Attorney's Office after an investigation by the Intelligence Section of the Wisconsin Department of Revenue.

Also, a Milwaukee accountant has been convicted in Dane County Circuit Court and ordered to pay a \$500 fine or serve 30 days in jail for criminal violation of the state income tax law. Phillip L. Sedgwick, 3890 South Massachusetts Avenue, Milwaukee, a certified public accountant, was sentenced in Dane County Circuit Court, after entering a guilty plea to one count of failing to file a state income tax return. The criminal charges were filed against Sedgwick and Lawrence by the Dane County District Attorney's Office after an investigation by the Intelligence Section of the Wisconsin Department of Revenue.

Failure to file a Wisconsin state income tax return is a crime punishable by a maximum fine of \$500 or imprisonment not to exceed six months or both. In addition to the criminal penalties provided by statute, Wisconsin law provides for substantial civil penalties on the civil tax liability. Assessment and collection of the additional taxes, penalties and interest due follows conviction of a criminal violation.

## PROPERTY TAX DEFERRAL PROGRAM WILL NOT BE IMPLEMENTED IN 1983

Under the Property Tax Deferral Program as enacted by the Legislature, homeowners aged 65 and older with incomes of \$20,000 or less who meet certain requirements could qualify for low interest rate loans of up to \$1,800 annually to pay their property taxes. The loan, plus interest, would generally be paid after the home has been sold. Participation would have been voluntary and would not affect the eligibility for homestead or other forms of property tax relief.

This program will not be implemented in 1983. Mark E. Musolf, Secretary of Revenue in 1982, indicated in November, 1982 that the problem is with high interest rates and the funding mechanism. Mr. Musolf said "after a careful review of the law by bond council and finan-

cial experts, it appears that conventional bond financing cannot be arranged at acceptable interest rates. Moreover, the U.S. Treasury Department has indicated that interest earned on bonds issued by the state to finance the program will probably be subject to federal taxation, thereby pushing interest rates still higher. For these reasons, the Property Tax Deferral Program cannot be implemented in the manner envisioned by the Governor and Legislature."

It is not known at this time what action, if any, the Legislature will take regarding this program during the 1983-85 legislative session or when the program will be operative.

#### IRS STANDARD MILEAGE RATE APPLIES FOR WISCONSIN

The optional standard mileage rate specified by IRS for computing business automobile expenses for 1982 also applies for Wisconsin. The rate is 20¢ for the first 15,000 business miles and 11¢ per mile for mileage in excess of 15,000. A rate of 9¢ per mile which is used to calculate auto expenses for charitable, medical and moving expense deductions for federal purposes also applies for Wisconsin for 1982.

#### INFORMATIONAL PUBLICATIONS AVAILABLE

The Department publishes informational material called "publications". These are small pamphlets which provide detailed information about specific areas of Wisconsin tax laws. They are intended to aid the public in understanding certain aspects of the Wisconsin tax laws.

For 1982, the following publications may be obtained at each of the Division's offices located throughout Wisconsin:

Publication Number	Publication Title
100	1982 Wisconsin Tax Requirements For Nonresidents
101	1982 Wisconsin Tax Requirements For Part-Year Residents
102	Wisconsin Tax Treatment Of Subchapter S Corporations And Their Shareholders

103	Reporting Capital Gains And Losses For Wisconsin By Individuals, Estates and Trusts
104	Wisconsin Taxation Of Military Personnel
105	Adoption Expenses - Wisconsin Tax Benefits
106	Wisconsin Deduction For Child And Dependent Care Expenses
107	Combining DISC And Parent Or Affiliated Corporations' Incomes
200	How Electrical Contractors Determine Their Wisconsin Sales And Use Tax
201	Wisconsin Sales and Use Tax Information
300	Alcoholic Beverage Laws Relating To Minors
500	Tax Guide For Wisconsin Political Organizations And Candidates
501	Field Audit Of Wisconsin Tax Returns
503	Wisconsin Farmland Preservation Tax Credit For 1982
504	Directory For Wisconsin Department Of Revenue
508	Wisconsin Tax Requirements Relating to Nonresident Entertainers

If you have suggestions for additional subjects which you believe should be covered by a publication, submit your suggestions to the Wisconsin Department of Revenue, Director of Technical Services, P.O. Box 8910, Madison, Wisconsin 53708.

#### NEW ISI & E DIVISION RULES AND RULE AMENDMENTS IN PROCESS

Listed below, under parts A, B and C, are proposed new administrative rules and amendments to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of December 15, 1982. Part D lists new rules and amendments which have been adopted in 1982.

##### A. Rules at Legislative Council Rules Clearinghouse

2.39	Apportionment method - amendment
2.40	Nonapportionable income - repealed and recreated
2.82	Nexus - amendment
4.50	Assignment, use and reporting of Wisconsin state tax number - amendment
7.21	Labeling - amendment
7.22	Tied house law; volume and quantity discounts - repealed
7.23	Activities of brewers, bottlers and wholesalers - amendment
8.02	Revenue stamps-occupational tax - amendment
8.11	Reports - amendment
8.21	Purchases by the retailer - amendment
8.22	Purchases made outside of state - amendment
8.35	Interstate shipments - amendment
8.42	Wine containers - repealed
8.43	Empty containers - amendment
8.66	Merchandise on collateral - amendment
8.76	Salesperson - amendment
8.81	Transfer of retail liquor stocks - amendment
8.85	Procedure for apportionment of cost of administration of s. 176.05 (23), Stats. - amendment

8.86	Tied house law; volume and quantity discounts - repealed	16.02	Eligibility - new rule	11.66	Communication and CATV services - amendment
9.12	Refunds-military - amendment	16.03	Application and review - new rule	11.69	Financial institutions - amendment
11.10	Occasional sales - amendment	16.04	Repayment of loan - new rule	11.84	Aircraft - amendment
11.14	Exemption certificates (including resale certificates) - amendment	<b>B. Rules at Legislative Standing Committees</b>		11.85	Boats, vessels and barges - amendment
11.15	Containers and other packaging and shipping materials - amendment	11.03	Elementary and secondary schools and related organizations - amendment	11.87	Meals, food, food products and beverages - amendment
11.16	Common or contract carriers - amendment	11.05 (3)	Governmental units - amendment	11.93	Annual filing of sales tax returns - amendment
11.19	Printed material exemptions - amendment	11.56	Printing industry - new rule	11.97	"Engaged in business" in Wisconsin - amendment
11.26	Other taxes in taxable gross receipts and sales price - amendment	11.65	Admissions - amendment	<b>D. Rules Adopted in 1982 (in parentheses is the date the rule was adopted.)</b>	
11.32 (3)	"Gross receipts" and "sales price" - amendment	<b>C. Rules Approved By Legislature But Not Effective</b>		2.081 (3)	Indexed income tax rate schedule for taxable year 1981 (1/1/82) - new rule
11.48	Landlords, hotels and motels - amendment	2.081 (5)	Indexed income tax rate schedule for 1982 - new rule	2.30	Property located outside Wisconsin - depreciation and sale (8/1/82) - repealed and recreated
11.49	Service station and fuel oil dealers - amendment	2.945	Spousal individual retirement contributions - new rule	2.97	Sale of constant basis assets acquired prior to becoming a Wisconsin resident (8/1/82) - repealed
11.50	Auctions - amendment	11.001	Definitions and use of terms - amendment	5.01	Filing reports (8/1/82) - amendment
11.51	Grocers' guidelist - amendment	11.01	Sales and use tax return forms - amendment	10.10	Taxation of savings, mortgage and credit life insurance (8/1/82) - amendment
11.52	Coin-operated vending machines and amusement devices - amendment	11.05 (2)	Governmental units and (3) - amendment	10.11	Federal estate tax deduction (8/1/82) - new rule
11.57	Public utilities - amendment	11.08	Medical appliances, prosthetic devices and aids - amendment	10.12	Deductibility of income taxes (8/1/82) - amendment
11.67	Service enterprises - amendment	11.10	Occasional sales - amendment	10.13	Apportionment of property qualifying for exception (8/1/82) - new rule
11.68	Construction contractors - amendment	11.16	Common or contract carriers - amendment	11.11	Waste treatment facilities - amendment
11.71	Automatic data processing - new rule	11.17	Hospitals, clinics and medical professions - amendment	11.12	Farming, agriculture, horticulture and floriculture (1/1/82) - amendment
11.84	Aircraft - amendment	11.26	Other taxes in taxable gross receipts and sales price - amendment		
11.87	Meals, food, food products and beverages - amendment	11.32 (4)	"Gross receipts" and and (5) "sales price" - amendment		
11.96	Interest rates - amendment	11.38	Fabricating and processing - amendment		
11.98	Reduction of delinquent interest rate under s. 77.62 (1), Stats.	11.49	Service station and fuel oil dealers - amendment		
16.01	Administrative provisions - new rule	11.57	Public utilities - amendment		

11.16	Common or contract carriers (1/1/82) - amendment	11.53	Temporary events (2/1/82) - new rule	NOTE: The proposed amendment to rule Tax 2.165 involving changing a corporation's taxable year has been withdrawn and will not be adopted.
11.40	Exemption of machines and processing equipment (1/1/82) - amendment			

### TAXPAYER ASSISTANCE AVAILABLE

During the 1983 filing season (January through April 15th), the department's auditors and tax representatives are available to answer questions of taxpayers and tax practitioners.

In the department's larger offices, assistance is provided on a daily basis (Monday through Friday). Assistance in other offices generally is available on Mondays only, although there are exceptions as noted below.

#### Offices Providing Daily Assistance

Location	Address	Telephone No.	Hours
*Appleton	265 W. Northland	(414) 735-5001	7:45-4:30
*Eau Claire	718 W. Clairemont	(715) 836-2811	7:45-4:30
La Crosse	620 Main	(608) 785-9721	7:45-4:30
*Madison	4638 University Ave.	(608) 266-2772	7:45-4:30
Madison	212 East Washington Ave.	NONE	8:00-4:15
*Milwaukee	819 N. Sixth St.	(414) 224-4000	7:45-4:30

#### Offices Providing Assistance on Mondays Only (unless otherwise noted)

Ashland	Courthouse	NONE	11:00-3:00 (a)
Baraboo	1007 Washington	(608) 356-8973	7:45-4:30
Barron	Courthouse	(715) 537-3621	7:45-4:00
Beaver Dam	211 S. Spring St.	(414) 887-8108	7:45-4:30
Cedarburg/Grafton	220 Oak Street	(414) 377-6700	7:45-4:30
Elkhorn	300 S. Lincoln St.	(414) 723-4098	7:45-4:30
Fond du Lac	160 S. Macy St.	(414) 929-3985	7:45-4:30
*Green Bay	1600 W. Shawano	(414) 497-4230	7:45-4:30 (b)
Hayward	221 Kansas Ave.	(715) 634-8478	8:00-12:00
Hudson	759 Sommer St. No.	(715) 386-8225	7:45-4:30
Janesville	115 S. Franklin	(608) 755-2750	7:45-4:30
*Kenosha	5500 - 8th Ave.	(414) 656-7100	7:45-4:30 (c)
Lancaster	237 W. Hickory St.	(608) 723-2641	7:45-4:30
Manitowoc	1314 Memorial Dr.	(414) 684-1909	7:45-4:30
Marinette	Courthouse	(715) 735-5498	9:00-12:00
Marshfield	630 S. Central Ave.	(715) 387-6346	7:45-4:30
Monroe	1220 - 16th Ave.	(608) 325-3013	7:45-4:30
Oshkosh	Courthouse	(414) 424-2100	7:45-4:30
Park Falls	1114 S. 4th Ave.	(715) 762-2160	7:45-11:45
*Racine	616 Lake Ave.	(414) 636-3711	7:45-4:30 (c)
Rhineland	Sunrise Plaza	(715) 362-6749	7:45-4:30
Shawano	1456 E. Green Bay St.	(715) 526-5647	7:45-4:30
Sheboygan	504 S. 14th St.	(414) 459-3101	7:45-4:30
Superior	Courthouse	(715) 394-0204	8:00-4:30
Tomah	City Hall	(608) 372-3256	8:30-12:00
Watertown	415 E. Main St.	(414) 261-7700	7:45-4:30
*Waukesha	141 N.W. Barstow St.	(414) 544-8690	7:45-4:30 (b)
Waupaca	201½ S. Main St.	(715) 258-9564	7:45-11:45
Wausau	Courthouse Annex	(715) 847-5380	7:45-4:30
West Bend	429 Walnut St.	(414) 338-4730	7:45-4:30
Wisconsin Rapids	1681 Second Ave. S.	(715) 421-0500	7:45-4:30

(a) Tuesdays only (c) Monday and Tuesday  
 (b) Monday through Wednesday \*Open during noon hour