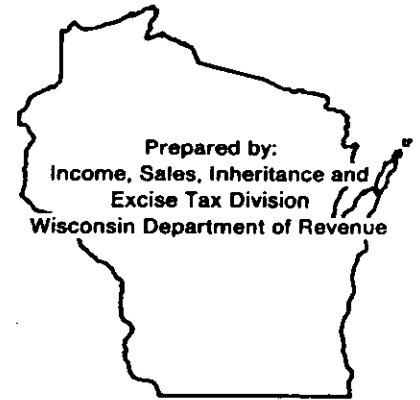


# WISCONSIN TAX BULLETIN

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## SPECIAL TAX FORMS FOR CERTAIN FISCAL YEAR FILERS

A Wisconsin tax law change included in 1989 Wisconsin Act 31 federalized the definition of "taxable year." "Taxable year" now means the taxable period upon the basis of which the taxpayer's taxable income is computed for federal income tax purposes.

As a result of this law change, taxpayers will file a 1989 return for Wisconsin purposes for any taxable year that begins in 1989, the same as for federal purposes. (Under prior law, a 1989 Wisconsin return would be filed for any year that ends after July 1, 1989, and before July 1, 1990.)

This law change applies for taxable years that begin on or after August 1, 1988. Therefore, taxpayers whose fiscal years begin in August through December 1988 and end in July through November 1989, must file two 1988 returns for different taxable periods. To distinguish between these two returns, the forms and instructions refer to the first return as a "1988" return and the second as a "1988F" return. The first 1988 return, which should have been filed previously on the 1988 forms, was for the year that ended after July 1, 1988, and before December 31, 1988. The second, which will be filed on the 1988F forms, will be for the year that ends after July 1, 1989, and before December 31, 1989.

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The change in definition of taxable year does not change a taxpayer's fiscal year, nor does it require the filing of a short period return.

Taxpayers whose taxable years end in any months other than July through November 1989 are not affected by this law change and need not file any special returns.

## Corporations

The Forms 4, 5, 5S, and the supplemental Forms 4B, 4BL, 4C, and 4U, and Schedule 5K-1 and R all have a "1988F" version. Taxpayers who filed 1988 forms with a July, August, September, October, or November year end will automatically be sent the 1988F forms. Additional forms may be obtained by calling (608)266-1961. It is estimated that 14,000 corporations will file a 1988F form.

There will not be special estimated tax vouchers for these fiscal year taxpayers. Instead, a second set of 1989 vouchers should be used. Corporations which made estimated tax payments for their years ending in 1989 will be sent estimated tax vouchers.

## Individuals

Individuals whose taxable year ends after July 1, 1989, and before December 31, 1989, will also be sent special forms (Form 1 or Form 1NPR) and a letter explaining how to file a second 1988 return. It is estimated that fewer than 100 individuals

will be required to file a second 1988 return.

### Estates and Trusts

Due to the small number of estates and trusts that will be required to file two 1988 returns, no special Form 2 is being prepared. Affected taxpayers should be advised to write "2nd 1988 return" at the top of the second 1988 Form 2 they file.

### Partnerships

The Form 3 and Schedule 3K-1 will have a 1988F version to be filed by partnerships with fiscal years ending after July 1, 1989, and before December 31, 1989. The 1988F forms will be sent to partnerships which filed 1988 Form 3 with a July, August, September, October, or November year end. It is expected there will be 300 partnerships filing a 1988F form. Additional forms may be obtained by calling (608) 266-1961.

### Exempt Organizations

The Form 4T will have a 1988F version to be filed by exempt organizations having unrelated business income with fiscal years ending after July 1, 1989, and before December 31, 1989. The 1988F 4T will be mailed to exempt organizations who have already filed a 1988 Form 4T. Additional copies may be obtained by calling (608) 266-1961.

## NEW WISCONSIN TAX LAWS

The August 1989 issue of the Wisconsin Tax Bulletin (Items A.10. on page 4, A.20. on page 8, and B.21. on page 33) included descriptions of two bills (AB 60 and AB 233) which had been enacted by the Legislature but had not been signed by the Governor at the time the Bulletin went to print. Both of these bills were signed by the Governor on September 11, 1989.

1989 Wisconsin Act 44 (AB 60), which affects the development zone jobs credit is effective for business closings and layoffs

that occur after September 11, 1989, for employers that employ 100 or more persons and on November 10 for employers employing fewer than 100 persons. 1989 Wisconsin Act 46 (AB 233), which provides an exemption for interest income from higher education bonds, is effective September 12, 1989.

## GOVERNOR DESIGNATES DEVELOPMENT ZONES

As part of 1987 Wisconsin Act 328, a development zone program was created that would provide \$14 million in state tax credits and technical assistance to businesses which locate or expand in a "development zone."

During the week of September 3, 1989, Governor Tommy Thompson named portions of Milwaukee, Beloit, Racine, Manitowoc, Sturgeon Bay, Superior, Iron County, and the Stockbridge-Munsee tribal community as the state's first development zones. The duration of each zone is 7 years.

The development zone program is administered by the Wisconsin Department of Development (DOD). To learn more about the program and specific locations of the zones, you may call Kathleen Heady, Department of Development, at (608) 267-2045 or call the following local development zone contacts:

### Development

| Zone        | Information   |
|-------------|---|
| Beloit      | Neal Herst<br>Community Development<br>Director<br>(608) 364-6700   |
| Iron County | Cathy Techtmann<br>Iron County Resource Agent<br>(715) 561-2695   |
| Manitowoc   | David Less<br>City Planner<br>(414) 683-4435  |
| Milwaukee   | Michael Brodd<br>Manager of Planning<br>& Analysis<br>Department of City<br>Development<br>(414) 223-5800 |

Racine Thomas Wright  
Director of City Development  
(414) 636-9151

Stockbridge-  
Munsee Leah Miller-Heath  
Tribal Planner  
(715) 793-4111

Sturgeon  
Bay Ed Allingham  
Sturgeon Bay City  
Administrator  
(414) 743-6263

Superior James Kumbera  
Community Development  
Director  
(715) 394-0278

## BULK ORDERS OF TAX FORMS

In early October, the department mailed the order blank (Form P 744) which tax preparers should use to request bulk orders of 1989 Wisconsin income tax forms. There is a handling charge on these orders.

In early October, the department also mailed order blanks (Forms P-744b and P-744L) which banks, post offices, and libraries should use to request bulk orders of 1989 Wisconsin income tax forms. No charge is made for forms used for distribution to the general public (for example, in a bank, library, or post office).

This year's mailing list for bulk order blanks contains the names of all persons and organizations who placed orders for 1988 forms. If you are not on this mailing list and do not receive a Form P-744, P-744b, or P-744L, you may request the bulk order blank by contacting any department office or by writing to the Wisconsin Department of Revenue, Shipping and Mailing Section, Post Office Box 8903, Madison, Wisconsin 53708. You may also call the Shipping and Mailing Section at (608) 267-2025.

Orders should be placed as early as possible after you receive the order blank. Orders received by November 10, 1989, will be mailed in late December and early January. Package WI-X will be mailed separately in late January.

## NEW PUBLICATION ON MARITAL PROPERTY LAW AVAILABLE

The Internal Revenue Service and Wisconsin Department of Revenue have coauthored a new publication titled *Federal and Wisconsin Income Tax Reporting Under the Marital Property Act*. This publication contains information about both the federal and Wisconsin treatment of separated and divorced spouses, as well as information about the collection of tax debts and the determination of the basis of property upon the death of a spouse. The "Federal Treatment" was written by Larry Phillips, District Director of the Milwaukee Office of the Internal Revenue Service, and the "Wisconsin Treatment" was written by Carol Held of the Wisconsin Department of Revenue. A copy of this joint publication is reproduced beginning on page 27 of this Bulletin.

## INCREASE IN IRS STANDARD MILEAGE RATE ALSO APPLIES FOR WISCONSIN FOR 1989

The optional standard mileage rate specified by the IRS for computing business automobile expenses for 1989 also applies for Wisconsin. The IRS increased the rate from 24¢ to 25.5¢ for the first 15,000 business miles driven in an automobile that is not fully depreciated. After 15,000 miles of business use in one year and for all mileage on a fully depreciated automobile, the rate remains at 11¢ per mile. If the optional method for computing costs of business use of an automobile is used, depreciation is considered to be allowed at 11¢ per mile for 1989.

The mileage rate used to calculate automobile expenses for charitable deduction purposes, which remains at 12¢ a mile in 1989, also applies for Wisconsin.

For both federal and Wisconsin purposes, a rate of 9¢ per mile is used in 1989 to calculate automobile expenses for medical and moving expense deductions.

## TAX RETURN STATISTICS FOR 1988-89

There were 2,396,000 Wisconsin individual income tax returns filed during the period July 1, 1988, to June 30, 1989. This compares to 2,357,000 income tax returns filed for the prior 12 months. The 2,396,000 returns were filed by 3,453,000 individuals.

There were 252,000 homestead credit claims and 24,000 farmland credit claims filed during the year. This compares to 263,000 homestead credit claims and 23,000 farmland credit claims filed for the prior year.

Taxpayers were issued a total of 1,719,200 income tax refunds during the 12 months ending June 30, 1989, for an average refund of \$300. The average refund for the prior year was \$329.

Homestead credit refunds averaged \$400 per claimant, an increase from the average refund of \$399 issued last year. About 50% of the claimants were age 65 or older. Of all individuals claiming homestead credit, 47% were renters and 53% were homeowners.

An average farmland preservation credit of \$1,192 was issued to each claimant. The average payment last year was \$1,286. Also, an average farmers' drought credit of \$324 was issued to 56,000 farmers.

An itemized deduction credit was claimed by 20% of the taxpayers on 1988 tax returns. The average credit allowed was \$279.

## TAXPAYERS DESIGNATE \$439,821 TO STATE ELECTION CAMPAIGN FUND

The 1988 Wisconsin income tax returns, Forms 1, 1A, 1NPR, and WI-Z, included a box for taxpayers to designate \$1 to the State Election Campaign Fund. If the box was checked "yes," there was no increase in tax liability or reduction in refund for making the designation.

During the period July 1, 1988, to June 30, 1989, taxpayers designated \$439,821 to the election campaign fund on their Wisconsin tax returns. This compares to \$449,211 for the prior 12 months ending June 30, 1988.

## CONTRIBUTIONS TO ENDANGERED RESOURCES PROGRAM INCREASE

The 1988 Wisconsin income tax returns, Forms 1, 1A, 1NPR, and WI-Z included a line for taxpayers to contribute to the Wisconsin Endangered Resources Fund. These donations either reduce a taxpayer's income tax refund or increase the amount of income tax owed. Amounts contributed go to the Wisconsin Department of Natural Resources to help protect and care for Wisconsin's endangered species, nongame wildlife, and rare plant and animal habitats.

On 1988 Wisconsin income tax returns filed, 56,893 taxpayers contributed \$612,380 to the Endangered Resources Fund. This compares with 1987 income tax returns where 55,662 taxpayers contributed \$533,712.

## 1989 PACKAGE WI-X WILL BE AVAILABLE

The department will again be offering Package WI-X which will contain actual size copies of most 1989 Wisconsin individual, fiduciary, and corporation income tax, gift tax, inheritance tax, motor fuel tax, sales tax, and withholding tax forms.

Package WI-X should be available by January 31, 1990. The cost is \$6.00 per copy. It may be ordered on the bulk order blank (Form P-744). The bulk order blank was mailed in October. See the following article for more information on bulk orders.

If you do not receive an order blank and wish to purchase copies of 1989 Package WI-X, requests indicating the number of copies along with the amount due should

be mailed to: Wisconsin Department of Revenue, Shipping and Mailing Section, Post Office Box 8903, Madison, Wisconsin 53708.

### **REMINDER: FILING DEADLINES FOR 1988 HOMESTEAD AND FARMLAND PRESERVATION CREDIT CLAIMS**

January 2, 1990, is the deadline for filing a 1988 homestead credit claim. Farmland preservation credit claims for 1988 must be filed no later than 12 months after the farmland owner's 1988 taxable year ends. January 2, 1990, is the deadline for filing a 1988 farmland preservation credit claim for farmland owners who are calendar year taxpayers.

No extensions of time are available for filing claims for these two credits.

### **REMINDER: NOTIFY DEPARTMENT OF FEDERAL ADJUSTMENTS AND AMENDED RETURNS**

If a 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 information in the amended return affects the amount of Wisconsin income reportable or tax payable.

For taxable years prior to 1987, if a taxpayer does not report adjustments made by the IRS or amended returns are not filed in the time period specified above, the department may make an assessment against the taxpayer or a refund to the taxpayer within 10 years after the date which the original tax return was filed or

within 2 years after the date when the federal determination of tax became final, whichever is later.

For taxable years 1987 and thereafter, if a taxpayer does not report adjustments made by the IRS or amended returns are not filed in the time period specified above, the department may make an assessment against the taxpayer or a refund to the taxpayer within 4 years after discovery by the department.

An amended Wisconsin return or copy of the federal audit report should be sent to the Wisconsin Department of Revenue, Audit Bureau, Post Office Box 8906, Madison, Wisconsin 53708.

### **REMINDER: EMPLOYERS MUST SUBMIT COPIES OF CERTAIN EMPLOYEE WITHHOLDING EXEMPTION CERTIFICATES**

Wisconsin law 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 the 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 more than 10 or (2) the employee is claiming complete exemption from withholding and he or she earns more than \$200 per week.

### **REMINDER: NONRESIDENT ENTERTAINERS REQUIRED TO FILE SURETY BOND OR CASH DEPOSIT**

A "nonresident" entertainer who performs in Wisconsin for a contract price that exceeds \$3,200 is required to file a surety bond or cash deposit with the Department of Revenue in an amount of 6% of his or her total contract price.

If the bond or deposit is not filed, the "employer" at the event is required to withhold 6% from the nonresident entertainer's payment. If the employer fails to withhold the required amount, the employer will be held liable for the amount that should have been withheld.

A "nonresident entertainer" is a nonresident person who furnishes amusement, entertainment, or public speaking services, or performs in one or more sporting events, and includes a foreign corporation (one not organized under the laws of Wisconsin) not regularly engaged in business in Wisconsin which derives income from any of these activities or from these services performed by a nonresident person.

An "employer" is any Wisconsin resident person or firm which contracts for the services of a nonresident entertainer. In the absence of such resident contracting person, the employer is the last resident person or firm to have receipt, custody, or control of the proceeds of the event. If there is neither a resident contracting person nor a resident with control of the proceeds, the employer is any nonresident person or firm who contracts for or has control of the proceeds of the event.

Amounts of cash deposited with the Department of Revenue with Form WT-10 (Nonresident Entertainer's Application & Receipt for Surety Bond or Cash Deposit) and amounts withheld by employers and reported on Form WT-11 (Nonresident Entertainer's Receipt for Withholding by Employer) may be claimed as a credit by the nonresident entertainer on his or her Wisconsin individual income tax return or on the corporation's franchise or income tax return for the year in which the appearance was made. Any amounts deposited or withheld that are in excess of the nonresident entertainer's Wisconsin tax liability per the return will be refunded.

Surety bonds filed with the Department of Revenue with Form WT-10 will be released upon request when the nonresident entertainer's tax liability for the year involved has been satisfied.

Additional information may be obtained by requesting Publication 508, "Wiscon-