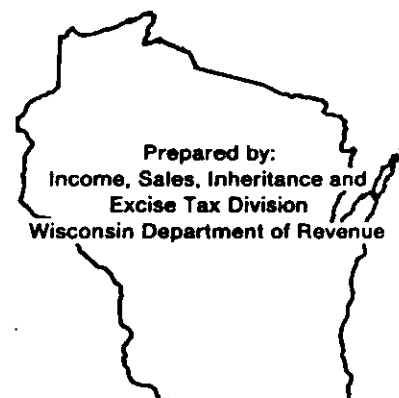


# WISCONSIN TAX BULLETIN

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## ONE-TIME SCHOOL PROPERTY TAX/RENT CREDITS ARE STATE INCOME TAX REFUNDS

The Internal Revenue Service has advised the department that Wisconsin's one-time additional school property tax/rent credits for tax years 1987 and 1988 are considered a recovery of Wisconsin income taxes. This means the credits will be includible in federal gross income to the extent a federal tax benefit was received for claiming 1987 and/or 1988 Wisconsin income taxes as an itemized deduction.

The credits are includible in federal income in the year they are received. Most individuals received their one-time additional credit in April 1990.

The credits are not includible in Wisconsin income. The reason is that no tax benefit is received for Wisconsin purposes for income taxes claimed as an itemized deduction on a federal return.

The one-time additional school property tax/rent credits will be included on Forms 1099-G. Federal law requires the department to provide Forms 1099-G to persons who claim state income tax payments as an itemized deduction.

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## NEED AN EASY WAY TO RESEARCH WISCONSIN TAX QUESTIONS?

Subscribe to the Wisconsin Department of Revenue's new Topical and Court Case Index. This index will help you find a particular Wisconsin statute, administrative rule, Wisconsin Tax Bulletin article or tax release, publication, Attorney General opinion, or court decision that deals with your particular Wisconsin tax question.

The index is divided into two parts. The first part, called the "Topical Index," gives references to alphabetized subjects for the various taxes. The taxes include individual income, corporation franchise or income, sales/use, withholding, gift, estate and inheritance, cigarette, tobacco products, beer, intoxicating liquor and wine, and motor fuel. An excerpt from the individual income tax section of the topical index appears on page 40 of this Bulletin.

The second part, called the "Court Case Index," lists Wisconsin Tax Appeals Commission, Circuit Court, Court of Appeals, and Wisconsin Supreme Court decisions by alphabetized subjects for the various taxes. An excerpt from the corporation section of the court case index appears on page 41 of this Bulletin.

This index will be available in December, 1990. The annual cost is \$14 per copy, plus sales tax. Subscribers will receive the full index in December, 1990 and also an ad-

dendum providing updated information in May, 1991. To order your copy of the index, complete the order blank that appears on page 57 of this Bulletin. The order blank may also be used for subscribing to the Wisconsin Tax Bulletin and for ordering the Wisconsin Administrative Code.

## FORMS CHANGES FOR 1990

Following is a brief description of the major changes to the Wisconsin individual income tax and farmland preservation credit forms for 1990. No major changes have been made to the homestead credit form.

### 1. Forms WI-Z, 1A, 1, and 1NPR

- A line is added to Form 1A for reporting IRA distributions, pensions and annuities, and taxable social security, to conform to changes in the federal Form 1040A.
- Lines are added to Form 1A for reporting estimated tax payments and for applying an overpayment to 1991 estimated tax, to conform to changes in the federal Form 1040A.
- A line is added to Form 1NPR for claiming a deduction for self-employment tax, to conform to a change in the federal Form 1040.

### 2. Schedule FC

- The property tax line (line 11) is divided into two parts, to provide a space for total property taxes as well as a space for the \$6,000 maximum allowable amount.

Proof copies of the 1990 Forms WI-Z, 1A, 1, and 1NPR and Schedules H and FC can be found on pages 42 to 54 of this Bulletin. The copies are subject to further revision.

## SPEAKERS BUREAU

The department's Speakers Bureau provides speakers to professional organizations and community groups throughout Wis-

consin. If you would like a speaker to address your group, please call the Speakers Bureau at (608) 266-8640.

Subjects that may be discussed include updates on income, corporate, and sales tax laws, audit procedures, common taxpayer errors, how tax laws apply to exempt organizations, sales tax problems of contractors or manufacturers, homestead credit, etc.

Note: There is no charge for services provided by the Speakers Bureau.

## 1990 PACKAGE WI-X WILL BE AVAILABLE

The department will again be offering Package WI-X which will contain actual size copies of most 1990 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, 1991. The cost is \$7.00 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 1990 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, WI 53708.

## BULK ORDERS OF TAX FORMS

In mid-October, the department mailed the order blank (Form P-744) which tax preparers should use to request bulk orders of 1990 Wisconsin income tax forms. There is a handling charge on these orders.

In mid-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 1990 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 1989 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, WI 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, 1990, will be mailed in late December and early January. Package WI-X will be mailed separately in late January.

## TAX RETURN STATISTICS FOR 1989-90

There were 2,453,000 Wisconsin individual income tax returns filed during the period July 1, 1989, to June 30, 1990. This compares to 2,396,000 income tax returns filed for the prior 12 months. The 2,453,000 returns were filed by 3,524,000 individuals.

There were 253,000 homestead credit claims and 24,000 farmland preservation credit claims filed during the year. This compares to 252,000 homestead credit claims and 24,000 farmland preservation credit claims filed for the prior year.

Taxpayers were issued a total of 1,671,000 income tax refunds during the 12 months ending June 30, 1990, for an average refund of \$288. The average refund for the prior year was \$300.

Homestead credit refunds averaged \$427 per claimant, an increase from the average refund of \$400 issued last year. About 50% of the claimants were age 65 or older. Of all individuals claiming homestead credit, 48% were renters and 52% were homeowners.

An average farmland preservation credit of \$1,086 was issued to each claimant. The average payment last year was \$1,192. Also, an average farmland tax relief credit of \$315 was issued to 61,273 farmers.

An itemized deduction credit was claimed by 21% of the taxpayers on 1989 tax returns. The average credit allowed was \$307.

## CHANGES IN IRS STANDARD MILEAGE RATE AND RULES ALSO APPLY FOR WISCONSIN FOR 1990

The optional standard mileage rate specified by the IRS for computing business automobile expenses for 1990 also applies for Wisconsin.

The IRS increased the rate from 25.5¢ per mile for the first 15,000 business miles driven in an automobile that is not fully depreciated, to 26¢ per mile for all business miles driven. There is no longer a 15,000 mile limitation, and the 26¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated. For 1989, after 15,000 miles of business use in one year and for all mileage on a fully depreciated automobile, the standard mileage rate was 11¢ per mile. The 11¢ rate is no longer in effect for standard business mileage.

If the standard mileage rate of 26¢ per mile is used, depreciation is considered to be allowed at 11¢ per mile for 1990, the same as for 1989. However, no portion of the 26¢ per mile rate is considered to be depreciation after the adjusted basis of the automobile reaches zero.

The mileage rate used to calculate automobile expenses for charitable deduction purposes, which remains at 12¢ per mile in 1990, also applies for Wisconsin.

For both federal and Wisconsin purposes, a rate of 9¢ per mile is used in 1990 to calculate automobile expenses for medical and moving expense deductions.

## UPDATE OF PUBLICATION ON MARITAL PROPERTY LAW

The Internal Revenue Service and the Wisconsin Department of Revenue are updating Wisconsin Publication 113, titled *Federal and Wisconsin Income Tax Reporting Under the Marital Property Act*, for 1990.

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 Internal Revenue Service (Milwaukee District Office) is updating the portion of the publication relating to the "Federal Treatment." The Technical Services staff of the Wisconsin Department of Revenue is updating the portion relating to the "Wisconsin Treatment."

The revised publication will be available about December 1, 1990. To obtain a copy, contact any Department of Revenue office.

## WISCONSIN'S ENDANGERED RESOURCE CHECKOFF: TAX PREPARERS MAKE THE DIFFERENCE

*The following article was submitted by the Bureau of Endangered Resources of the Wisconsin Department of Natural Resources.*

In Wisconsin and nationally, the success of the Endangered Resources Checkoff weighs heavily on tax preparers. The participation rate for donating as well as the average contributions are much higher for self-prepared returns than those prepared by tax practitioners. The fact is, many people are not being asked by their tax preparer whether they want to contribute. This is complicated by increased technology in tax preparation.

Most tax practitioners today use a computer system to process their clients' tax information. Software programs are varied. Some

software programs use input sheets that do not resemble the tax form, while others use a format that closely resembles the state tax form. Some packages have blanks for the checkoff contributions and some don't. Most do not describe the endangered resources checkoff as accurately as the average tax booklet instructions that are used in self-preparation of a tax return.

According to Robert McCance, Ohio Division of Natural Areas and Preserves, there are at least two major reasons why taxpayers who use tax preparers donate less money than those who prepare returns themselves. The first involves the process of preparing a return. When the tax preparer asks whether the client wishes to contribute to the checkoff, some say yes and some say no, but many say they want to know how large a return they are due (or how much is owed) before they decide whether to contribute. The information is not available at the time. Once the data is entered, the software calculates the taxes and prints out both a federal and a state tax return complete with a zero in the checkoff box and the amount of the refund due or amount owed filled in, awaiting the client's signature. The client must amend the tax return by subtracting the donation from the refund (or adding to the amount owed) and recalculating and rewriting the final lines. Few go through the hassle, even though they may otherwise want to contribute.

So, what's the bottom line? First, taxpayers need to be asked (including the software tax input forms)—"Would you like to donate to the Endangered Resource Checkoff program that is saving our endangered animal and plant species in Wisconsin?" Second, the taxpayer needs help in facilitating the process of actually making the donation. Third, taxpayers need to be reminded that they can contribute by adding to the amount owed as well as subtracting the donation from the refund. Fourth, those of us at the Department of Natural Resources that are working on the tax checkoff need your suggestions on ways to improve the checkoff. All of you are a vital link to making a difference in the success of the program! For more information, contact Lyn Vest, DNR, Bureau of Endangered Resources, Box 7921, Madison, WI 53707 (# 608-267-0861).