



Wisconsin TAX BULLETIN



Tax Season Gear-Up



See articles on pages 1 to 6.

25 Felony Counts Former Car Dealer Charged

A former Oshkosh car dealer, William P. Doucas, 35, of Oconomowoc, was charged in August 1995 with 25 felony counts of fraud and failing to pay state sales tax. The charges filed in Winnebago County Circuit Court include five counts of failure to pay nearly \$200,000 in sales taxes and 18 counts of felony fraud for failure to pay liens on 18 cars. In addition, Doucas was charged with one count each of submitting a fraudulent loan application and failure to put more than \$12,000 in employee funds into a retirement plan account.

If convicted on all counts, Doucas faces a maximum penalty of 106 years in prison and a fine of \$250,000.

For information regarding additional criminal tax charges, see the article titled "Tax Evaders Sentenced to Jail" on page 9 of this Bulletin.

Targeted Field Audits of Lodging Providers

Field auditors recently received assignments for targeted sales and use tax field audits of the lodging industry. These assignments are a result of the recommendations of an audit team which performed 30 targeted audits as a pilot study of this industry.

A targeted field audit is more than a self-audit performed by the taxpayer, but less than a full field audit of the taxpayer's records. There is limited personal contact between the taxpayer and the auditor. The taxpayer is provided with an educational publication and an audit package of worksheets and instructions. The targeted field audit will include taxpayer education of the sales and use tax laws applicable to their industry, taxpayer compilation of audit workpapers, auditor review of the information provided on those workpapers, and the issuance of a field audit report.

These targeted field audits serve the dual purpose of educating the taxpayer and allowing the department to audit taxpayers that may not have otherwise been audited due to limited auditor resources.

Form Changes for 1995

Following are brief descriptions of the major changes to the Wisconsin individual income tax forms for 1995.

- Check boxes are added to Forms 1, 1A, WI-Z, and 1NPR, for indicating whether the taxpayer earned income from personal or professional services performed in Minnesota while a Wisconsin resident. Space is also provided for entering the amount of such income.
- Spaces are added to Forms 1, 1A, and 1NPR, for entering information on qualifying children and the amount of federal earned income credit. The Wisconsin earned income credit for 1995 is a percentage of the federal earned income credit based on the number of qualifying children.
- The line for the preparer's signature or name is removed from Forms 1, 1A, and 1NPR and Schedules H and FC. It is no longer necessary for preparers to sign or fill in their names on these forms.
- Addresses for mailing returns to the department are moved to the back of Form 1.
- The signature area of Form 1 is redesigned. The space for the spouse's signature is below the taxpayer's signature line in the bottom left corner of Form 1.
- A bar code is added to Form WI-Z and changes are made to the entry area. These changes will allow the form to be electronically scanned by the department.

In This Issue

Articles —	Page		Page		Page
Former Car Dealer Charged . . .	1	New Sales and Use Tax Laws Explained	5	Endangered Resources Contributions Total \$600,000	10
Targeted Field Audits of Lodging Providers	1	<i>Wisconsin Tax Bulletin</i> Annual Index Available	5	Connecticut Offers Tax Amnesty	10
Form Changes for 1995	1	Tax Publications Available	5	TCMP: An Effective Tool For Increasing Voluntary Compliance	11
1995 Income or Franchise Tax Changes	2	Information or Inquiries?	6	Administrative Rules in Process	12
Wisconsin Electronic Filing is #1	3	Topical and Court Case Index Available	6	Recently Adopted Rules Summarized	13
Tax Professionals Contribute to Success of Electronic Filing	3	Need a Speaker?	7	Report on Litigation	15
Magnetic Media Filing Required for Some Forms	4	Manufacturing Property Assessment	7	Tax Releases	20
Use of Postcard Expanding	4	Question and Answer	8	Private Letter Rulings	40
Guidelines for Substitute Tax Forms	4	Department of Revenue Recognized for Innovation	8	Attachments —	
IRS 1995 Mileage Rates Apply for Wisconsin	4	Tax Evaders Sentenced to Jail	9	Sample Certifications	46
1995 Package WI-X Will Be Available	4	PartnerCare Enrollment Cards Mailed	10	Proof Copies of Forms	49
Tax Form Order Blanks Mailed	5	Over 1.8 Million Refunds Issued	10	Guidelines/Substitute Forms	61
		Taxpayers Designate \$315,133 to State Election Campaign Fund	10	September Tax Report	63
				Order Blank	65

Preliminary copies of the 1995 Forms 1A, 1, and 1NPR and the homestead credit and farmland preservation credit claim forms, Schedule H and Schedule FC, are reproduced on pages 49 to 60 of this Bulletin. The copies are subject to further revision. □

1995 Income or Franchise Tax Changes

Following are brief descriptions of some of the Wisconsin law changes which affect individuals or corporations in completing 1995 Wisconsin income tax or franchise/income tax returns. See *Wisconsin Tax Bulletin* 93 (August 1995) for additional information about laws enacted in 1995.

Individuals

- **Earned income credit.** The Wisconsin earned income credit is again based on a percentage of the federal earned income credit, rather than being computed separately from the federal credit. The Wisconsin credit is 4%, 16%, or 50% of the federal credit, depending on whether the person has one, two, or three or more quali-

fying children (no Wisconsin credit is allowed if there are no qualifying children). Schedule EICW is no longer necessary and has been eliminated.

- **Social security benefits.** Any difference between the amount of social security taxable for Wisconsin and federal purposes may be claimed as a subtraction modification, rather than a Schedule I adjustment as required for 1994.
- **Minnesota-Wisconsin reciprocity study.** As part of a study to determine the revenue effect of Minnesota-Wisconsin reciprocity, the individual income tax forms include spaces to provide information regarding wages or other personal service income earned in Minnesota.

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- **Medical care insurance deduction.** The Wisconsin deduction for medical care insurance costs paid by a self-employed person is increased from 50% to 100% of the costs. The deduction remains at 50% for employees whose employer does not contribute toward the cost of the insurance. (Note: This change is the result of a Wisconsin law change enacted in 1993 and is not described in *Wisconsin Tax Bulletin 93*.)
- **Standard deduction for dependents.** The minimum standard deduction for a person who can be claimed as a dependent on someone else's income tax return is increased from \$600 to \$650. Therefore, a Wisconsin income tax return must be filed by a dependent who has \$1 or more of nonwage income *and* \$650 or more of gross income. (Note: This change is the result of a Wisconsin law change enacted in 1993 and is not described in *Wisconsin Tax Bulletin 93*.)

Corporations

- **University of Wisconsin Hospitals and Clinics Authority.** Income these entities receive is exempt from corporation franchise and income tax.
- **State bond interest.** Interest from certain state bonds must be included in the measure of net income for corporations and insurance companies subject to the franchise tax. The bonds are WHEDA bonds for professional sports and entertainment home stadiums and local exposition district bonds.
- **Temporary recycling surcharge.** The temporary recycling surcharge does not apply to corporations, tax-option (S) corporations, or insurance companies, that have less than \$4,000 of total receipts.

Individuals and Corporations

- **Development zones credits.** Two new development zones credits are available to individuals and corporations. One is a development zones day care credit of up to \$1,200 of employment-related day care expenses for each qualifying individual. The other is a development zones environmental remediation credit of 7.5% of expenses to remove or contain environmental pollution, or to restore soil or groundwater affected by environmental pollution. □



Wisconsin Electronic Filing is #1

This year's Wisconsin Electronic Filing (ELF) Program was number one in the nation in increased volume, with a 36% boost in ELF returns received. Wisconsin also had:

- the fastest electronic refunds in the nation, with an average of 3 business days from receipt of the return until the refund was direct-deposited in the taxpayer's bank account, and
- an increase of 117.6% in the volume of balance due ELF returns.

The adjustment rate on electronically filed returns was less than 1%. This means that returns filed on paper were over 15 times more likely to be adjusted than electronic returns. Other benefits include acknowledgment of all returns filed electronically, increased efficiency, and reduced cost of doing business.

While Wisconsin's ELF program is growing by leaps and bounds, the department is committed to maintaining the exceptional level of customer

service that makes electronic filing the best alternative for filing your or your clients' tax returns. Service has been expanded to allow electronic filing through October 15, for returns with a filing extension.

More than 1,200 firms participated in the Wisconsin ELF Program for filing 1994 returns. To join the Wisconsin ELF Program, all you need to do is:

- **Sole Proprietors** — If you are authorized by the IRS to file electronically in Wisconsin, you will automatically be included in the Wisconsin ELF Program. No further action is necessary.
- **All Others** — Provide the Electronic Filing Coordinator with your firm's name, the Electronic Filing Identification Number (EFIN) assigned to you by the IRS, and a listing of your officers'/partners' names, addresses, and social security numbers. This information may be faxed to (608) 264-6884 or mailed to:

Wisconsin Electronic Filing
P.O. Box 8977
Madison, WI 53708-8977.

If you have any questions about the Wisconsin ELF Program, call the Electronic Filing Coordinator at (608) 264-6886. The ELF Program staff are looking forward to working with you in filing 1995 returns. □

Tax Professionals Contribute to Success of Electronic Filing

The Electronic Filing (ELF) staff wants to thank those tax professionals who have participated in the Wisconsin ELF Program. The success of this program is directly related to your efforts, cooperation, and commitment

to ELF. Together, we're making Wisconsin ELF a program we can all be proud of (see the preceding article).

The Department of Revenue recently filmed a video of ELF to tell people the benefits of filing returns electronically, based on the experience of others who are already participating in the ELF Program. The department extends special thanks to Fred Goetz, Edna Kratochvil, and Marshall Mennenga for volunteering to participate in filming the video. □

Magnetic Media Filing Required for Some Forms

Employers and payors may be required to file wage statements and information returns on magnetic media with the Wisconsin Department of Revenue. Wisconsin magnetic media filing is required if comparable wage statements or information returns are required to be filed on magnetic media with the Internal Revenue Service or Social Security Administration, the income on the form is required to be reported to Wisconsin, the number of any one type of form required to be filed with Wisconsin is 250 or more, the Combined Federal/State Filing Program is not being used, and no waiver has been granted by the department.

Wisconsin Publication 509, *"Filing Wage Statements and Information Returns on Magnetic Media,"* describes more fully what forms must be filed on magnetic media for Wisconsin, the magnetic media requirements, and when and where to file on magnetic media. If you wish to order Publication 509, you may do so by writing to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903, or by phoning (608) 266-1961 in Madison. □



Use of Postcard Expanding

The Department of Revenue is expanding its use of postcards for 1995. Approximately 1 million taxpayers will receive a postcard containing a removable name and address label, rather than a booklet of 1995 forms and instructions. These are individuals who used a paid preparer to file their 1994 return. These same individuals are included in the Internal Revenue Service's postcard program.

Instructions advise taxpayers to take the postcard to their tax preparer so the preparer can transfer the mailing label to the tax return filed. For taxpayers who still want a tax booklet, the postcard will include a detachable order blank which can be completed and mailed to the department to request a booklet.

Postcards were first used by the Department of Revenue in December 1993, when 257,000 were substituted for 1993 tax booklets. The program was well received by taxpayers and, as a result, expanded for 1994 when 622,000 postcards were sent. □

Guidelines for Substitute Tax Forms

Tax returns may generally be filed on forms that have been reproduced or on substitute forms that have been approved by the department. However, certain guidelines must be followed to ensure that the reproduced or substitute forms are compatible with the department's processing system and present information in a uniform manner.

A copy of the "Guidelines for Reproduced and Substitute Tax Forms" appears on pages 61 and 62 of this Bulletin. □

IRS 1995 Mileage Rates Apply for Wisconsin

The 1995 optional standard mileage rates specified by the Internal Revenue Service (IRS) for computing automobile expenses for business, charitable, medical, and moving expense purposes also apply for Wisconsin.

For 1995 the IRS increased the business standard mileage rate from 29¢ per mile to 30¢ per mile for all business miles driven. The 30¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 30¢ per mile is used, depreciation is considered to be allowed at 12¢ per mile for 1995, the same rate as for 1994. However, no portion of the 30¢ per mile rate is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 1995 the mileage rate allowed for calculating automobile expenses for charitable deduction purposes remains at 12¢ per mile, and the rate allowed for medical expense deductions and moving expense deductions remains at 9¢ per mile. These are the same rates that were allowed for 1994. □

1995 Package WI-X Will Be Available

The 1995 edition of Wisconsin's Package WI-X will be available by January 31, 1996. The Package WI-X will contain actual size copies of most 1995 Wisconsin individual and fiduciary income tax, corporation franchise and income tax, partnership, estate tax, motor vehicle fuel tax, sales and use tax, and withholding tax forms.

The cost of the 1995 Package WI-X is \$7.00 per copy. It may be ordered

on the bulk order blank (Form P-744). The bulk order blank is being mailed in October. See the following article for more information on bulk orders.

If you do not receive an order blank and you wish to purchase copies of 1995 Package WI-X, mail your request indicating the number of copies, along with the amount due, to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903.

Tax Form Order Blanks Mailed

During October, the department is mailing order blanks (Form P-744) to 9,000 tax preparers. Use these original order blanks (not copies) to request bulk orders of 1995 Wisconsin tax forms.

Some of the forms you order will be accompanied by additional information. For example, your order will include instructions for the forms you request; Schedules 2K-1 and 2 WD will be included with fiduciary Form 2 orders; and Schedules 3K-1 will be included with partnership Form 3 orders.

The department is also mailing order blanks (Forms P-744b and P-744L) to banks, post offices, and libraries for their use in requesting bulk orders of 1995 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).

If you do not receive an order blank by October 31, 1995, you may request one by contacting any department office; by writing to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903; or by calling (608) 267-2025.

You should place your order as early as possible after receiving the order blank. Orders are expected to be filled in late December and early January.

Package WI-X will be mailed separately in late January. Most forms in Package WI-X may be reproduced.

New Sales and Use Tax Laws Explained

The Wisconsin Legislature enacted many changes to Wisconsin tax laws in 1995, as described in *Wisconsin Tax Bulletin* 93, dated August 1995. The September *Sales and Use Tax Report* gives further explanations of the major changes to the sales and use tax laws. See pages 63 and 64 of this Bulletin for a copy of the Report, which was sent in September to all active sales and use tax registrants.

Wisconsin Tax Bulletin Annual Index Available

Once each year the *Wisconsin Tax Bulletin* includes an index of materials that have appeared in past Bulletins. The latest index available appears in *Wisconsin Tax Bulletin* 92 (July 1995), pages 35 to 61, and includes information for issues 1 (October 1976) to 90 (January 1995).

Tax Publications Available

The Department of Revenue publishes over 40 publications that are available, free of charge, to taxpayers or practitioners. To order any of the publications, write or call Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903 (telephone (608) 266-1961).

Number	Title of Publication (and last revision date)
102	Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (12/94)
103	Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts (10/95)
104	Wisconsin Taxation of Military Personnel (8/95)
109	Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1995 (10/95)
111	How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (3/94)
112	Wisconsin Estimated Tax and Estimated Surcharge for Individual, Estates, Trusts, Corporations, Partnerships (8/94)
113	Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (10/95)
114	Wisconsin Taxpayer Bill of Rights (8/95)
115	Wisconsin Federal/State Electronic Filing Handbook (9/95)
116	Income Tax Payments Are Due Throughout the Year (12/91)
117	Guide to Wisconsin Information Returns (6/95)
118	Electronic Funds Transfer Guide (12/94)
119	Limited Liability Companies (LLCs) (1/95)

120	Net Operating Losses for Individuals, Estates, and Trusts (11/94)	410	Local Exposition Taxes (11/94)
200	Sales and Use Tax Information for Electrical Contractors (7/94)	500	Tax Guide for Wisconsin Political Organizations and Candidates (9/95)
201	Wisconsin State and County Sales and Use Tax Information (9/95)	501	Field Audit of Wisconsin Tax Returns (12/92)
202	Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (7/94)	502	Directory of Free Publications (12/94)
203	Sales and Use Tax Information for Manufacturers (12/94)	503	Wisconsin Farmland Preservation Credit (12/94)
205	Do You Owe Wisconsin Use Tax? (Individuals) (5/94)	504	Directory for Wisconsin Department of Revenue (12/94)
206	Sales Tax Exemption for Nonprofit Organizations (9/90)	505	Taxpayers' Appeal Rights of Office Audit Adjustments (6/92)
207	Sales and Use Tax Information for Contractors (7/94)	506	Taxpayers' Appeal Rights of Field Audit Adjustments (5/95)
210	Sales and Use Tax Treatment of Landscaping (5/94)	507	How to Appeal to the Tax Appeals Commission (8/92)
211	Sales and Use Tax Information for Cemetery Monument Dealers (10/91)	508	Wisconsin Tax Requirements Relating to Nonresident Entertainers (8/94)
212	Businesses: Don't Forget About Use Tax (7/94)	509	Filing Wage Statements and Information Returns on Magnetic Media (3/94)
213	Travelers: Don't Forget About Use Tax (3/94)	600	Wisconsin Taxation of Lottery Winnings (11/93)
214	Do You Owe Wisconsin Use Tax? (Businesses) (9/93)	601	Wisconsin Taxation of Pari-Mutuel Wager Winnings (3/94)
216	Filing Claims for Refund of Sales or Use Tax (9/95)	700	Speakers Bureau presenting ... (2/93)
400	Wisconsin's Temporary Recycling Surcharge (12/94)	W-166	Wisconsin Employer's Withholding Tax Guide (9/90) <input type="checkbox"/>

Information or Inquiries?

Listed below are telephone numbers to call if you wish to contact the Department of Revenue about any of the taxes administered by the Income, Sales, and Excise Tax Division.

Madison — Main Office

Area Code (608)

Appeals	266-0185
Audit of Returns: Corporation, Individual, Homestead	266-2772
Beverage	266-6701
Cigarette, Tobacco Products	266-8970
Copies of Returns: Homestead	266-2890
Individual	266-1266
All Others	266-0678
Corporation Franchise and Income	266-1143
Delinquent Taxes	266-7879
Estimated Taxes	266-9940
Fiduciary, Estate	266-2772
Forms Request: Taxpayers	266-1961
Practitioners	267-2025
Homestead Credit	266-8641
Individual Income	266-2486
Motor Vehicle Fuel	266-3223
Refunds	266-8100
Sales, Use, Withholding	266-2776
TDD	267-1049

District Offices

Appleton	(414) 832-2727
Eau Claire	(715) 836-2811
Milwaukee:	
General	(414) 227-4000
Refunds	(414) 227-4907
TDD	(414) 227-4147

Topical and Court Case Index Available

Are you looking for an easy way to locate reference material to research a Wisconsin tax question? The *Wisconsin Topical and Court Case Index* will help you find reference material

to research your Wisconsin tax questions. This index references Wisconsin statutes, administrative rules, *Wisconsin Tax Bulletin* articles, tax releases, publications, Attorney General opinions, and court decisions.

The first part of the index, the "Topical Index," gives references to alphabetized subjects for the various taxes, including individual income, corporation franchise and income, withholding, sales and use, gift, inheritance and estate, cigarette, tobacco products, beer, intoxicating liquor and wine, and motor vehicle fuel, alternate fuel, and general aviation fuel.

The second part, 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.

If you need an easy way to research Wisconsin tax questions, subscribe to the *Wisconsin Topical and Court Case Index*. The annual cost is \$18, plus sales tax. The \$18 fee includes a volume published in December, and an addendum published in May.

To order your copy, complete the order blank on page 65 of this Bulletin. The order blank may also be used for subscribing to the *Wisconsin Tax Bulletin* and for ordering the Wisconsin Administrative Code. □



Need a Speaker?

Are you planning a meeting or training program? The Wisconsin Department of Revenue provides speakers to business, community, and educational organizations.

Department representatives are available to speak on a variety of topics that can be targeted toward your

group's particular areas of interest, including:

- New sales/use, income, and corporate tax laws.
- How sales tax affects contractors, landscapers, manufacturers, non-profit organizations, or businesses in general.
- What to expect in an audit.
- Common errors discovered in audits.
- Homestead credit.
- Farmland preservation credit.

To arrange for a speaker, please write to Wisconsin Department of Revenue, Speakers Bureau, P.O. Box 8933, Madison, WI 53708-8933, or call (608) 266-1911. □

Manufacturing Property Assessment

Note: This article was prepared by the Bureau of Manufacturing Assessment in the Division of State and Local Finance of the Wisconsin Department of Revenue.

In February, a Division of State and Local Finance reorganization eliminated the Bureau of Property Tax and upgraded the Manufacturing Assessment and Equalization Sections to Bureaus, and the Assessment Practices Section to the Office of Assessment Practices.

The Bureau of Manufacturing Assessment announces the following changes for the 1996 manufacturing self-reporting forms:

- Revision of the map of districts to reflect the shift of Grant County from the Madison District Office (AA76) to the Eau Claire District Office (AA79). Grant County manufacturers must send their forms to the Eau Claire District Office.

- Revision of Schedule M for taxable machinery and equipment (M&E) in the Personal Property Report Form (M-P) to have preprinted 10-year useful life factors. Since taxable M&E is similar for all manufacturers, the 10-year life is more accurate than using various lives according to industry. Revision of Schedule M includes creation of a separate Schedule N for boilers using a 20-year useful life.
- Revision of Schedule C to limit it to computers and software using modified 4-year useful life factors that go down to a 3% residual over 9 years. Revision of Schedule C includes creation of a separate Schedule D for copiers, fax machines, telephone systems, and equipment using the standard 6-year useful life factors.
- Creation of a microcomputer version of the M-P form using Lotus for Windows. Accountants suggested this to eliminate the need to reenter the same data every year. A signed copy of the printed output from this program is considered an acceptable facsimile of the M-P form. A diskette is not acceptable for filing purposes.

Please contact the Bureau of Manufacturing Assessment at the following address or telephone numbers, if you have any questions on the above described changes or wish to order a copy of the M-P form diskette.

Bureau of Manufacturing Assessment
Wisconsin Department of Revenue
PO Box 8933
Madison, WI 53708
Phone (608) 266-8606
FAX (608) 264-6897 □