



Wisconsin TAX BULLETIN



FOCUS ON . . .

Recycling Surcharge
Rates Reduced

See article on this page

Tax Bills Pending in Legislature

Several bills containing provisions that affect Wisconsin taxes have been introduced in the Wisconsin Legislature, including the budget adjustment bill (1997 Senate Bill 436). None of these bills have been enacted into law as of the date this *Wisconsin Tax Bulletin* went to press.

The Wisconsin Legislature was scheduled to conclude its current session by the end of March. Later sessions may also be scheduled. New laws which affect Wisconsin taxes will be explained in a special issue of the *Wisconsin Tax Bulletin*. □

Tax Amnesty Program Planned

The Department of Revenue has presented a plan for a tax amnesty program to the Joint Committee on Finance, as required by 1997

Wisconsin Act 27. The proposed amnesty period, **subject to change**, is from June 15, 1998 to August 14, 1998. The final legislative authorization is contained in the budget adjustment bill, which was expected to be passed by the end of March (see the previous article). The amnesty program had not been enacted into law as of the date this Bulletin went to press.

The department will provide a detailed explanation about the tax amnesty program in a special issue of the *Wisconsin Tax Bulletin*, to be published shortly after the amnesty law is enacted. Information will also be available on the department's internet website at <http://www.dor.state.wi.us>. In addition, the department plans to mail an amnesty kit, including information and forms, to tax practitioners prior to the start of the amnesty application period. □

Recycling Surcharge Rates Reduced For 1998

The rates for the temporary recycling surcharge have been reduced for taxable years beginning on and after January 1, 1998. The new rates are indicated below. Only the rate used to compute the surcharge has been changed. The \$25 minimum and \$9,800 maximum limitations have not changed.

The flat \$25 surcharge which applies to individuals, partnerships, estates, and trusts engaged in farming also remains the same as in 1997.

Rates for Taxable Years
Beginning On and After
January 1, 1998:

1. Corporations (except tax-option (S) corporations), insurance companies, and exempt organizations taxable as corporations: The greater of \$25 or 2.75% of gross tax liability, but not more than \$9,800.
2. Tax-option (S) corporations: The greater of \$25 or 0.2173% of Wisconsin net income, but not more than \$9,800.
3. Partnerships, except partnerships engaged only in farming: The greater of \$25 or 0.2173% of net business income as allocated or apportioned to Wisconsin, but not more than \$9,800.
4. Individuals, estates, trusts, and exempt trusts, except those entities engaged only in farming: The greater of \$25 or 0.2173% of Wisconsin net income, but not more than \$9,800.

In This Issue

	Page	Page	
Articles -			
Tax Bills Pending	1	Payments Replace AFDC	6
Amnesty Planned.....	1	Make Research Easier.....	7
Recycling Rates Reduced	1	Bulletin Index Included	7
Adult Entertainment Tax Delayed	2	Estimated Tax Requirements	8
Premier Resort Tax Begins.....	2	Filing Fiduciary, Estate Returns	8
Information or Inquiries?.....	3	Publications Available	10
Three Charged With Tax Crimes	3	Farmers Receive \$35 Million.....	12
Sales Tax Workshops	3	Administrative Rules	12
Sales Tax Report Mailed	4	Report on Litigation	13
Focus on Publications:		Tax Releases	22
Bakeries.....	4	Private Letter Rulings	30
Summer Services Taxable	4	Attachments –	
Sale of Home May Affect Homestead Credit.....	4	Addresses, Phone Numbers	35
Don't Forget Use Tax.....	5	March Tax Report.....	39
Need a Speaker?	6	Bulletin Index	43
		Order Blank.....	71

At the time this Bulletin went to press, the Legislature was expected to amend or repeal the adult entertainment tax law. Information about any changes to the adult entertainment tax law will be provided in a future issue of the *Wisconsin Tax Bulletin*. □

Premier Resort Area Tax Begins April 1, 1998

The Wisconsin Legislature has enacted a law which authorizes a county or municipality to impose a 0.5% premier resort area tax. A municipality or county may impose the premier resort area tax if it meets certain conditions and adopts an ordinance. The following municipalities have adopted an ordinance to impose the 0.5% premier resort area tax:

- Village of Lake Delton
Effective April 1, 1998
- City of Wisconsin Dells
Effective July 1, 1998

NOTE: The City of Bayfield is **not** imposing the 0.5% premier resort area tax as reported in *Wisconsin Tax Bulletin* 106 (January 1998), page 4.

A new publication, titled *Premier Resort Area Tax* (Publication 403), provides information about who is subject to the premier resort area tax, what's taxable and exempt, filing returns, etc. To obtain a free copy of this or other publications, see the article titled "Tax Publications Available" on page 10 of this Bulletin. In addition, the March 1998 *Sales and Use Tax Report* (a copy of which appears on pages 39 to 42

5. Partnerships, individuals, estates, trusts, and exempt trusts engaged in farming: \$25.

Note: The changes in the temporary recycling surcharge rates may affect (reduce) estimated tax payments required for taxable years beginning on and after January 1, 1998. □

Adult Entertainment Tax Delayed

The Wisconsin Legislature enacted a law which imposes a 5% tax on the retail sale of adult entertainment products and services. The adult entertainment tax was supposed to be effective for sales made on or after April 1, 1998; however, the effective date of the tax has been delayed.

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of this Bulletin) gives additional information about the new premier resort area tax. □

Information or Inquiries?

This Bulletin includes a comprehensive listing of addresses and telephone numbers to use if you wish to contact the Department of Revenue about any of the taxes administered by the Income, Sales, and Excise Tax Division. The listing appears on pages 35 to 38 and is arranged by the type of tax or credit involved. □

Three Charged With Tax Crimes

Accountant and tax preparer Steven H. Kremer, 45, of Ladysmith, was charged in February 1998 by the Rusk County District Attorney's office with three counts of failure to file timely Wisconsin income tax returns.

The criminal complaint alleges that Kremer failed to timely file Wisconsin income tax returns for the years 1994, 1995, and 1996. According to the criminal complaint, he had gross receipts from his accounting business of \$89,120 in 1994, \$93,412 in 1995, and \$107,544 in 1996. If convicted on all three counts, Kremer faces a maximum penalty of up to 27 months in jail and up to \$30,000 in fines.

Failure to file a Wisconsin income tax return when due is a crime punishable by up to nine months imprisonment and up to \$10,000 in fines. In addition to the criminal penalties, Wisconsin law provides for substantial civil

penalties on the civil tax liability. Assessment and collection of the taxes, penalties, and interest due follows a conviction for criminal violations.

In December 1997, William J. Foley, 55, founder of the original Suburpia Submarine Sandwich Shoppes, was charged in Milwaukee County Circuit Court with seven counts of felony theft of state sales taxes.

According to the criminal complaint, Foley failed to remit to the state \$13,237.59 in sales taxes that he collected from November 1991 through May 1992. He operated several Suburpia locations throughout the Milwaukee area and did not file sales tax returns related to the unpaid tax dollars or corporate tax returns for the business. If convicted on all counts, Foley could face up to 14 years in prison and fines totaling \$70,000.

Also in December, Toni G. Moldenhauer, of Merrill, was charged by the Marathon County District Attorney's Office with one count of filing a false sales tax return with intent to evade sales tax.

According to the criminal complaint, Moldenhauer filed a false Wisconsin Application for Title/Registration which reported the purchase of a 1993 Chevrolet S10 for a full purchase price of \$6,000. The complaint alleges that Moldenhauer actually paid \$17,000 for the vehicle. As a result, he evaded paying sales tax of \$605. If convicted, Molden-

hauer faces up to 30 days in jail and a fine of up to \$500. □

Sales Tax Workshops Being Presented

Do you want a better understanding of Wisconsin sales and use taxes? Are you interested in practical tips on managing sales and use taxes and avoiding audit problems? Do differences in Wisconsin, Iowa, and Minnesota tax laws affect you?

You are invited to attend any of the following workshops presented by the Wisconsin, Iowa, and Minnesota Departments of Revenue. All workshops are from 9:00 a.m. to 12:30 p.m. and will be presented at the locations indicated.

Wisconsin/Minnesota Workshops

April 21, 1998 - Onalaska, WI
(*General Businesses*)

Onalaska Omni Center
255 Rider Club Street

* * * * *

May 5, 1998 - Duluth, MN
(*General Businesses*)

Minnesota Department of
Revenue Office
2711 West Superior Street

* * * * *

May 5, 1998 - Winona, MN
(*Contractors*)

St. Mary's University
700 Terrace Heights Drive

* * * * *

To register, call 1-800-888-6231.

Wisconsin/Iowa Workshop

May 13, 1998 - Dubuque, IA
(*General Businesses*)

Northeast Iowa Community
College
U.S. Highway 20
Peosta, Iowa (7 miles west of
Dubuque)

* * * * *

To register, call 1-800-728-7367. □

Sales and Use Tax Report Mailed

The March 1998 *Sales and Use Tax Report* (1-98), contains a number of articles regarding sales and use tax issues, as well as information on new fees and taxes that took effect on April 1, 1998. This Report was sent in late March and mid-April to all persons registered for Wisconsin sales and use tax purposes. A copy of the Report appears on pages 39 to 42 of this Bulletin. □



Focus on Publications: Bakeries

What sales by a bakery are subject to Wisconsin sales tax? What items may a bakery purchase without paying Wisconsin sales and use tax?

Answers to these and other questions relating to bakeries can be found in a new publication titled *Bakeries - How Do Wisconsin Sales and Use Taxes Affect Your Operations?* (Publication 223). This publication also includes examples of taxable and exempt sales and purchases made by

bakeries, and other helpful information.

To obtain a free copy of this or other publications, see the article titled "Tax Publications Available" on page 10 of this Bulletin. □

Many "Summer Services" Are Subject to Sales Tax

Many seasonal services are subject to Wisconsin sales tax. Taxable seasonal services include:

- landscaping and lawn maintenance services, such as landscape planning and counseling;
- lawn and garden services, such as planting, mowing, spraying, and fertilizing;
- shrub and tree services, such as tree trimming and removal;
- swimming pool cleaning and maintenance; and
- repair services to boats, motorcycles, and bicycles.

Persons in the business (or part-time business) of providing these services must hold a Wisconsin seller's permit. If you know of someone who provides these services but does not hold a seller's permit, contact any Department of Revenue office so registration information can be sent to that person. □

Sale of Home May Affect Homestead Credit

The federal Taxpayer Relief Act of 1997 ("the Act"), enacted August 5, 1997, results in changes to the treatment of a gain from the sale of a personal residence. These provisions were also adopted for Wisconsin income tax purposes (effective at the same time as for federal purposes), by 1997 Wisconsin Act 37.

The 1997 federal Taxpayer Relief Act and Wisconsin Act 37 provide that for sales after May 6, 1997, up to \$250,000 of gain on the sale of a personal residence (up to \$500,000 for married persons filing jointly) may be excluded from both federal and Wisconsin taxable income if certain conditions are met. These provisions, which are in sec. 121 of the Internal Revenue Code (IRC), replace the following IRC provisions:

- The once-in-a-lifetime exclusion of up to \$125,000 of gain on the sale of a personal residence by persons age 55 or older (IRC sec. 121).
- The deferral of gain on the sale of a personal residence when a replacement residence was purchased (IRC sec. 1034). IRC sec. 1034 was repealed by the Act.

Note: For a sale of a personal residence during the period May 7, 1997 through August 4, 1997, a person who qualifies for IRC sec. 1034 treatment may elect to

apply those “deferral” provisions rather than the new \$250,000/\$500,000 “exclusion” provisions. This election may be made for homestead credit purposes even if the election is not made for federal or Wisconsin income tax purposes.

For homestead credit purposes, gains which are deferred under IRC sec. 1034 are not includable in household income. However, gains which are excluded under IRC sec. 121 (both the \$125,000 once-in-a-lifetime exclusion and the new \$250,000/\$500,000 exclusion) must be included in household income. □

Don't Forget Wisconsin Use Tax

Under the Wisconsin sales and use tax law, home builders making real property improvements are subject to Wisconsin sales or use tax on their purchases of materials used in making those improvements. If the seller of the materials does not charge Wisconsin sales tax on the sale of the materials, the contractor is subject to use tax.

The use tax is the same rate as the sales tax (5% state, 0.5% county, and 0.1% stadium). Exemptions that apply to the sales tax also apply to the use tax.

What are some examples of real property improvements?

The following property when installed by home builders in new home construction or home remodeling projects are real property improvements:

Bathroom fixtures
Burglar alarm systems
Cabinets
Ceiling fans
Central air conditioning
Communications wiring
Dishwashers (built-in)
Doors
Electrical wiring
Fencing
Fire alarm fixtures
Fireplaces (built-in)
Flooring
Furnaces and duct work
Garage doors
Insulation
Light fixtures
Roofs
Sinks
Walls
Water heaters
Water lines
Water softeners
Windows

A contractor's purchases of the above property it installs in making a real property improvement are subject to Wisconsin use tax if the seller did not charge sales tax. More information about real property improvements can be found in Wisconsin Publication 207, *Sales and Use Tax Information for Contractors*.

Why wouldn't a seller charge tax?

There are primarily two reasons why a seller would not charge tax on sales to contractors:

1. The seller is located outside the state and is not required to collect Wisconsin tax.

Example: Contractor A purchases light fixtures from

Company B, an out-of-state mail order company. Company B did not charge Wisconsin sales tax. Contractor A installs the light fixtures in a new home being constructed. Contractor A owes Wisconsin use tax on his purchase of the light fixtures.

2. The seller has on file from the contractor a resale or exemption certificate.

Example: Contractor A purchases materials from Company B on a regular basis. Most of these materials are resold by Contractor A without installation. Contractor A gave Company B a resale certificate so that Company B would not charge sales tax on the sale of materials to Contractor A. Contractor A checked the box on the resale certificate indicating the certificate was continuous (i.e., applies to all purchases by Contractor A until revoked). Rather than reselling all of the materials, Contractor A uses some of them in making real property improvements. Contractor A owes Wisconsin use tax on its purchase of the materials it used in real property construction and did not resell as tangible personal property.

How does a contractor report use tax to the Department of Revenue?

There are several ways of reporting use tax:

1. If the contractor holds a seller's permit or use tax number issued by the Department of Revenue, use tax is reported on the sales and use tax return the contractor files (Form ST-12, lines 16 - 21).
2. If the contractor does not regularly make purchases subject to use tax that would require the contractor to have a seller's permit or use tax number, use tax can be reported on the:
 - a) Form UT-5, Consumer Use Tax Return.
 - b) Individual income tax return, if the contractor is a sole proprietor.

Important: Failure to report use tax is the most common error made by taxpayers and one of the main reasons why a penalty may be imposed if a taxpayer is audited. Don't forget the use tax!

If you have any questions, you may contact your local Department of Revenue office or call (608) 266-2776 for assistance. □



Need a Speaker?

Are you planning a meeting or training program? The Department of Revenue's Speakers Bureau 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, manufacturers, non-profit organizations, or businesses in general.
- Amnesty.
- What to expect in an audit.
- Common errors discovered in audits.
- Manufacturing property assessment.
- Homestead credit.

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

Payments Which Replace AFDC Are Income for Homestead Credit

Several new programs have been implemented to replace Wisconsin's Aid to Families with Dependent Children (AFDC) program. These programs include Wisconsin Works, Kinship Care, and Caretaker Supplement. The treatment of payments under these programs for homestead credit purposes is explained below.

Wisconsin Works

Wisconsin Works, or "W-2," is an assistance program for families with dependent children. It provides payments to needy

persons who work, participate in rehabilitation, education, or training activities, or have an infant. Several types of payments are available through the Wisconsin Works program. These payments affect homestead credit as follows:

- Household Income —
 - "Trial jobs" payments must be included as wages for both income tax and homestead credit purposes, reportable just like any other wages.
 - "Community service job" and "transitional placement" payments must be included as "other household income" on line 11h of Schedule H. (Note: Also report the payments on line 1 of Schedule 4 on the back of Schedule H.)
 - "Custodial parent of infant" payments must be included as "other household income" on line 11h of Schedule H. (Note: Also report the payments on line 2 of Schedule 4 on the back of Schedule H.)
 - Payments for "job access loans," "health care coverage," "child care subsidies," and "transportation assistance" are not includable in household income.
- Property Taxes or Rent —
 - Property taxes or rent must be reduced by one-twelfth for each month payments are received for a community

service job or a transitional placement. The one-twelfth reduction is not required for any other Wisconsin Works payment.

Kinship Care

Relatives who care for children who are not their legal responsibility, such as a grandchild, cousin, niece/ nephew, etc., may be eligible to receive monthly benefits under the Kinship Care program. This program replaced AFDC benefits for non-legally responsible relatives (NLRR AFDC). The Kinship Care program is not part of the Wisconsin Works program, and there is no work requirement for receiving Kinship Care payments. The treatment of Kinship Care payments for homestead credit purposes is the same as the treatment of NLRR AFDC payments, as follows:

- Household Income – Kinship Care payments must be included as “other household income” on line 11h of Schedule H. (Note: Also report the payments on line 4 of Schedule 4 on the back of Schedule H.)
- Property Taxes or Rent – The one-twelfth reduction of property taxes or rent, which is required for each month certain Wisconsin Works payments are received, is NOT required for Kinship Care payments.

Caretaker Supplement

The Caretaker Supplement replaces AFDC benefits for

certain persons. State Supplemental Security Income (State SSI) recipients who are parents of a child in their care at home formerly received AFDC benefits if the child was eligible for Medical Assistance. To replace the AFDC, a Caretaker Supplement increases the recipient’s State SSI benefit by \$77 per month for each qualifying child. Caretaker Supplement payments affect homestead credit as follows:

- Household Income – Caretaker Supplement payments must be included in household income. They are a part of SSI benefits, which must be reported on line 11c of Schedule H.
- Property Taxes or Rent – The one-twelfth reduction of property taxes or rent is not required, since the payments are SSI benefits. (Note: Recipients who received AFDC benefits prior to the implementation of Caretaker Supplement payments were required to make the one-twelfth reduction and were ineligible for homestead credit if they received the benefits all year.) □

Make Your Research Easier

Are you looking for an easy way to locate reference material to research a Wisconsin tax question? The *Wisconsin Topical and Court Case Index* may be just what you need.

This two-part index will help you find reference material relating to

income, franchise, withholding, sales/use, estate, and excise taxes.

The “Topical Index” portion lists by tax type, alphabetically by subject, references to Wisconsin statutes, administrative rules, tax releases, private letter rulings, publications, *Sales and Use Tax Reports*, Attorney General opinions, and *Wisconsin Tax Bulletin* articles.

The “Court Case Index” lists by tax type, alphabetically by subject, decisions of the Wisconsin Tax Appeals Commission, Circuit Court, Court of Appeals, and Wisconsin Supreme Court.

The *Wisconsin Topical and Court Case Index* is available by subscription for \$18 per year, plus sales tax. This includes a volume published in January and an addendum published in June. To order your copy, complete the order blank on page 71 of this Bulletin. □

Wisconsin Tax Bulletin Annual Index Included



This issue of the *Wisconsin Tax Bulletin* includes (on pages 43 to 69) the annual index of articles, tax releases, court case summaries, private letter rulings, and other materials that have appeared in past Bulletins. The index includes information for issues 1 to 102 (July 1997), except the court case section, which lists all cases summarized in issues 1 to 107 – this Bulletin. □

1998 Estimated Tax Requirements for Individuals, Estates, and Trusts

Taxpayers who expect to owe \$200 or more of tax and temporary recycling surcharge on a 1998 Wisconsin income tax return are required to pay 1998 Wisconsin estimated tax. There are exceptions for certain estates and trusts, as explained below. A 1998 Form 1-ES, Wisconsin Estimated Tax Voucher, is filed with each estimated tax payment.

For calendar year taxpayers, the first estimated tax payment is due on April 15, 1998. Installment payments are also due on June 15, 1998, September 15, 1998, and January 15, 1999. For fiscal year taxpayers, installment payments are due on the 15th day of the 4th, 6th, and 9th months of the fiscal year and the 1st month of the following fiscal year.

Estates and grantor trusts which are funded on account of a decedent's death are only required to make estimated tax payments for taxable years which end two or more years after the decedent's death. For example, an individual died on March 25, 1997. A grantor trust which was funded on account of the individual's death is not required to make estimated tax payments for any taxable year ending before March 25, 1999.

A trust which is subject to tax on unrelated business income is generally required to pay 1998 Wisconsin estimated tax if it expects to owe \$500 or more on a

1998 Wisconsin franchise or income tax return (Form 4T). A 1998 Form 4-ES, Wisconsin Corporation Estimated Tax Voucher, is filed with each estimated tax payment. Installment payments for such trusts are due on the 15th day of the 3rd, 6th, 9th, and 12th months of the taxable year.

If a taxpayer does not make the estimated tax payments when required or underpays any installment, interest may be assessed. □

Filing Wisconsin Fiduciary and Estate Tax Returns

Wisconsin Fiduciary Returns

Who Must File

Every personal representative or special administrator of the estate of a Wisconsin decedent must file a Wisconsin fiduciary income tax return (Form 2) if the gross income of the estate is \$600 or more. Nonresident estates must file Wisconsin fiduciary returns if they have gross income of \$600 or more from Wisconsin sources. Every trustee of a Wisconsin trust must file a Wisconsin fiduciary income tax return (Form 2) if the trust has:

1. any taxable income for the tax year, or
2. gross income of \$600 or more, regardless of the amount of taxable income.

A nonresident trust must file a Wisconsin fiduciary income tax return if the trust has:

1. any Wisconsin taxable income for the year, or
2. gross Wisconsin income of \$600 or more, regardless of the amount of taxable income.

Trusts must file on a calendar-year basis, and the due date is the following April 15. (Exception: a limited number of charitable trusts may file on a fiscal-year basis.) Estates may choose any fiscal year, but the first return may not cover more than a 12-month period, and the taxable year must end on the last day of a month. The due date for fiduciary returns for estates is 3 1/2 months after the close of the fiscal year.

Closing Certificates

Every executor, administrator, personal representative, or trustee applying to a court in Wisconsin having jurisdiction for discharge may be required by the Court to obtain a Closing Certificate for Fiduciaries from the department. Before the certificate will be issued, all required income, gift, sales, use, and withholding tax returns and reports, with the exception of the final income tax return of the estate or trust, must be filed.

With the next-to-final fiduciary return, estates must submit a copy of the probate inventory and a copy of the decedent's will. Trustees must submit a statement as to why the trust is closing, copies of annual court accountings for the past three years, and a copy of the trust agreement (or will creating such trust) if not submitted with a prior return.

If an estate does not have enough income to require filing and needs a Closing Certificate for Fiduciaries, or if the estate will be filing only one fiduciary return when the estate is closed and needs the closing certificate before filing that return, use the following procedures:

1. Complete the top third of page 1 of Form 2.
2. Insert the appropriate statement at line 1:
 - a. "Gross income is less than \$600 and no 1041 is required." or
 - b. "A first and final return will be filed upon closing the estate."
3. Complete the "Information Required" section of page 2 of Form 2.
4. Sign and date the Form 2.
5. Attach copies of the inventory and will.

The department shall determine that all income, withholding, sales, use, gift, and delinquent taxes are paid. A Closing Certificate for Fiduciaries will then be issued.

Receipt of the Closing Certificate for Fiduciaries does not relieve the executor, administrator, personal representative, or trustee from filing the final fiduciary income tax return. If a probate final account is filed with the court, a copy must be attached to the final return.

For the fiscal year ending June 30, 1997, the department issued

nearly 14,000 Closing Certificates for Fiduciaries.

Wisconsin Estate Tax Returns

(Note: Effective for deaths occurring on or after January 1, 1992, there is no longer a Wisconsin inheritance tax. It is replaced with a Wisconsin estate tax.)

Filing Requirement

A Wisconsin estate is required to file a Wisconsin estate tax return (Form W706) if it is required to file a federal estate tax return. An estate is required to file a federal estate tax return (Form 706) if the gross estate at date of death plus gifts in excess of \$10,000 made to each donee per calendar year since December 31, 1976, exceeds:

\$ 600,000	1987 through 1997
625,000	1998
650,000	1999
675,000	2000 and 2001
700,000	2002 and 2003
850,000	2004
950,000	2005
1,000,000	2006

The Wisconsin estate tax is equal to the credit for state death taxes allowed on the federal estate tax return (Form 706). This credit is computed under sec. 2011 of the Internal Revenue Code (IRC). Estates owning property both within and outside Wisconsin owe a percentage of the credit to Wisconsin based on gross Wisconsin property divided by gross total property.

Due Date

The personal representative, special administrator, trustee, or distributee must file the Wisconsin estate tax return by the due date, which is 9 months after the date of death or the extended due date allowed by the Internal Revenue Service (IRS).

If the return is filed after the due date, there is a penalty equal to 5% of the tax, with a minimum of \$25 and a maximum of \$500.

Payment of Tax

The tax is due 9 months after the decedent's date of death, even if an extension has been obtained to file the return.

If the tax is not paid within 9 months of the decedent's death, interest is imposed at 1% per month from the date of death.

Examples:

1. The decedent died February 15, 1997. An extension of time to file the federal estate tax return was obtained from the IRS. The Wisconsin estate tax return and payment of the tax were submitted on December 31, 1997, which was within the extension period. Tax of \$1,200 was due. The total amount due is \$1,326, computed as follows:

Tax	\$1,200
Interest (1% x 10½ months)	<u>126</u>
Total amount due	<u>\$1,326</u>

2. The decedent died February 15, 1997 and did not obtain an

extension to file from the IRS. The Wisconsin estate tax return was filed December 31, 1997, and showed no tax due. This estate owes the minimum penalty of \$25.

Installment Payments

Effective for deaths occurring on or after July 29, 1995, some estates may qualify to pay the Wisconsin estate tax in installments. If a percentage of the federal estate tax may be paid in installments under IRC sec. 6166, the same percentage of Wisconsin estate tax may be paid under the same installment schedule. However, an election to pay in installments for federal estate tax purposes does not automatically constitute an election for Wisconsin purposes. **Written notice of the election to pay the Wisconsin estate tax in installments must be filed with the Wisconsin Department of Revenue within nine months after the decedent's death.** The provisions on acceleration of installment payments under IRC sec. 6166(g) also apply for Wisconsin purposes.

Interest is computed at the rate of 12 percent per year from date of death. Distributees of real estate must provide to the department a certified copy of a lien for unpaid taxes and interest on the property to secure payment, and record the lien in the office of the register of deeds of the county in which the property is located. Distributees of personal property must provide either a lien or a financial guarantee bond equal to the estimated tax and interest, if the tax has not been

determined. Upon determination of the tax, distributees of personal property must either provide a lien or a financial guarantee bond sufficient to secure payment of the tax and interest, or pay the excess over the amount of tax and interest secured by the bond.

Any distributee who fails to provide the security required or disposes of one-third or more of the property on which the tax is secured must pay the tax in full.

Certificate Determining Estate Tax

Upon receipt of the Wisconsin estate tax return and review for correctness, the department will issue a Certificate Determining Estate Tax. If the IRS increases or decreases the federal estate tax, the person entitled to the refund or liable for the additional tax is required to notify the department within 30 days. □

Tax Publications Available

Listed below are nearly 60 publications which are available, free of charge, from the Department of Revenue. Copies are available at any department office, or by mail, fax, or (in many cases) the internet.

By Mail

Write to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903; call (608) 266-1961; or fax a request to (608) 261-6239.

Via Your Fax Machine

Use the department's Fax-A-Form system by calling (608) 261-6229 from a fax telephone and entering the retrieval code "10" plus the publication number.

Via the Internet

Access the department's World Wide Web site at <http://www.dor.state.wi.us>, and click on "Forms and Publications."

Income and Franchise Taxes

- 102 Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (12/97)
- 103 Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts (10/97)
- 104 Wisconsin Taxation of Military Personnel (10/97)
- 106 Wisconsin Tax Information For Retirees (10/97)
- 109 Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 1997 (10/97)
- 112 Wisconsin Estimated Tax and Estimated Surcharge for Individual, Estates, Trusts, Corporations, Partnerships (11/97)
- 113 Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (10/97)
- 115 Handbook for Federal/State Electronic Filing (12/97)

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| <p>116 Income Tax Payments Are Due Throughout the Year (12/95)</p> <p>119 Limited Liability Companies (LLCs) (12/97)</p> <p>120 Net Operating Losses for Individuals, Estates, and Trusts (11/97)</p> <p>121 Reciprocity (12/97)</p> <p>122 Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 1997 (11/97)</p> <p>123 Business Tax Credits for 1997 (12/97)</p> <p>125 Credit for Tax Paid to Another State (11/97)</p> <p>600 Wisconsin Taxation of Lottery Winnings (10/97)</p> <p>601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (10/97)</p> | <p>207 Sales and Use Tax Information for Contractors (3/98)</p> <p>210 Sales and Use Tax Treatment of Landscaping (5/94)</p> <p>211 Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (3/97)</p> <p>212 Businesses: Do You Owe Use Tax on Imported Goods? (2/97)</p> <p>213 Travelers: Don't Forget About Use Tax (2/97)</p> <p>214 Businesses: Do You Owe Use Tax? (2/97)</p> <p>216 Filing Claims for Refund of Sales or Use Tax (9/95)</p> <p>217 Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/96)</p> <p>219 Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (6/96)</p> <p>220 Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (8/96)</p> <p>221 Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)</p> <p>223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)</p> | <p>505 Taxpayers' Appeal Rights of Office Audit Adjustments (6/96)</p> <p>506 Taxpayers' Appeal Rights of Field Audit Adjustments (5/97)</p> <p>507 How to Appeal to the Tax Appeals Commission (10/97)</p> |
| Sales and Use Taxes | | |
| <p>200 Electrical Contractors - How Do Wisconsin Sales and Use Taxes Affect Your Business? (3/98)</p> <p>201 Wisconsin Sales and Use Tax Information (12/97)</p> <p>202 Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (2/97)</p> <p>203 Sales and Use Tax Information for Manufacturers (12/94)</p> <p>205 Use Tax Information For Individuals (2/97)</p> <p>206 Sales Tax Exemption for Nonprofit Organizations (9/90)</p> | <p>207 Sales and Use Tax Information for Contractors (3/98)</p> <p>210 Sales and Use Tax Treatment of Landscaping (5/94)</p> <p>211 Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (3/97)</p> <p>212 Businesses: Do You Owe Use Tax on Imported Goods? (2/97)</p> <p>213 Travelers: Don't Forget About Use Tax (2/97)</p> <p>214 Businesses: Do You Owe Use Tax? (2/97)</p> <p>216 Filing Claims for Refund of Sales or Use Tax (9/95)</p> <p>217 Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/96)</p> <p>219 Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (6/96)</p> <p>220 Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (8/96)</p> <p>221 Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)</p> <p>223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)</p> | <p>505 Taxpayers' Appeal Rights of Office Audit Adjustments (6/96)</p> <p>506 Taxpayers' Appeal Rights of Field Audit Adjustments (5/97)</p> <p>507 How to Appeal to the Tax Appeals Commission (10/97)</p> |
| Audits and Appeals | | |
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| Other Topics | | |
| <p>200 Electrical Contractors - How Do Wisconsin Sales and Use Taxes Affect Your Business? (3/98)</p> <p>201 Wisconsin Sales and Use Tax Information (12/97)</p> <p>202 Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (2/97)</p> <p>203 Sales and Use Tax Information for Manufacturers (12/94)</p> <p>205 Use Tax Information For Individuals (2/97)</p> <p>206 Sales Tax Exemption for Nonprofit Organizations (9/90)</p> | <p>207 Sales and Use Tax Information for Contractors (3/98)</p> <p>210 Sales and Use Tax Treatment of Landscaping (5/94)</p> <p>211 Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (3/97)</p> <p>212 Businesses: Do You Owe Use Tax on Imported Goods? (2/97)</p> <p>213 Travelers: Don't Forget About Use Tax (2/97)</p> <p>214 Businesses: Do You Owe Use Tax? (2/97)</p> <p>216 Filing Claims for Refund of Sales or Use Tax (9/95)</p> <p>217 Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/96)</p> <p>219 Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (6/96)</p> <p>220 Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (8/96)</p> <p>221 Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)</p> <p>223 Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)</p> | <p>111 How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (10/97)</p> <p>114 Wisconsin Taxpayer Bill of Rights (11/97)</p> <p>117 Guide to Wisconsin Information Returns (10/96)</p> <p>118 Electronic Funds Transfer Guide (4/96)</p> <p>124 Petition For Compromise Of Delinquent Taxes (4/97)</p> <p>130 Fax A Form (9/97)</p> <p>400 Wisconsin's Temporary Recycling Surcharge (12/97)</p> <p>401 Extensions of Time to File (11/97)</p> <p>403 Premier Resort Area Tax (2/98)</p> <p>410 Local Exposition Taxes (11/94)</p> <p>500 Tax Guide for Wisconsin Political Organizations and Candidates (1/97)</p> <p>502 Do You Have Wisconsin Tax Questions? (2/97)</p> <p>503 Wisconsin Farmland Preservation Credit (12/97)</p> <p>504 Directory for Wisconsin Department of Revenue (10/97)</p> |

- 508 Wisconsin Tax Requirements Relating to Nonresident Entertainers (8/94)
- 509 Filing Wage Statements and Information Returns on Magnetic Media (3/94)
- 700 Speakers Bureau presenting . . . (2/93)
- W-166 Wisconsin Employer's Withholding Tax Guide (3/96)



Farmers Receive \$35 Million in Farmland Credits

Tax relief totaling \$35 million was distributed to Wisconsin farmers in 1997 through the farmland preservation and farmland tax relief credit programs. About 22,500 farm owners received farmland preservation credits totaling \$22.5 million, and 59,000 farm owners received farmland tax relief credits totaling \$12.8 million.

Farmland Preservation Credit

Benefits averaging \$1,000 per claimant (29% of their 1996 property tax liabilities) were distributed through the farmland preservation credit program. The goals of this program are to preserve Wisconsin farmland, encourage local land use planning and soil conservation practices, and ease the property tax burden of Wisconsin farmers. About 38% of farm owners with 35 or more acres claimed farmland preservation credits in 1997.

To qualify for relief under this program, farmland must be zoned for exclusive agricultural use or be subject to a preservation agreement between the farmland owner and the state. About 82% of the claims are for land under zoning and 18% are for land covered by agreements. Participants must also comply with soil and water conservation standards developed by the county land conservation committee.

Farmland Tax Relief Credit

Farmland tax relief credits averaging \$217 were paid in 1997. These credits equal 10% of the first \$10,000 of property taxes on qualifying farmland. This program, which is in addition to the farmland preservation credit program, provides direct benefits to virtually all Wisconsin farmland owners with 35 or more acres.

Proceeds from the Wisconsin Lottery are used to fund the farmland tax relief credit program.

Administrative Rules in Process

Listed below are proposed new administrative rules and changes to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of April 1, 1998, or at the stage in which action occurred during the period from January 2 to April 1, 1998.

Each affected rule lists the rule number and name, and whether it is amended (A), repealed (R),

repealed and recreated (R&R), or a new rule (NR).

Scope Statement Published (2-15-98)

11.99 Audit entertainment – NR

Rules Being Reviewed Following Publication of Various Notices

1.13 Power of attorney-A

11.03 Elementary and secondary schools and related organizations-A

11.11 Industrial or governmental waste treatment facilities-A

11.12 Farming, agriculture, horticulture and floriculture-A

11.33 Occasional sales-A