



Wisconsin TAX BULLETIN



FOCUS ON . . .

Getting Ready for Next Tax Season

See articles on pages 1 to 6

New Laws

The following are brief descriptions of two new Wisconsin laws which make changes to the sales and use tax and alcohol beverages provisions administered by the Department of Revenue:

Late Filing Fee (1997 Act 314, amend sec. 77.60(2)(intro.), effective for returns filed for periods beginning on or after January 1, 1999.) This new law provides that the late filing fee which applies to Wisconsin sales and use tax returns shall not apply to returns not timely filed because of reasonable cause and not because of neglect. (Also see Section III, "Application of \$10 Late Filing Fee," in the *Sales and Use Tax Report* on pages 43 and 44 of this Bulletin, for additional information.)

Penalties for Providing Alcohol (1997 Act 337, create sec. 125.07(1)(b)6, effective July 16, 1998.) This new law limits the imposition of penalties for providing alcohol beverages to underage persons. The analysis prepared by the

Wisconsin Legislative Reference Bureau for this bill indicates the intent is to provide that penalties with respect to providing alcohol beverages to underage persons may be imposed against either a retail establishment or the individual who dispensed the alcohol, but not against both. □

Eau Claire and Washington Counties Adopt County Tax

Effective January 1, 1999, the county sales and use tax will be adopted by Eau Claire and Washington Counties. This brings to 51 the number of counties that have adopted the 1/2% county tax.

Information explaining how the county tax applies to retailers and other persons will be sent to retailers in the December 1998 *Sales and Use Tax Report*. □

Avoid Penalty — Pay Sales and Use Taxes on Time

Failure to timely pay sales and use taxes can result in a criminal conviction. You are guilty of theft if you collect state, county, and stadium sales and use tax moneys from a consumer, user, or purchaser, and you —

- intentionally fail or refuse to pay these tax moneys to the Depart-

ment of Revenue by the due date for payment, or

- fraudulently withhold, appropriate, or use these tax moneys.

If the amount involved is more than \$1,000, the theft is a felony under sec. 943.20, Wis. Stats.

Payment to creditors in preference to the payment of the tax moneys to the Department of Revenue is prima facie evidence of an intent to fraudulently use these tax moneys.

Avoid the problem and pay your taxes by the due date. □

Sales and Use Tax Report Mailed

The September 1998 *Sales and Use Tax Report* (3-98) contains a number of articles regarding sales and use tax issues. This Report was sent in late September and early October to all persons registered for Wisconsin sales and use tax purposes. A copy of the Report appears on pages 43 and 44 of this Bulletin. □

Form Changes for 1998

Following are brief descriptions of the major changes to the Wisconsin individual income tax forms for 1998.

- Form 1 is expanded to three pages to allow space for new

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- A line is added to Forms 1 and 1NPR for claiming the manufacturer's sales tax credit.
- The refund and estimated tax offset area on Forms 1, 1A, and 1NPR is revised to conform to the format used on the federal Forms 1040 and 1040A. Separate lines are provided for entering the total amount overpaid, the portion of the overpayment to be refunded, and the portion to be applied to the next year's estimated tax.
- Space is provided on Form 1 for taxpayers to enter their daytime telephone number.
- A line is added to Forms 1A and 1NPR for interest paid on student loans. This conforms to changes made on the federal forms.
- The temporary recycling surcharge is reduced to 0.2173% of net business income.
- The amount of qualified earned income used to compute the married couple credit is reduced to \$14,010, and the rate of credit is increased to 2.17%. This results in a maximum credit of \$304.

Preliminary copies of the 1998 Forms 1, 1A, WI-Z, and 1NPR and the homestead credit and farmland preservation credit claim forms, Schedule H and Schedule FC, are reproduced on pages 45 to 58 of this Bulletin. The copies are subject to further revision.

Preliminary copies of other Wisconsin income tax forms are available from the department's Internet website at: <http://www.dor.state.wi.us>. □

- credits and to expand entry areas.
- Schedules 1 and 2 for additions and subtractions, previously located on the back of Form 1, are eliminated. The various additions (e.g., state and municipal bond interest) and subtractions (e.g., state income tax refunds) are now on page 1 of the form.
- Schedules for computing the married couple credit and itemized deduction credit are moved to page 3 of Form 1.
- The area for entering tax district and school district information is moved to page 2 of Form 1.
- Check boxes are added to Forms 1, 1A, WI-Z, and 1NPR for indicating whether the taxpayer earned wages in Illinois while a Wisconsin resident. Space is also provided for entering the amount of such income.
- A line is added to Forms 1, 1A, WI-Z, and 1NPR for claiming the working families tax credit.



Do You 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, nonprofit organizations, or businesses in general.
- 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. □

New Working Families Tax Credit

A new credit, called the working families tax credit by the Wisconsin Legislature, is available beginning on 1998 income tax returns.

The credit is available to full-year residents of Wisconsin who have Wisconsin adjusted gross income below certain amounts. Both single and married persons are eligible for the credit. However, the credit is not available to a person who may be

claimed as a dependent on another taxpayer's income tax return.

You do not have to have income from wages or be self-employed to qualify for the credit. You may qualify for the credit even if all of your income is from, for example, interest, dividends, or pensions and annuities.

The credit eliminates the tax for persons who have Wisconsin adjusted gross income of less than \$9,000 (\$18,000 if married filing a joint return). The credit is then phased out over the next \$1,000 of income so that persons who have Wisconsin adjusted gross income of \$10,000 or more (\$19,000 or more if married filing a joint return), are not eligible for the credit.

The credit may be claimed on the Wisconsin Form 1, 1A, WI-Z, or 1NPR individual income tax return. □

Manufacturer's Sales Tax Credit Available for 1998

Beginning with the 1998 taxable year, the manufacturer's sales tax credit is available to individuals (including partners and tax-option (S) corporation shareholders), estates, and trusts.

The credit is equal to the Wisconsin state, county, and stadium sales and use taxes paid on fuel and electricity consumed in manufacturing tangible personal property in Wisconsin. For partners or tax-option (S) corporation shareholders, the partnership or corporation must calculate the amount of the credit which may be claimed by each partner or shareholder.

There is a limit on how much credit may be claimed on the return each year. The credit may be offset only against the tax on the business op-

erations in which the fuel and electricity were consumed. Unused credits may be carried forward and credited against taxes otherwise due for the following 15 years to the extent not offset by taxes otherwise due in all intervening years.

Lines are provided on the Wisconsin Forms 1 and 1NPR for claiming the credit. A new schedule, Schedule MS titled *Manufacturer's Sales Tax Credit*, must be completed by all claimants and attached to Form 1 or Form 1NPR. A copy of Schedule MS is reproduced on pages 59 and 60 of this Bulletin. □

Motor Vehicle Dealers' Measure of Use Tax Increased to \$104



Wisconsin licensed motor vehicle dealers are permitted to report use tax on a certain dollar amount per plate per month for the use of motor vehicles assigned to certain employees.

Effective January 1, 1999, the amount subject to use tax is increased from \$102 to \$104 per plate per month. (Note: The use tax per plate per month is not \$104. Rather, \$104 is multiplied by the use tax rate [5%, 5.1%, 5.5%, or 5.6%] to arrive at the use tax due per plate per month.)

The reason for the increase to \$104 per plate is that sec. 77.53(1m)(a), Wis. Stats. (1995-96), as amended by 1997 Wisconsin Act 27, requires that the Department of Revenue annually adjust the amount subject to use tax to reflect the annual percentage change in the U.S. Consumer Price Index for All Urban Consumers, U.S. City Average, as determined by the U.S. Department of Labor for the 12 month period ending June 30. The percentage change

for the period July 1997 to June 1998 was 1.8% (\$102 x 1.018 = \$104 rounded to the nearest whole dollar). □

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. A comprehensive listing of telephone numbers and addresses appears in *Wisconsin Tax Bulletin 107* (April 1998), pages 35 to 38.

Madison — Main Office Area Code (608)

Appeals.....	266-0185
Audit of Returns: Corpora- tion, Individual, Homestead	266-2772
Beverage.....	266-6702
Cigarette, Tobacco Prod- ucts.....	266-8970
Copies of Returns	267-1266
Corporation Franchise and Income	266-1143
Delinquent Taxes.....	266-7879
Electronic Filing	264-9959
Estimated Taxes	266-9940
Fiduciary, Estate.....	266-2772
Forms Request:	
Taxpayers.....	266-1961
Practitioners	267-2025
Fax-A-Form	261-6229
Homestead Credit	266-8641
Individual Income.....	266-2486
Motor Vehicle Fuel.....	266-3223
Refunds.....	266-8100
Sales, Use, Withholding	266-2776
TTY	267-1049

District Offices

Appleton.....	(920) 832-2727
Eau Claire.....	(715) 836-2811
Milwaukee:	
General.....	(414) 227-4000
Refunds	(414) 227-4907
TTY	(414) 227-4147

Paying Taxes by Electronic Funds Transfer

Administrative rules are being developed to make the Electronic Funds Transfer (EFT) automated payment method mandatory in 1999 for certain payments of corporation franchise and income tax, individual and fiduciary income tax estimated tax payments, income tax withholding, fermented malt beverages tax, distilled spirits and wine tax, tobacco products tax, cigarette tax, alternate fuels tax, general aviation fuel tax, motor vehicle fuel tax and petroleum inspection fees, and sales and use tax.

The EFT payment method may be voluntarily used now to pay all of the above-listed taxes except sales and use tax. The department plans to offer the EFT payment method for sales and use tax payments in 1999 and is working with the Department of Workforce Development to allow for unemployment insurance to be paid using EFT.

Advantages of using EFT

EFT eliminates the need for writing and processing paper checks and filling out payment vouchers. Funds and payment information are transferred electronically through the Automated Clearing House (ACH) network. Making a tax payment using EFT is as easy as a toll-free telephone call.

The payer has more control over the payment when EFT is used. There is no need to rely on the post office for timely delivery of the payment. When the transaction is initiated at least one business day before the due date, it will be received on time.

EFT is secure and safe. All transactions are governed by strict,

nationally established security procedures. EFT payments occur between financial institutions and only at the payer's request. Not one EFT payment has ever been lost, and a confirmation number is available immediately as proof of payment.

Additional information available

For more information about EFT, contact your financial institution, write to Wisconsin Automated Clearing House Association (WACHA), 16655 W. Bluemound Road, Suite 370, Brookfield, WI 53005, or call or e-mail WACHA at (414) 796-0252 or WACHA@execpc.com.

If you have questions specific to the department's EFT program, call the department's EFT information line in Madison at (608) 264-9918 or write to EFT Unit, Wisconsin Department of Revenue, P.O. Box 8912, Madison, WI 53708-8912.

To request EFT registration forms and instructions, write to Forms Request Office, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903, or call (608) 266-1961, and request the EFT registration packet. Provide your name, address, and federal employer identification number (FEIN), as the department plans to provide personalized registration materials in late 1998.

Wisconsin Publication 118, *Electronic Funds Transfer Guide*, provides information about the ACH Credit NACHA Format Requirements. For information about how to obtain this publication, see the article titled "Tax Publications Available" on page 8 of this Bulletin. □

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.

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

Forms and Publications Available by Fax

The Wisconsin Department of Revenue offers a Fax-A-Form document retrieval system. This retrieval system enables taxpayers and tax practitioners to obtain tax forms and publications via their facsimile machine or fax modem.

What is Available Via Fax-A-Form?

Wisconsin individual income, homestead credit, farmland preservation credit, partnership, corporation, estate, fiduciary income, sales and use, withholding, and alcohol beverage tax forms are available, along with the instructions for the forms. In January 1999, tax forms for the years 1995, 1996, 1997, and 1998 will be available.

Publications published by the department are also available. See the article titled "Tax Publications Available" on page 8 of this Bulletin for a list of the publications.

The catalog of retrieval codes for the forms and publications is updated throughout the year as forms and

publications are added and revised. For updated information, order the current catalog using Fax-A-Form.

How Does it Work?

- From the handset on your fax machine or the touch-tone keypad of your fax modem call the Fax-A-Form telephone number (608) 261-6229 (at this point do not enter "start" on your fax machine).
- If you have a newer model fax machine without a handset, you may use the keypad by pressing the "Hook Button," if tones are transmitted; if tones are not transmitted you must connect a touch-tone telephone to your fax machine to retrieve a document.
- Follow the voice prompts, then use the touch-tone keypad on your fax machine or telephone to enter the proper retrieval codes for the items desired.
- Receive the items you select, via your fax machine, by pushing the "start," "send," or "copy" button of your fax machine (on most fax machines this is the "start" button). Fax modem users will need to click on manual receive for their software. The handset of your system must stay **off** the hook the entire time the forms are being faxed to you.

When Can Fax-A-Form Be Used?

The Fax-A-Form retrieval system is available 24 hours a day, 7 days a week.

How Much Does it Cost?

The Department of Revenue does not charge a fee for using the Fax-A-Form service. Your only costs are the normal telephone charges, plus

fax machine operating costs, if applicable.

Questions?

If you have other questions about Fax-A-Form, you may call the department's Fax-A-Form coordinator, at (608) 267-2025. □

1998 Package WI-X Available in January

Wisconsin's Package WI-X will be available by January 31, 1999. Package WI-X will contain actual size copies of most 1998 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 1998 Package WI-X is \$7.00 plus sales tax. 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 titled "Tax Form Order Blanks Mailed," for more information on bulk orders.

If you do not receive an order blank and want to purchase copies of 1998 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 1998 Wisconsin tax forms that require payment. Forms that do not require payment are not listed on the order blank.

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 WD for Form 2 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 1998 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, 1998, you may request one by: contacting any department office; writing to Wisconsin Department of Revenue, Forms Request Office, P.O. Box 8903, Madison, WI 53708-8903; or calling (608) 267-2025.

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

As an alternative to ordering forms, most forms in Package WI-X may be reproduced (see the "Guidelines for Reproduced and Substitute Tax Forms" on page 61 of this Bulletin for a listing of forms that may not be reproduced). Package WI-X will be mailed separately in late January. □

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 all of the following apply:

- 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.
- No waiver has been granted by the department.

Wisconsin Publication 509, *Filing Wage Statements and Information Returns on Magnetic Media*, provides more information about magnetic media filing. For information about how to obtain this publication, see the article titled "Tax Publications Available" on page 8 of this Bulletin. □

IRS 1998 Mileage Rates Apply for Wisconsin

The 1998 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 1998 the IRS increased the business standard mileage rate from 31.5¢ per mile to 32.5¢ per mile for all business miles driven. The 32.5¢ per mile rate is allowed without regard to whether the automobile was previously considered fully depreciated.

If the standard mileage rate of 32.5¢ per mile is used, depreciation is considered to be allowed at 12¢ per mile for 1998, the same rate as for 1997. However, no portion of the 32.5¢ per mile rate is considered to be depreciation after the adjusted basis of the automobile reaches zero.

For 1998 the mileage rate allowed for calculating automobile expenses for charitable deduction purposes is increased from 12¢ per mile to 14¢ per mile. The rate for medical expense and moving expense deductions remains at 10¢ per mile. □

Question and Answer

Q I put \$2,000 into a Roth IRA. Under federal law, the interest or dividends earned on the amount in the Roth IRA will be tax-free when I withdraw them, assuming I will meet certain conditions. Does this also apply for Wisconsin?

A Yes. Wisconsin has adopted the Roth IRA provisions. A distribution from a Roth IRA that is exempt from federal income tax is also exempt from Wisconsin income tax.

Q I plan to roll over my ordinary IRA to a Roth IRA. I will make this rollover before January 1, 1999, so that even though the distribution from my ordinary IRA is taxable, I will be able to include the amount of the distribution in federal income ratably over a four-tax-year period. Does this also apply for Wisconsin?

A Yes. The distribution from your ordinary IRA will be taxable by Wisconsin over the same four-tax-year period as for federal tax purposes. □



Focus on Publications: Retirement Benefits

Are retirement benefits exempt from Wisconsin income tax? Does Wisconsin tax social security benefits?

The new Wisconsin Publication 126, *How Your Retirement Benefits are Taxed*, answers these questions and many others.

A copy of Publication 126 appears on pages 63 to 74 of this Bulletin. For information about how to obtain department publications, see the article titled "Tax Publications Available" on page 8 of this Bulletin. □

Adamczyk Guilty of Theft, Tax Fraud

Donna M. Adamczyk, 42, a former Wisconsin Electric Power Company employe in Milwaukee, pleaded guilty in August 1998, to two counts of theft for stealing more than \$775,000 from the company in 1996 and 1997. She also pleaded guilty to one count of filing a fraudulent income tax return. Adamczyk, who worked for the company for 23 years, faces up to 25 years in prison.

The tax charge concerns Adamczyk underreporting her 1996 income by more than \$218,400, thus shaving more than \$15,000 from her tax bill. For that year, Adamczyk listed her legal income from Wisconsin Electric at \$36,654, failing to disclose any of the stolen funds.

William J. Foley, 55, Milwaukee, was found guilty in August 1998, on seven counts of theft of Wisconsin sales taxes totaling \$13,237. Mil-

waukee County Circuit Court Judge Bonnie L. Gordon pronounced him guilty after he pleaded no contest to each count.

Foley founded Suburpia Submarine Sandwich Shoppes in the late 1960s and operated numerous restaurants in the Milwaukee and Madison areas throughout the 1970s, before the company went bankrupt in 1981. Foley's theft of state funds took place in 1991 and 1992 after he had resurrected the Suburpia business under the name of Culinary Gourmets, Inc. He operated five locations throughout the Milwaukee area.

During 1991 and 1992, Foley collected taxes from the sale of food and did not remit the money to the Department of Revenue. He also did not file state sales tax returns relating to this operation, which would have showed that he made sales of over \$264,000 during this time period.

Foley faced up to 63 months in jail and \$70,000 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 tax, penalty, and interest due follows the conviction for criminal violation.

Lori A. Krueger, 28, formerly of Medford and Hudson, was charged in August 1998, with five felony income tax violations. The criminal complaint alleges that she filed five fraudulent claims for earned income credit on original 1994, 1995, and 1996 Wisconsin income tax returns and amended 1995 and 1996 Wisconsin income tax returns.

According to the complaint, Krueger filed a 1994 claim for the earned income credit using false names and

a false wage statement, Form W-2. She filed fraudulent 1995 and 1996 claims for Wisconsin earned income credits in her own name, based on false Form W-2 documents. In addition, Krueger filed amended 1995 and 1996 returns which still claimed earned income credits based on amended Form W-2s from the same fictitious employer.

If convicted on all five counts, Krueger faces a maximum penalty of up to 25 years imprisonment, fines of up to \$50,000, or both, together with the costs of prosecution.

Wesley Bryant, 38, Milwaukee, was charged in August 1998, by the Milwaukee County District Attorney's Office, with two counts of theft of state sales tax, two counts of failure to file Wisconsin income tax returns, and obstructing an officer. The criminal charges resulted from a joint investigation by the Fraud Unit of the Wisconsin Department of Revenue and the Milwaukee Police Department.

According to the criminal complaint, Bryant operated First Class Service, a business which purchased junk automobiles and resold them as scrap. A review of the records by the Department of Revenue showed that the business collected sales taxes in 1995 and 1996 but did not remit the taxes. In addition, the complaint alleges that Bryant failed to file Wisconsin income tax returns for 1995 and 1996, and that he had income in those years which required him to file returns.

If convicted on all five charges, Bryant faces a maximum penalty of five years imprisonment, fines of up to \$50,000, or both, together with the costs of prosecution. □



Wanted: Your Comments About the Wisconsin Tax Bulletin

The *Wisconsin Tax Bulletin* (WTB) is published to provide tax information to **YOU**, the readers. To make the WTB more useful, the department is seeking suggestions for items that may be of interest to you, and ways to make the WTB more valuable to you.

How could the department improve on the information it publishes? What topics do you want covered or expanded? Do you have particular likes or dislikes about the WTB? Do you have ideas, comments, or suggestions you'd like to share?

Please take a few moments to give us your comments or ideas, and be a part of improving *your* WTB. Send your comments or ideas to Mark Wipperfurth, Wisconsin Department of Revenue, Administration Technical Services, P.O. Box 8933, Madison, WI 53708-8933. If you prefer, you may fax your comments to him at (608) 261-6240, or you may call him at (608) 266-8253. We'd like to hear from you! □

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 75 of this Bulletin. □

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* 107 (April 1998), pages 43 to 69. It includes information for issues 1 to 102 (July 1997), except the court case section, which lists all cases summarized in issues 1 to 107. □

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 Website 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 (10/98)
- 106 Wisconsin Tax Information for Retirees (10/98)
- 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)
- 116 Income Tax Payments Are Due Throughout the Year (12/95)
- 119 Limited Liability Companies (LLCs) (12/97)

120	Net Operating Losses for Individuals, Estates, and Trusts (11/97)	212	Businesses: Do You Owe Use Tax on Imported Goods? (2/97)	Audits and Appeals		
121	Reciprocity (12/97)	213	Travelers: Don't Forget About Use Tax (2/97)	501	Field Audit of Wisconsin Tax Returns (2/96)	
122	Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 1997 (11/97)	214	Businesses: Do You Owe Use Tax? (2/97)	505	Taxpayers' Appeal Rights of Office Audit Adjustments (6/96)	
123	Business Tax Credits for 1997 (12/97)	216	Filing Claims for Refund of Sales or Use Tax (9/95)	506	Taxpayers' Appeal Rights of Field Audit Adjustments (5/97)	
125	Credit for Tax Paid to Another State (11/97)	217	Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/96)	507	How to Appeal to the Tax Appeals Commission (10/97)	
126	How Your Retirement Benefits Are Taxed (9/98)	219	Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (6/96)	Other Topics		
600	Wisconsin Taxation of Lottery Winnings (10/97)	220	Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (8/96)	111	How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (10/97)	
601	Wisconsin Taxation of Pari-Mutuel Wager Winnings (10/97)	221	Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)	114	Wisconsin Taxpayer Bill of Rights (11/97)	
Sales and Use Taxes			222	Motor Vehicle Fuel Users: Do You Owe Use Tax? (4/98)	115	Handbook for Federal/State Electronic Filing (12/97)
200	Electrical Contractors - How Do Wisconsin Sales and Use Taxes Affect Your Business? (9/98)	223	Bakeries – How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)	117	Guide to Wisconsin Information Returns (10/98)	
201	Wisconsin Sales and Use Tax Information (7/98)	Other Taxes and Credits			118	Electronic Funds Transfer Guide (4/96)
202	Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (9/98)	400	Wisconsin's Temporary Recycling Surcharge (12/97)	124	Petition for Compromise of Delinquent Taxes (4/97)	
203	Sales and Use Tax Information for Manufacturers (12/94)	403	Premier Resort Area Tax (2/98)	130	Fax A Form (9/97)	
205	Use Tax Information for Individuals (2/97)	410	Local Exposition Taxes (11/94)	401	Extensions of Time to File (11/97)	
206	Sales Tax Exemption for Non-profit Organizations (9/90)	503	Wisconsin Farmland Preservation Credit (12/97)	500	Tax Guide for Wisconsin Political Organizations and Candidates (1/97)	
207	Sales and Use Tax Information for Contractors (3/98)	508	Wisconsin Tax Requirements Relating to Nonresident Entertainers (8/94)	502	Directory of Wisconsin Tax Publications (6/98)	
210	Sales and Use Tax Treatment of Landscaping (5/94)	W-166	Wisconsin Employer's Withholding Tax Guide (3/96)	504	Directory for Wisconsin Department of Revenue (10/97)	
211	Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (3/97)			509	Filing Wage Statements and Information Returns on Magnetic Media (3/94)	
				700	Speakers Bureau presenting . . . (2/93) □	



Over 1.8 Million Refunds Issued

More than 1.8 million income tax refunds were issued to taxpayers during January through July 1998 (primarily 1997 returns), for an average refund of \$331. The average refund for 1996 returns was \$313.

There were 2,744,800 Wisconsin individual income tax returns filed during the twelve months ending June 30, 1998. This compares to 2,612,900 returns for the prior year. The 2,744,800 returns, which included joint tax returns, were filed by 3,880,700 individuals.

An itemized deduction credit was claimed by 32% of the taxpayers on their 1997 returns. The average credit was \$431, compared to \$411 on 1996 returns.

There were 179,600 homestead credit claims filed during the year, and the average credit was \$448. This compares to 201,000 homestead credit claims averaging \$448 for the prior year. About 47% of the claimants were age 65 or older, 52% were renters, and 48% were homeowners.

About 22,600 farmland preservation credit claims, averaging \$936 per claim, were filed during the year ending June 30, 1998. During the prior year, 23,200 farmland preservation credit claims were filed, and the average payment was \$1,208. □

Taxpayers Designate \$312,000 to State Election Campaign Fund

Wisconsin income tax returns include a box for taxpayers to designate \$1 to the State Election Campaign Fund.

During July 1997 to June 1998 (primarily 1997 tax returns), taxpayers designated \$311,954 to the election campaign fund on their Wisconsin tax returns. This compares to \$295,232 for the prior year. □

Endangered Resources Contributions Total \$547,000



The 1997 Wisconsin income tax returns included a line for taxpayers to designate a contribution to the Wisconsin Endangered Resources Fund. These contributions help protect and care for Wisconsin's endangered species, nongame wildlife, and rare plant and animal habitats.

Donations to the Endangered Resources Fund can be made on both paper filed tax returns and electronically filed returns.

During July 1997 through June 1998 (primarily 1997 returns), 42,424 taxpayers contributed \$547,462 to the Endangered Resources Fund. This compares with 1996 income tax returns, where 44,269 taxpayers contributed \$565,760. □

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 October 1, 1998, or at the stage in which action occurred during the period from July 2 to October 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).

To receive up-to-date administrative rules of the Department of Revenue, you can use the order blank on page 75 of this Bulletin to order the Tax section of the Wisconsin Administrative Code.

Rules Sent to Legislative Council Rules Clearinghouse

- 11.09 Medicines–A (8/31/98)
- 11.28 Gifts and other advertising specialties–A (8/31/98)

Rules Sent to Revisor – Notice Published

- 11.56 Printing industry–A (8-31-98)

Rules Being Reviewed Following Publication of Various Notices

- 1.12 Electronic funds transfer – NR
- 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
- 11.19 Printed material exemptions–A
- 11.26 Other taxes in taxable gross receipts and sales price–A
- 11.32 “Gross receipts” and “sales price” –A
- 11.33 Occasional sales–A
- 11.41 Exemption of property consumed or destroyed in manufacturing–A
- 11.68 Construction contractors–A
- 11.70 Advertising agencies–A
- 11.83 Motor vehicles–A □

Wisconsin Department of Revenue

Guidelines for Reproduced and Substitute Tax Forms

Certain guidelines must be followed for reproduced or substitute Wisconsin tax forms (including schedules). The purpose of these guidelines is to ensure that the reproduced or substitute forms are compatible with the department's processing system and present information in a uniform manner.

A **reproduced** tax form is a facsimile of the official form produced by photo-offset, photo-engraving, photocopying, or other similar process. Reproduced tax forms that deviate from the official forms are considered substitute tax forms. If the guidelines are followed, the department will accept reproductions of official forms without prior approval, except as indicated below.

Exceptions – The following forms may not be reproduced without prior approval by the department:

- Form 1-ES, Estimated Tax Voucher (Individuals)
- Form 3S-ES, Partnership Estimated Surcharge Voucher
- Form 4-ES, Estimated Tax Voucher (Corporations)
- Form WT-6, Withholding Tax Deposit Report
- Form ST-12, Sales and Use Tax Return
- Form 3, Claim for Motor Fuel Tax Refund
- Form 1A, Wisconsin Income Tax Return
- Form WI-Z, Wisconsin Income Tax Return
- Form 8453W, Wisconsin Income Tax Declaration for Electronic Filing

A **substitute** tax form is a form, other than the official department form, that is commercially typeset and printed or computer produced or computer programmed. Substitute tax forms must be submitted to the department for approval each year before release to users.

Following are guidelines for substitute and reproduced tax forms and schedules.

Size Reproduced or substitute forms must be the same size as the official forms, except that official forms which are 8" x 10" may be printed on 8½" x 11" paper.

Grade of Paper Reproduced or substitute forms must be on paper of substantially the same weight and texture, and of a quality at least as good as that used in the official form.

Color of Paper and Ink White paper may be used for any official form printed on colored paper. Black ink may be substituted for colored ink. Forms that are scanned may require

shading when using black ink. This will be addressed during the approval process if applicable.

Two-Sided Forms Reproduced or substitute forms may be printed on one side or both sides of the paper.

Rounding Most Wisconsin individual income tax forms do not have a cents line; decimal points are used instead. The use of rounding must be indicated by entering only a decimal point after the last digit amount or by entering a decimal point followed by two zeros (e.g., two thousand dollars would be indicated as \$2,000. or \$2,000.00).

Spacing Substitute forms must be arranged in the same manner with the same spacing as the official forms. The official forms leave a specific amount of white space at the bottom of the forms (top portion of the forms in the case of Forms 1A, WI-Z, and 3 for partnerships and Schedule H). This space is used by the department and must be maintained on all substitute forms.

Signature When returns are reproduced, all required signatures on returns filed with the department must be original, affixed subsequent to the reproduction process. (Under certain conditions a fiduciary may use a facsimile signature.)

OCR Forms Although the department will approve substitute estimated tax vouchers (Forms 1-ES, 3S-ES, and 4-ES), it is preferred that taxpayers use the preprinted vouchers sent by the department. The department-printed vouchers reduce the chance of error in posting payments to the taxpayer's account and cost less to process than substitute forms.

The estimated tax vouchers have an optical character recognition (OCR) scan line which must be printed in machine-readable font. As a result of this, the following strict specifications are required to be met for substitute vouchers.

1. Document Specifications

- a. Size: Form 1-ES must be 8?" x 3?"; Form 3S-ES or 4-ES must be 8?" x 3?".
- b. Paperweight must be 20 pounds/500 sheets.
- c. Smoothness – between 65 and 200 Sheffield units on both sides.
- d. Bottom edge must be perpendicular to within 2 degrees to the right-hand and left-hand edges.
- e. No tears are allowed on the right-hand and bottom edges. Any perforations for a snapset or stub must be on the topside or left-hand edges of the document.

- f. The paper must be white, highly opaque and have a flat finish.

should be mailed to Wisconsin Department of Revenue as follows:

2. Scan Line Specifications

- a. The OCR line must be printed in OCR "A" font at a pitch of 10 characters per inch.
- b. The OCR line must be printed on each form.
- c. The right edge of the last character in the OCR line must be 1/8 inch from the right-hand edge of the form.
- d. Form 1-ES: The bottom of the OCR print line must be 1/2 inch above the bottom edge and must be parallel to the bottom edge. The OCR line must center in a "clear band" 1/2 inch high centered on the OCR print line which must be free of extraneous print, dirt, carbon residue, and all foreign matter. The line of characters to be read must be printed within the "printing band," which is located in the center of the clear band. The printing band is 0.22 inches high.
- e. Form 3S-ES or 4-ES: The bottom of OCR print line must be 1/2 inch above the bottom edge and must be parallel to the bottom edge.
- f. The ink in the printed character image must absorb light in the 550 to 950 nm wavelength range. The ink must not spatter or smear.
- g. The OCR print line includes unique numbers assigned by the department. To obtain these numbers, contact: Nancy Peters-Wilson at (608) 266-2588 (Form 1-ES) or Kristine Yager at (608) 266-0800 (Form 4-ES or 3S-ES).

3. Miscellaneous

Snap-sets are acceptable provided the carbon interleaf (or carbonless treatment) does not extend into the bottom one inch of the document and all other specifications are met. For department approval of carbon interleaf and carbonless copy forms, we will require five *sets* of the intact proposed form to determine whether standards have been met.

4. Required Testing

For bank approval, 100 forms with the OCR line must be run through the bank equipment to make sure the read rate of the documents is acceptable. The forms submitted for testing must be actual printed copies (photocopies are not acceptable). Test forms should be submitted to the appropriate addresses as listed under "Approval of Substitute Forms.

Approval of Substitute Forms Substitute forms must be submitted to the department for approval. Substitute forms, including the OCR forms required for testing,

Individual Forms –

Nancy Peters-Wilson
Processing Bureau
P.O. Box 8903
Madison, WI 53708-8903

Fiduciary Forms –

Ruth Ann Malcolmsom
Audit Bureau
P.O. Box 8904
Madison, WI 53708-8904

Corporation Forms and Partnership Surcharge Forms –

Kristine Yager
Processing Bureau
P.O. Box 8908
Madison, WI 53708-8908

Forms 1CNP, 1CNS, 1CNA, and 1CND –

Jennifer Jones
Processing Bureau
P.O. Box 8912
Madison, WI 53708-8912

Partnership Forms –

Kristine Yager
Processing Bureau
P.O. Box 8903
Madison, WI 53708-8903

Sales Tax Forms –

Cynthia Walton-Jackson
Compliance Bureau
P.O. Box 8902
Madison, WI 53708-8902

Withholding Tax Forms –

Ruth Hartman
Compliance Bureau
P.O. Box 8902
Madison, WI 53708-8902