

Avoid Errors on Tax Returns and Credit Claims

Individual income tax returns (Forms WI-Z, 1A, 1, 1NPR) (Note: Many of these tips also apply for fiduciary income tax returns.)

- Fill in social security number(s) (they are not on the label)
- (Form 1 or 1NPR) Attach copies of federal return and schedules
- Attach withholding statements (do not claim federal withholding, social security, or another state's withholding as Wisconsin withholding)
- Fill in the correct standard deduction from the table (use the worksheet if someone else claims you as a dependent)
- Correctly calculate the deduction for exemptions (don't include yourself or your spouse in the number of dependents)
- (School property tax/rent credit) Fill in rent and/or property taxes paid in 2000, and the credit amount from the tables
- Complete and attach married couple credit schedule
- Complete itemized deduction credit schedule (fill in the correct amount of standard deduction, and do not include miscellaneous itemized deductions)
- (Form 1NPR) Complete residence questionnaire
- (Form 1NPR) Complete resident status box(es)
- Attach other state's tax return to verify tax paid to that state
- Check and recheck math (10% of returns processed were adjusted for math errors)
- Correctly calculate earned income credit, and claim it if it is available to you
- Correctly calculate farmland tax relief credit (don't claim the credit for taxes on improvements)
- Compute underpayment of estimated tax interest if applicable, and fill in on the new line
- Correctly calculate federal/Wisconsin differences in taxable amounts of unemployment compensation, social security
- Correctly calculate capital gain exclusion
- Report correct tax-option (S) corporation income from Schedule 5K-1
- Correctly calculate IRA deduction and claim only if it is available to you
- Don't claim personal entertainment or travel expenses as a business expense
- Reduce tuition credit deduction when income exceeds certain levels
- Include all income, such as –
 - IRA distributions
 - interest and dividends
 - total gross receipts
 - income earned in another state
 - municipal interest
 - gambling winnings not on 1099-G
- Sign the tax return

Corporation franchise and income tax returns (Forms 4, 5, 5S, 4T, and 4I)

- Fill in federal employer identification number
- Attach copy of federal form
- Attach schedules to support credits (e.g., manufacturer's sales tax, research, development zone, farmland tax relief)
- Fill in contact person, telephone number, and fax number where indicated
- Sign the tax return

Homestead credit claims (Schedule H)

- Include Wisconsin tax return, copy of federal return and schedules, and wage statements (include copies if tax return and Schedule H are filed separately)
- (Little or no income is reported) Explain how living expenses were paid
- Include all household income, such as –
 - Wisconsin Works payments
 - standard mileage depreciation
 - IRA/deferred compensation deduction
 - Wisconsin income from tax return
 - gross pension and annuity payments

- nontaxable capital gains (e.g., capital gain exclusion)
- depreciation
- total of all income listed (check math)
- (Persons married, separated, or divorced during the year) Follow special instructions in the homestead credit booklet
- Attach a rent certificate(s) that is complete, unaltered, not a copy, and has an original landlord signature
- Properly prorate rent for joint occupancy (if rent certificate indicates more than one occupant and rent is not divided equally, attach a statement of shared living expenses)
- Attach copy of **2000** property tax bill, payable in 2001 (not a county tax receipt, installment stub, mortgage statement, canceled check, etc.)
- (Tax bill shows owners other than claimant or spouse) Attach ownership verification (copy of deed, land contract, divorce judgment, final judgment in an estate, trust instrument, etc.)
- (Less than twelve months of property taxes and/or rent are claimed) Explain where you lived for the rest of the year
- (Car/truck expense claimed) Write “actual” or number of miles next to the deduction on Schedule C, C-EZ, E, or F
- (Home not used solely for personal purposes) Complete Schedule 3 on the back of Schedule H
- Reduce property taxes/rent for months Wisconsin Works payments were received
- Don’t claim special assessments
- Don’t claim property taxes on more than one acre unless homestead is a farm
- Correctly prorate property taxes for a co-owned homestead or for occupancy during only part of the year
- Correctly calculate percentage of rent constituting property taxes (20% if heat is included, 25% if not)
- Don’t claim rent for more than twelve months
- Fill in the correct amount of homestead credit from the computation table
- Sign Schedule H

Farmland preservation credit claims

(Schedule FC)

- Attach clear and complete copies of all **2000** property tax bills, payable in 2001 (not county tax receipts, installment stubs, mortgage statements, canceled checks, etc.)
- (Tax bill shows owners other than claimant or spouse) Attach ownership verification (copy of deed, land contract, divorce judgment, final judgment in an estate, trust instrument, etc.)
- Attach complete and correct zoning certificate, if required. If not required because one was submitted in a previous year, notify the county land conservation committee and check the box on Schedule FC, line 17
- Attach copy of **executed** farmland preservation agreement (if expired, attach copy of **executed** extension agreement)
- (Property sold or purchased during the year) Attach copy of closing agreement
- Correctly prorate property taxes for a co-owned homestead
- (Property tax bill indicates delinquent taxes) Attach statement signed by county treasurer to verify that the prior year’s property taxes have been paid
- Don’t claim special assessments
- Don’t claim property taxes for land not covered by a zoning certificate or a farmland preservation agreement
- Claim the correct percentage of farmland preservation credit
- Include all household income, such as –
 - gross pension and annuity payments
 - nontaxable capital gains (e.g., capital gain exclusion)
 - depreciation
 - capital loss carryover
 - deferred compensation
 - gross social security
- (Amended returns) Reflect any adjustments to the original tax return and farmland preservation credit claim on the amended return
- (Amended returns) If additional income is reported on the amended tax return, also include it on Schedule FC

Partnership returns (Form 3)

- Fill in federal employer identification number
- Attach copy of federal Form 1065
- Attach copy of Wisconsin Schedule 3K-1
- Don't file federal Form 1065 and Schedule K-1 without Wisconsin Form 3 and Schedule 3K-1

Fiduciary income tax returns (Form 2) (Note:

Many of the tips in the individual income tax section also apply for fiduciary income tax returns.)

Trusts

- Check only one "type of trust" box
- Answer the questions on page 1
- Request a closing certificate on page 1, if needed
- (Final Form 2) Report all income, expenses, and credits as distributable income
- Mail returns to the correct address
- Provide appropriate attachments as requested on page 2
- (Fiscal year returns) Indicate the beginning and ending dates on page 1
- Use the correct year's form (e.g., a tax year beginning 9/1/99 and ending 6/30/00 is a 1999 tax year)
- Make estimated tax payments for an electing small business trust (ESBT) on Form 1-ES, not on Form 4-ES
- Do not fill in line 6b if not an ESBT
- Provide name(s) and federal employer identification numbers(s) of corporation(s) for which trust is paying tax
- Provide worksheet used in computing tax for an ESBT

Estates

- (Fiscal year returns) Indicate the beginning and ending dates on page 1
- Use the correct year's form (e.g., a tax year beginning 9/1/99 and ending 6/30/00 is a 1999 tax year)
- Complete page 2, Schedule D, when requesting a closing certificate
- Include the decedent's social security number

- Request a closing certificate on page 1, if needed
- Provide appropriate attachments as requested on page 2

Estate tax returns (Form W706)

- (All estates required to file a federal Estate Tax Return, Form 706) File Wisconsin Form W706 – Wisconsin **does** have an estate tax
- Don't file a return if none is required (not required if gross estate is under \$650,000 for deaths in 1999 or \$675,000 for deaths in 2000)
- File by the due date (later of nine months after the date of death or due date of federal Form 706, as extended)
- Pay the estate tax timely (nine months after the date of death, even if an extension of time to **file** has been granted)
- Make estate tax payments with Form 401T, not with estimated tax voucher 1-ES or 4-ES (if a federal extension has been requested, indicate this in a letter)
- If estate tax is paid late, compute interest from the date of death, not from the due date of the return
- If estate tax return is filed after the due date, including extensions, pay the late-filing penalty of 5% of the Wisconsin estate tax, even if the tax was paid timely
- Notify the department within 30 days of Internal Revenue Service (IRS) adjustments to federal Form 706 (include copy of IRS Form 1273, 3228, or 886A, and a cover letter)
- Make closing certificate request for both the fiduciary and estate tax returns at the same time, if possible, or inform the department with the first request that the other certificate will also be requested
- File a **complete** return with all required attachments, including –
 - federal Form 706 and schedules
 - list of assets from federal return
 - copy of last will (and any codicils)
 - trust instruments (and any amendments)
 - (for extension) copy of approved federal Form 4768