



## SOME IMPORTANT ITEMS TO CONSIDER ON YOUR 2012 RETURNS

Amended Wisconsin returns can be e-filed.

Basis of property for 2010 and later is the same as basis for federal.

Beginning farmer and farm asset owner will be available for tax years beginning on or after January 1, 2010.

Bonus depreciation is not allowed for Wisconsin.

Capital gain exclusion has been reduced from 60% to 30% (now 70% of the gain is taxable to Wisconsin.) The old rule applies for farm assets inherited or farm assets owned over one year.

Casualty losses directly related to federal declared disaster after January 1, 2009 may be used in computation of the itemized deduction credit.

Cell phone personal use must be included in employee's income for Wisconsin.

Child care subtraction will be available when the federal credit is claimed. The credit is up to \$1500 if there is one qualified individual or up to \$3000 if more than one. A copy of the federal 2441 must be attached to the return.

College savings plan (EdVest or Tomorrow's Scholar) contributions can be deducted up to \$3000 per student by the owner of the account or parent, grandparent, great-grandparent, aunt or uncle.

Computer technology is not a qualified use of 529 withdrawals.

Dairy and livestock credit is increased to a maximum of \$75000 and was due to sunset but has been extended to years ending before January 1, 2017.

Deemed Depreciation for Homestead purposes, if the standard mileage rate has been used is 23 cents for 2011.

Dept of Revenue can charge up to \$25/transaction to offset federal liens.

Depreciation of farm equipment remains at 7-15 years. Qualified leasehold and restaurant and retail improvement property remain under the longer depreciation periods.

Development Opportunity Zone has been created in the city of Beloit. Anyone with a development project in this area needs to submit a plan to the Dept of Commerce.

Discharge of indebtedness, even for personal residence, is taxable income for Wisconsin.

Doing business in Wisconsin now includes any business that does business in Wisconsin for any part of the year. This will constitute doing business for the entire year.

Domestic production activities deduction does not apply.

Donations to Special Olympics is available for 2012. All symbols for the charitable organizations are eliminated. Breast cancer and prostate cancer are combined into one. Starting in 2014, the donations since 2012 will be reviewed and only the top ten possible donations will be kept.

Earned Income Credit rates have changed. For one child the rate remains at 4%, for 2 children the new rate is 11% and for three or more the new rate is 34%. The federal 8867 needs to be attached to WI also.

Educator adjustment for books and supplies purchased does not apply for Wisconsin.

Election campaign donations (voluntary) have been repealed.

Election worker wages are exempt from federal and WI withholding and should be reported on Form W-2, not 1099.

Electronic filing of W2s and 1099s is required by anyone filing 50 or more per type.

Employer provided adoption assistance is the same as federal for 2011-12650. The adoption subtraction is a maximum of \$5000 for Wisconsin.

Estimated tax payments may be verified at <https://ww2.revenue.wi.gov/paymentinquiry.request.html>. You will need the SSN and amount of one of the last three payments made or amount of WI income from last year's return.

Maximum 179 expensing is limited to \$25,000 for Wisconsin, including farming with a phase-out threshold of \$200,000 for new purchases.

Failure to produce records when requested by the DOR will be equal to the greater of \$500 or 25% of additional tax or any adjustment made by the department. This rule became permanent on April 1, 2010.

No new claims for Farmland Preservation Credit may be claimed for years beginning on or after January 1, 2010 unless covered by agreements in effect on July 1, 2010. A new refundable credit (FC-A) with new computations has been developed (10/A if zoned ag

and a farmland preservation agreement, 7.50/A if in a agriculture zoned area, or 5/A if an agreement has been signed.

Financial Record matching program has begun with the DOR entering into agreements with financial institutions operating in Wisconsin for electronic data exchange of account information for delinquent taxpayers.

Gain deferred on sale of capital assets if the money is reinvested in qualified new business venture within 180 days after the sale. The gain must be long term and the qualified new venture must be certified by the Department of Commerce.

Gain on sale of residence after death of a spouse can only be excluded to \$250,000.

Gambling winnings and expenses Wisconsin is following the gambling session idea of relating expenses to winnings and being able to report less than the W2-G on line 21. Detailed records showing all bets must be contemporaneously kept.

Government payments The 1099-G for 2011 state tax refunds will only be mailed to those who filed a paper tax return last year. View the form online at <http://www.revenue.wi.gov/eserv/Form1099G/>.

Head of Household filing status if married (abandoned spouse) must include name and Social Security number of spouse.

Health insurance premiums for the adult child of the insured is not taxable income of the insured even if the child is not eligible to be a dependent of the insured. This does not apply to domestic partners unless the partner may be claimed as a dependent.

Health Savings Account is a deduction for Wisconsin the same as federal. Withdrawals for non-medical reasons are not taxed to Wisconsin if the contribution was made before 2011 and medical withdrawals are eligible for the medical expense deduction on the itemized deduction credit. If the withdrawal is from contributions made in 2011, the amount not used for medical purposes, is taxable to Wisconsin also.

Homestead Credit indexing for calendar years starting on or after January 1, 2010 has been repealed. The maximum income is 24680 with the maximum tax 1460. The deduction from household income, for dependents, remains at \$500.

IRA distribution transferred to charity is taxable to Wisconsin but then may be used as a charitable contribution for the itemized deduction credit.

Jobs tax credit created for Wisconsin for tax years beginning on or after January 1, 2010. Form JT See Dept of Commerce for more info.

Late filing fees are in effect : \$50 for individual, \$150 for corporation, \$50 for withholding report/deposit.

Medical care insurance

If someone received Cobra assistance for their health insurance, only the premiums not reimbursed are eligible for the medical insurance deduction.

A loss on self-employment does not get added to other earned income just for determining the health insurance subtraction.

The medical care insurance subtraction has increased

If the taxpayer is neither an employee nor self-employed, 100% of the premiums may be a Wisconsin subtraction.

If the taxpayer is an employee whose employer pays part of the premiums, 45% of the premiums are used for the subtraction. (This will go to 100% in 2013.)

If the taxpayer is an employee whose employer pays none of the premiums, 100% of the premiums are used for the subtraction.

Medicare premiums for 2012 are 99.90/month or 1198.80/yearly. Higher incomes may have higher premiums.

Net operating losses must be carried forward.

New nonqualified use of residence does not apply for Wisconsin.

Nonresident spouses of military members who are employed in Wisconsin while accompanying the military person are exempt from Wisconsin withholding on income for services performed in Wisconsin (Need to submit form W-221 to their employer.)

Mortgage insurance premiums cannot be treated as interest and cannot be used in the computation of the Wisconsin itemized deduction credit.

Non and part-year resident returns (1NPR) can be e-filed (subject to certain types of income).

Partnership requirement of married couple who own and operate a business in Wisconsin remains in effect

Postsecondary education credit is available for employers that reimburse graduating employees for WI college tuition. Form PE

Real estate taxes for the school property tax credit does not include special assessments such as garbage pickup.

A relocated business tax credit or deduction is available for businesses which relocate to Wisconsin from out-of-state, and have not done business in Wisconsin for the prior two years.

Retirement benefits or IRA withdrawal of low-income taxpayers are not taxable on the first \$5000. The person must be at least 65 years of age and have a federal AGI of less than \$15000 (S) and \$30000 (MFJ). Of course the retirement needs first to be taxable to Wisconsin, e.g. military retirement benefits are already not taxable. (It has been determined that this exclusion is mandatory, thereby closing a loophole for Homestead Credit.)

Roth IRA conversions that were elected to split between 2011 and 2012 must also be included in income on Wisconsin in the same way as federal.

Sales and use tax line on the tax return must be checked if there is not any out of state purchases to report.

Social Security benefits are not taxable to Wisconsin.

The Social Security boxes have been relocated on the WI forms.

Standard deduction for Wisconsin is the amount from the table with no adjustment for sales tax on a new vehicle.

Standard deduction table will only be adjusted upward for a change in indexing, never downward.

Start-up expenses remain at \$5000 deductible in the first year.

Super research and development credit is available for corporations.

Top tax rate is 7.755.

Transportation benefits that increased as tax-free fringes for federal purposes remain the same for Wisconsin. (maximum of \$125/month.) There is no increase for transportation and transit passes and no benefit allowed for bicycle commuting.

Tuition continues to not be an adjustment to income or a credit as allowed by the federal return. Instead there is a tuition subtraction allowed if the student is attending classes in Wisconsin or under the MN-WI reciprocity agreement. This subtraction is a maximum of \$6543 per student but the income phase out limits remain the same (50,000-60,000 for S or HOH, 80,000-100,000 for MFJ and 40,000-50,000 for MFS).

Unemployment compensation has a worksheet to determine taxability of the benefits for low-income taxpayers.

Volunteer Firefighter and EMS benefits are considered taxable income for Wisconsin purposes.

Veterans and surviving spouses property tax credit is limited to one acre same as

Homestead.

Willful misclassification of construction contractors will cause a \$25,000 penalty for each violation of misclassification of employee status with intent to evade withholding tax requirement.

Wisconsin-Minnesota income tax reciprocity has ended so persons working in one state and living in the other will need to change their withholding and possibly start paying state tax estimates. There will be a survey on the front of the WI tax return to determine how many people are affected by this change.

WRA can be filed electronically. Just be sure to follow the instructions. If the WRA is mailed, the return must have been electronically filed the the form WRA attachments were not transmitted electronically. The mailed in WRAs will all be submitted to the Box 8977 address.