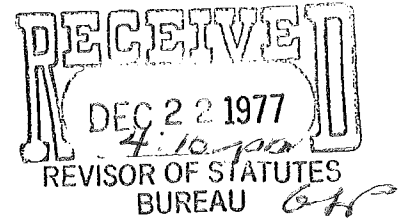


Tax 1 to 3, 10, 11  
CERTIFICATE OF RULE ADOPTION

STATE OF WISCONSIN )  
DEPARTMENT OF REVENUE )



TO ALL WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Dennis J. Conta, Secretary of the Department of Revenue and custodian of the official records of said Department, do hereby certify that the annexed rules were duly approved and adopted by this Department on December 21, 1977.

These rules relate to the following:

- 1) Revisor-type rule (income tax).
- 2) Definitions (income, sales, inheritance and excise tax).
- 3) Power of attorney (income, sales, inheritance and excise tax).
- 4) Information returns; form 9c for employers of nonresident entertainers, entertainment corporations or athletes (income tax).
- 5) Credit for sales and use tax paid on fuel and electricity (income tax).
- 6) Moving expenses (income tax).
- 7) Withholding from wages of a deceased employe and from death benefit payments (income tax).
- 8) Extension of time to file corporation franchise or income tax returns (income tax).
- 9) Research or experimental expenditures (income tax).
- 10) Taxation of savings, mortgage and credit life insurance (inheritance tax).
- 11) Federal estate tax deduction (inheritance tax).
- 12) Sales and use tax return forms (sales and use tax).
- 13) Retailer's discount (sales and use tax).

I further certify that said copy has been compared by me with the original on file in this Department and that the same is a true copy thereof and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 201 East Washington Avenue in the city of Madison, this 21st day of December, 1977.

  
Dennis J. Conta

ORDER OF THE DEPARTMENT OF REVENUE ADOPTING RULES


Pursuant to the authority vested in the Department of Revenue by ss. 71.11(24)(a), 72.05 and 227.014(2), Wis. Stats., the Department hereby adopts the following 13 rules as shown on the attached copy.

- 1) A revisor-type rule.
- 2) Section Tax 1.001, "Definitions".
- 3) Section Tax 1.13, "Power of attorney".
- 4) Section Tax 2.045, "Information returns; form 9c for employers of nonresident entertainers, entertainment corporations or athletes".
- 5) Section Tax 2.11, "Credit for sales and use tax paid on fuel and electricity".
- 6) Section Tax 2.13, "Moving expenses".
- 7) Section Tax 2.93, "Withholding from wages of a deceased employe and from death benefit payments".
- 8) Section Tax 2.96, "Extension of time to file corporation franchise or income tax returns".
- 9) Section Tax 3.48, "Research or experimental expenditures".
- 10) Section Tax 10.10, "Taxation of savings, mortgage and credit life insurance".
- 11) Section Tax 10.11, "Federal estate tax deduction".
- 12) Section Tax 11.01, "Sales and use tax return forms".
- 13) Section Tax 11.95, "Retailer's discount".

The rules contained herein shall take effect on March 1, 1978.

Dated this 21st day of December, 1977.

DEPARTMENT OF REVENUE  
BY:



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Dennis J. Conta  
Secretary of Revenue

REVISOR-TYPE RULE

Section Tax 2.08(3) of the Wis. Adm. Code is amended to read:

Tax 2.08(3) Returns required to be filed by persons other than corporations shall be filed by mailing them to P.O. Box 268, Madison, Wisconsin 53790 if a tax is due. If a refund is payable or if no amount is due, the return shall be filed by mailing it to P.O. Box 59, Madison, Wisconsin 53701, or delivery to 4638 University Avenue, Madison 53785. Returns required to be filed by fiduciaries shall be filed by mailing them to P.O. Box 8904, Madison, Wisconsin 53708.

## DEFINITIONS

Section Tax 1.001 of the Wis. Adm. Code is adopted to read:

Tax 1.001 Definitions. In chapters 1 to 12, unless otherwise specified: (1) "Department" means the Wisconsin department of revenue.

## POWER OF ATTORNEY

Section Tax 1.13 of the Wis. Adm. Code is adopted to read:

Tax 1.13 Power of attorney. (Sections 71.11(44)(c)5 and 71.61(5)(b)5a, Wis. Stats.) (1) POWER OF ATTORNEY REQUIREMENT. (a) A power of attorney or other written authorization executed by the taxpayer shall be required by the Wisconsin department of revenue for the taxpayer's representative, on behalf of the taxpayer, to: 1. Inspect confidential information (e.g., tax returns and audit reports).

2. Receive notices, communications and correspondence containing confidential information.

3. Represent the taxpayer at conferences.

4. Execute a waiver to extend the statutory period for assessment or collection of a tax.

5. Execute any other waivers or agreements in behalf of the taxpayer.

(b) The power of attorney requirement applies to income, franchise, withholding, gift, sales and use tax matters of individuals, partnerships and corporations and homestead credit matters.

(2) EXCEPTIONS. (a) A power of attorney is not required for a taxpayer's representative to inspect confidential information or to represent the taxpayer at conferences, if the representative is accompanied by the taxpayer or, if a corporation, by an officer or authorized employee of the corporation.

(b) Generally a power of attorney is not required in the case of a trustee, receiver, guardian, personal representative or special administrator of an estate, or a representative appointed by a court.

(3) FILING OF POWER OF ATTORNEY. (a) One power of attorney form shall be filed with the Wisconsin department of revenue, with one additional copy for each additional tax matter. For example, if a power of attorney covers 2 tax matters, (e.g., income tax and sales tax), 2 power of attorney forms shall be filed.

(b) One power of attorney form shall be filed in each office of the department in which the taxpayer's representative, in connection with the matter under consideration, intends performing one or more of the acts enumerated in sub. (1).

(4) FORM OF POWER OF ATTORNEY. (a) Power of attorney forms are available from any Wisconsin department of revenue office. The Wisconsin form (Form A-222) is similar to the federal power of attorney form (Form 2848).

(b) Use of the Wisconsin power of attorney form is not mandatory. However, the department prefers that this form or another similar form be used. The form shall clearly express the scope of the authority granted the taxpayer's representative, the Wisconsin tax matters (e.g., income, sales, or gift tax) covered and the tax year or period to which it relates.

NOTE: A supply of forms may be obtained from the department at 4638 University Avenue, Madison, Wisconsin 53708 or by mail request to P.O. Box 8903, Madison, Wisconsin 53708.

INFORMATION RETURNS ON NONRESIDENT ENTERTAINERS AND ATHLETES

Tax 2.045 Information returns; form 9c for employers of nonresident entertainers, entertainment corporations or athletes. (Sections 71.02(1)(e) and (2)(p) and 71.10(18), Wis. Stats.)  
Every resident person or firm which employs or engages the services of a nonresident entertainer, a nonresident athlete or group of athletes, or a domestic or foreign entertainment corporation, for performance within this state for a contract price exceeding \$1,950, or which has receipt, custody or control of the proceeds of an entertainment or sporting event within this state, shall file with the department a statement reporting information about the entertainer, athlete or entertainment corporation within 90 days of the event. Such statement shall be made on Form 9c even though the employer may file Form WT-9 or 9b with the department as required by sections Tax 2.04 and 2.06.

NOTE: Forms may be obtained by mail request to the Wisconsin Department of Revenue. Requests for forms prior to January 1, 1978 should be addressed to P.O. Box 58, Madison, Wisconsin 53701. Requests for forms on and after January 1, 1978 should be addressed to P.O. Box 8903, Madison, Wisconsin 53708.

This rule implements legislation requiring these returns which becomes effective January 1, 1978.

CREDIT FOR SALES AND USE TAX PAID ON FUEL AND ELECTRICITY

Section Tax 2.11 of the Wis. Adm. Code is adopted to read:

Tax 2.11 Credit for sales and use tax paid on fuel and electricity.  
(Section 71.043, Wis. Stats.) (1) DEFINITIONS. In this rule:  
(a) "Sales and use tax under ch. 77 paid by the corporation" has the meaning specified in section 71.043(4)(a), Wis. Stats..

(b) "Manufacturing" has the meaning designated in section 77.51(27), Wis. Stats. by virtue of section 71.043(4)(b), Wis. Stats..

(c) Fuel and electricity "consumed in manufacturing" means only fuel and electricity used to operate machines and equipment used directly in the step-by-step manufacturing process. Fuel and electricity are not "consumed in manufacturing" if they are used in providing plant heating, cooling, air conditioning, communications, lighting, safety and fire prevention, research and product development, receiving, storage, sales, distribution, warehousing, shipping, advertising and administrative department activities. If separate gas or electric meters are not used to accurately measure the fuel and electricity consumed in manufacturing in Wisconsin, a reasonable allocation is necessary.

(d) "Cost of manufacturing" as used in section 71.043(1), Wis. Stats., and as defined in section 71.07(2)(b), 1969 Wis. Stats.:  
1. "shall be interpreted in a manner to conform as nearly as may be to the best accounting practice in the trade or business. Unless in the opinion of the department of revenue the peculiar circumstances in any case justify a different treatment, this term shall generally be interpreted to include as elements of cost the following:

a. The total cost of all goods, materials and supplies used in manufacturing . . .

b. The total wages and salaries paid or incurred during the income year in such manufacturing . . . activities.

c. The total overhead or manufacturing burden properly assignable according to good accounting practice . . ." (Section 71.07(2)(b), Wis. Stats. (1969))

2. Includes the cost of fuel and electricity used in the manufacturing process during the year and the sales tax paid thereon.

3. Includes the total costs of all the manufacturing operations of a corporation in this state.

(2) CREDIT ALLOWABLE. (a) 1973 and subsequent taxable years. Section 71.043(2), Wis. Stats., provides that "The tax imposed upon or measured by corporation net income of the taxable year 1973 and subsequent taxable years pursuant to s. 71.01(1) or (2) may be reduced by an amount equal to the sales and use tax under ch. 77 paid by the corporation in such taxable year on fuel and electricity consumed in manufacturing tangible personal property in this state. . . ."



(b) 1972 taxable year. Section 71.043(1), Wis. Stats., provides that "The tax imposed upon or measured by corporation net income of the taxable year 1972 pursuant to s. 71.01(1) or (2) may be reduced by an amount equal to so much of the sales and use tax under ch. 77 paid by the corporation in such taxable year on fuel and electricity consumed in manufacturing tangible personal property in this state as was paid on fuel and electricity costs in excess of 2% of the cost of manufacturing within this state as determined pursuant to s. 71.07(2)(b). Such deduction may not exceed 50% of the tax computed without such reduction."

(3) CARRY FORWARD OF UNUSED CREDIT. (a) Any unused 1972 sales tax credit shall not be carried forward.

(b) If a corporation is entitled to a sales and use tax credit for 1973 and subsequent tax years under section 71.043(2), Wis Stats., such credit, to the extent not offset by the tax liability of the same year, may be offset against the tax liability of the subsequent year and each succeeding year up to a total of 5 years or when the credit has been completely offset, whichever occurs first.

(c) The sales tax credit computed for 1973 and subsequent tax years shall first be offset against the income or franchise tax liability computed for the tax year before an unused credit from a prior year may be applied.

NOTE: An example of the computation and application of the credit follows:

Computation of Income or Franchise Tax Payable after Sales Tax Credit

	#1 1972	#2 1973	#3 1974
a. Income (franchise) tax payable before sales tax credit	\$ 4,000.00	\$ 1,000.00	\$10,000.00
b. Sales tax credit of current year available (schedule below)	\$ 3,076.92	\$ 3,846.15	\$ 3,846.15
c. Current year's credit allowable (1972 and 1973)	\$ 2,000.00*	\$ 1,000.00	
d. Carry forward of unused 1973 credit		\$ (2,846.15)	\$ 2,846.15
e. Total credit allowable in 1974 (b & d)			\$ 6,692.30
f. Income (franchise) tax payable after sales tax credit	\$ 2,000.00	\$ -0-	\$ 3,307.70

\* The credit in 1972 was limited to 50% of the income or franchise tax computed without such reduction, and there is no provision for carrying forward the unused 1972 credit.

<u>Computation of Sales Tax Credit Available</u>	(a) Annual Total <u>1972-3-4</u>	(b) 4% Tax Paid <u>Credit Available</u>
Wisconsin cost of manufacturing for the year (including fuel and electricity)	\$1,000,000	
Cost of fuel and electricity directly consumed in manufacturing in Wisconsin	\$ 100,000	
Sales tax credit available in 1973 and subsequent years: $\$100,000 \div 1.04 = \$96,153.85 \times 4\% =$		<u>\$3,846.15</u> (1)
Less 2% of 1972 cost of manufacturing in Wisconsin	- <u>\$ 20,000</u>	
Base for 1972 sales tax credit computation	<u>\$ 80,000</u>	
Sales tax credit available in 1972: $\$80,000 \div 1.04 = \$76,923.08 \times 4\% =$		<u>\$3,076.92</u> (1)

( In this example all the amounts shown under column (a) above include the 4% tax paid on fuel and electricity directly consumed in manufacturing during the year.

(1) An alternative method of computation is to divide \$100,000 or \$80,000 by 26.

## MOVING EXPENSES

Section Tax 2.13 of the Wis. Adm. Code is adopted to read:

Tax 2.13 Moving expenses. (Section 71.05(1)(a)7 and (b)4, Wis. Stats.) (1) GENERAL. Certain moving expenses qualify for a deduction in arriving at federal adjusted gross income. When a person moves into Wisconsin, such expenses are allowed as a deduction in computing Wisconsin adjusted gross income. The deductibility of moving expenses incurred in moving from Wisconsin was changed for 1975 and subsequent taxable years by the enactment of section 71.05(1)(a)7, which provides for an add modification for "Moving expenses incurred to move from this state".

(2) TREATMENT OF MOVING EXPENSES INCURRED IN MOVING FROM WISCONSIN. (a) 1975 and Subsequent Taxable Years. For 1975 and subsequent taxable years, moving expenses incurred in moving from Wisconsin may be deducted in arriving at federal adjusted gross income for federal income tax purposes. However, an add modification (section 71.05(1)(a)7) shall be made for such expenses in determining Wisconsin adjusted gross income. The following example illustrates the add modification for such moving expenses for a taxpayer moving from Wisconsin to New York:

Wisconsin Gross Income	\$18,000
New York Gross Income	600
Moving Expenses to New York	<u>(4,000)</u>
Federal Adjusted Gross Income	\$14,600
*Add Modification for Moving Expenses to New York	4,000
Subtract Modification: New York Gross Income	<u>(600)</u>
Wisconsin Adjusted Gross Income	<u>\$18,000</u>

\*The add modification of \$4,000 for moving expenses to New York is entered in Part II, page 2 of the Wisconsin income tax return, Form 1.

(b) 1974 and Prior Taxable Years. 1. For 1974 and prior taxable years for Wisconsin income tax purposes, moving expenses incurred in moving from Wisconsin may be applied to reduce adjusted gross income earned outside Wisconsin. However, when such moving expenses exceed the adjusted gross income earned outside Wisconsin, the excess cannot be added back in arriving at Wisconsin adjusted gross income because there is no statutory provision for that type of modification. The only modification applicable is set forth in section 71.05(1)(b)4 which limits the subtraction of income earned outside Wisconsin to a net figure. Section 71.05(1)(b)(intro) and 4 provides as follows: "Subtract, to the extent included in federal taxable or adjusted gross income: . . . Any other amount not subject to taxation under this chapter, less any amount allocable thereto which has been deducted in the computation of federal taxable or adjusted gross income."

2. The following 2 examples illustrate the treatment of moving expenses for 1974 and prior taxable years for a Wisconsin resident moving to New York in arriving at Wisconsin adjusted gross income. They also illustrate that a subtract modification cannot be made to federal adjusted gross income unless outside Wisconsin income exceeded the moving expenses in 1974 and prior taxable years.

Example 1

Wisconsin Gross Income	\$18,000
New York Gross Income	600
Moving Expenses to New York	<u>(4,000)</u>
Federal Adjusted Gross Income	<u>\$14,600</u>

Wisconsin adjusted gross income is also \$14,600 in this example. Since the moving expenses of \$4,000 exceed the New York gross income of \$600, there is no subtract modification of New York income in arriving at Wisconsin adjusted gross income. The excess of moving expenses over New York gross income is not added back in arriving at Wisconsin adjusted gross income.

Example 2

Wisconsin Gross Income	\$18,000
New York Gross Income	5,000
Moving Expenses to New York	<u>(4,000)</u>
Federal Adjusted Gross Income	<u>\$19,000</u>
*Subtract Modification--\$5,000 (New York Income)	
less \$4,000 (Moving Expenses)	<u>(1,000)</u>
Wisconsin Adjusted Gross Income	<u>\$18,000</u>

\*In accordance with section 71.05(1)(b)4, a subtract modification shall be made for the amount not subject to Wisconsin taxation (New York income of \$5,000), less the amount allocable thereto (moving expenses of \$4,000).

WITHHOLDING FROM WAGES OF A DECEASED EMPLOYEE  
AND FROM DEATH BENEFIT PAYMENTS

Section Tax 2.93 of the Wis. Adm. Code is adopted to read:

Tax 2.93 Withholding from wages of a deceased employe and from death benefit payments. (Sections 71.19(1)(j) and 71.20(1), Wis. Stats.)

(1) GENERAL. Section 71.20(1), Wis. Stats., requires employers to withhold Wisconsin income tax from payments of wages "to an employe". Various types of payments are made to the estate or to beneficiaries of a deceased employe which resulted from the deceased person's employment. The department shall follow the federal internal revenue service's policy in determining whether withholding of income tax is required from such payments.

(2) PAYMENTS SUBJECT TO WITHHOLDING. An uncashed check originally received by a decedent prior to the date of death and reissued subsequently to the decedent's personal representative shall be subject to withholding of Wisconsin income tax.

(3) PAYMENTS NOT SUBJECT TO WITHHOLDING. The following types of payments to a decedent's personal representative or heir shall not be subject to withholding of Wisconsin income tax: (a) Payments representing wages accrued to the date of death but not paid until after death.

(b) Accrued vacation and sick pay.

(c) Termination and severance pay.

(d) Death benefits such as pensions, annuities and distributions from a decedent's interest in an employer's qualified stock bonus plan or profit sharing plan (section 71.19(1)(j), Wis. Stats.).

EXTENSION OF TIME TO FILE CORPORATION FRANCHISE OR INCOME TAX RETURNS

Section Tax 2.96 of the Wis. Adm. Code is adopted to read:

Tax 2.96 Extension of time to file corporation franchise or income tax returns. (Section 71.10(5)(a), Wis. Stats.) (1) GENERAL. Corporation franchise or income tax returns (Forms 4 and 5) are due on or before the 15th day of the 3rd month following the close of a corporation's taxable year unless an extension of time for filing has been granted. Such returns and inventory reports (Form 10) due on and after April 24, 1976 may be filed within the same extension period allowed for filing corresponding federal income tax returns under the internal revenue code. In the alternative, for such returns, a corporation may obtain an extension from the department for a period not to exceed 30 days, if the extension is requested prior to the original due date of the return.

(2) PROCEDURE. (a) The 30 day extension from department.

A request for a 30 day extension (Form IC-830) from the department shall be filed in duplicate by the taxpayer prior to the original due date of the tax return. A payment submitted with the extension request will be acknowledged on the copy of the extension request which is returned to the taxpayer.

(b) The 3-month federal extension. 1. A copy of federal extension Form 7004 shall be attached to a Wisconsin franchise or income tax return filed under the federal automatic 3-month extension provision for the Wisconsin return to be considered timely filed.

2. A taxpayer using a federal extension who desires to minimize interest charges during the extension period may pay any estimated tax liability on or before the 15th day of the 3rd month following the taxable year. This may be done by attaching a remittance either to an amended "Wisconsin Declaration of Estimated Corporation Franchise or Income Tax" form or to a copy of the federal extension (Form 7004) and mailing them to the department of revenue.

(c) Additional federal extensions. If an additional extension of time has been granted by the internal revenue service, a copy of both sides of the extension (Form 7005), showing the action and signature of the district director, shall be filed with the department within 10 days of the date the approved form is received by the taxpayer. Timely filing of this form shall extend the due date of the Wisconsin return for the same period. A copy of Form 7005 shall also be attached to the Wisconsin return when filed.

(d) Federal termination or refusal to grant extension. If the internal revenue service terminates or refuses to grant an extension, the corresponding Wisconsin franchise or income tax return shall be filed on or before the date of termination fixed by the internal revenue service.

(3) INTEREST CHARGES AND LATE FILING FEES. (a) Any additional tax due with the complete return which is not paid by the original due date is subject to interest at 9% per year during the extension period and 1 1/2% per month from the end of the extension period until the date of payment.

(b) Any required installments of estimated tax unpaid as of the original due date of the return are subject to interest at 1 1/2% per month until paid regardless of any extensions granted for filing the return.

(c) Corporation returns and inventory reports filed after the extension period are each subject to a \$10 late filing fee.

(4) CONSOLIDATED RETURNS. Because Wisconsin does not permit the filing of consolidated returns, a copy of the automatic federal extension (Form 7004) shall be attached to the Wisconsin franchise or income tax return of each member of an affiliated group filing a Wisconsin tax return. A copy of any approved additional federal extension (Form 7005) shall be submitted for each such corporation within 10 days of its receipt by the taxpayer and a copy of Form 7005 shall be attached to the Wisconsin return when it is filed.

(5) DOMESTIC INTERNATIONAL SALES CORPORATIONS. Since a Domestic International Sales Corporation's (DISC's) federal annual information return (Form 1120 DISC) is not due for federal purposes until the 15th day of the 9th month following the end of the taxable year and the DISC's Wisconsin return (Form 4 or 5) is due on or before the 15th day of the 3rd month following the end of the taxable year, a federal extension for a DISC cannot apply to the Wisconsin return. If a complete Wisconsin return cannot be filed by the due date, a tentative return may be filed by such date or a 30 day extension may be requested under section 71.10(5)(a), Wis. Stats.. A tentative return then shall be filed before the end of the extension period to avoid the imposition of late filing penalties.

NOTE: Requests for extensions and related correspondence, documents or remittances shall be mailed to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, Wisconsin 53708.

## RESEARCH OR EXPERIMENTAL EXPENDITURES

Section Tax 3.48 of the Wis. Adm. Code is adopted to read:

Tax 3.48 Research or experimental expenditures. (Section 71.04(2f), Wis. Stats.) (1) DEFINITIONS. In this section: (a) "Research or experimental expenditures" mean expenditures incurred in connection with the taxpayer's trade or business which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention or similar property, and improvements to such already existing property and the cost of obtaining a patent, such as attorney's fees expended in making or perfecting a patent application but not the costs of acquiring another's patent, model, production, or process. The term does not include expenditures such as those for the ordinary testing or inspection of materials or products for quality control, management studies, consumer surveys, advertising or promotions or expenditures paid or incurred for research in connection with literary, historical, or similar projects, nor land or depreciable property whether incurred by the taxpayer or by another person or organization on its behalf, to the extent of the cost of the component materials of the depreciable property, the costs of labor or other elements involved in its construction and installation or cost attributable to the acquisition or improvement of the property.

(b) "Paid or incurred" shall be construed according to the method of accounting used by the taxpayer in computing taxable income.

(2) DEDUCTION. Subject to certain limitations, a corporate taxpayer may elect to either deduct research and experimental expenditures paid or incurred during a taxable year beginning after December 31, 1969 in the year paid or incurred, or to defer such expenditures and amortize them over a period of not less than 60 months selected by the taxpayer beginning with the month in which the taxpayer first realizes benefits from the expenditures, or to depreciate the expenditures over the useful life of the property to which they relate. (a) Election to treat as expense. Election to treat research or experimental expenditures as expenses may be made by claiming such expenses as a deduction on the return for the year in which paid or incurred. The election shall apply to all research or experimental expenditures paid or incurred in the taxable year of adoption and all subsequent years unless a different method is authorized by the secretary of revenue or a delegate.

(b) Election to amortize. 1. If a taxpayer has not elected to deduct research or experimental expenditures as currently deductible expenses, it may elect to treat as deferred expenses which may be amortized ratably over a period of not less than 60 months as selected by the taxpayer those expenditures which are chargeable to a capital account with no determinable useful life.



However, if the property resulting from the expenditures has a determinable useful life, the capitalized expenditures or the unamortized balance thereof shall be amortized or depreciated over the determinable useful life.

2. The election to defer and amortize shall be made by attaching a signed statement to the taxpayer's return for the first taxable year to which the election is applicable and shall set forth the information required under subparagraph 1.174-4(b)(1) of the internal revenue code regulations.

(c) Change in method or period. Permission to change to a different method of treating research or experimental expenditures or to a different period of amortization of deferred expenses shall be required from the secretary of revenue in writing. A request for permission shall be addressed to the secretary of revenue, P.O. Box 80, Madison, Wisconsin 53701. The request shall include the name, address and signature of the taxpayer and shall be filed not later than the end of the first taxable year in which the different method is to be used. The request shall set forth the information required under either subparagraph 1.174-3(a)(3) or subparagraph 1.174-4(b)(2) of the internal revenue code regulations.

(3) EFFECT ON BASIS. Research and experimental expenditures not deducted currently are chargeable to a capital account and shall be added to the basis of the property resulting from such expenditures. Upon the sale or other disposition of such property in which a gain or loss is recognized an adjustment to basis shall be made in computing gain or loss for any amortization allowed or allowable.

INHERITANCE TAXATION OF SAVINGS, MORTGAGE AND CREDIT LIFE INSURANCE

Section Tax 10.10 of the Wis. Adm. Code is adopted to read:

Tax 10.10 Taxation of savings, mortgage and credit life insurance.  
(sections 72.12(7), 72.13(2) and 72.14(1)(a), Wis. Stats.) (1) SAVINGS INSURANCE. If, upon the death of a depositor in a financial institution, a life insurance payment is made based on the amount in a savings account of the decedent at the time of death, such payment is taxable as insurance under s. 72.12(7).

(a) If the payment is made to a named beneficiary, it shall be includible with other insurance proceeds paid to distributees other than the decedent's estate and shall qualify for the \$10,000 insurance exclusion provided in section 72.12(7)(b), Wis. Stats.

(b) If the payment is made to the financial institution and is added to the decedent's account, and if the account was held in joint tenancy, the account will then be paid to the surviving joint tenants. The insurance portion of the account qualifies for the \$10,000 insurance exclusion.

(c) If the account is solely owned and is paid to the personal representative of the decedent's estate or to the estate itself, the portion of the account representing insurance proceeds shall not qualify for the \$10,000 insurance exclusion.

(d) If the solely owned account is paid to a distributee who had been designated by the decedent prior to death, the insurance proceeds qualify for the \$10,000 exclusion.

(2) MORTGAGE AND CREDIT INSURANCE. Life insurance payments made to a creditor upon death of a debtor shall reduce the deduction otherwise allowable in section 72.14(1)(a), Wis. Stats., as follows:

(a) If the debt was secured by the debtor's solely owned property, the insurance shall reduce the deduction otherwise allowable in section 72.14(1)(a), Wis. Stats., as a debt of the decedent to the extent of the payment. The payment credited to the debt shall not be taxable under section 72.12(7), Wis. Stats., unless it exceeds the debt.

(b) If the debt is secured by joint tenancy property, the payment of insurance in satisfaction of part or all of the debt shall be considered insurance payable to the surviving joint tenant or tenants in the same manner as to a named beneficiary and shall qualify for the \$10,000 insurance exclusion. This payment shall not reduce the deduction otherwise allowable under section 72.14(1)(a), Wis. Stats.

## THE INHERITANCE TAX FEDERAL ESTATE TAX DEDUCTION

Section Tax 10.11 of the Wis. Adm. Code is adopted to read:

Tax 10.11 Federal estate tax deduction (Sections 72.14(1)(e) and S. 72.14(2), Wis. Stats.) (1) In computing the taxable estate for Wisconsin inheritance tax purposes, a deduction shall be allowed for federal estate taxes paid on the taxable value of an estate.

(2) To qualify as a Wisconsin inheritance tax deduction, the following conditions must be met:

(a) The federal estate tax must be imposed and paid to the United States government.

(b) The Wisconsin deduction cannot exceed the actual federal tax paid.

(c) The value of each separate item of property on which the deduction is computed shall not exceed the value used for the Wisconsin tax determination. Each item shall be considered individually and a higher value of one item may not offset a lower value on another item.

(d) In making the deduction computation, no asset's value shall exceed the value of that asset used for federal estate tax purposes. Further, no adjustment is permitted for the difference between the federal gross estate and the gross estate used for Wisconsin inheritance tax purposes.

(3) The procedures to follow in computing the allowable federal estate tax deduction on Schedule L (Form HT-026) are as follows:

(a) Reduce the federal gross estate as finally determined by the amount which the value of any asset included for federal estate tax purposes exceeds the value of the asset for Wisconsin inheritance tax purposes. When property is included for federal estate tax purposes but not for Wisconsin inheritance tax purposes, reduce the federal gross estate by the full value of all such property. This includes any portion of joint tenancy property included for federal estate tax purposes and not for Wisconsin inheritance tax purposes, such as the portion of joint tenancy property excluded from inheritance tax as any fractional share of a surviving joint tenant.

(b) Recompute the federal estate tax. As necessary, use the actual debts, burial and administration expenses, and recompute the proper marital deduction considering the reduced federal gross estate, the will of the decedent and/or the Wisconsin Statutes.

SALES AND USE TAX RETURN FORMS

Section Tax 11.01 of the Wis. Adm. Code is adopted to read:

Tax 11.01 Sales and use tax return forms. (Section 77.58, Wis. Stats.) (1) For filing sales and use tax returns, the following forms shall be used:

- (a) Form S-010. For occasional sales of motor vehicles.
- (b) Form S-011. For occasional and non-Wisconsin sales of snowmobiles.
- (c) Form S-012 (also called "ST-12"). The monthly, quarterly or annual return for each registered retailer and consumer holding a Wisconsin seller's permit.
- (d) Form S-012A (also called "ST-12A"). The annual information return for each registered retailer and consumer holding a Wisconsin seller's permit.
- (e) Form S-013. For concessionaires. (Annual return)
- (f) Form S-014. For concessionaires (single events) and temporary sellers (limited periods).
- (g) Form S-015. For occasional bingo sales.
- (h) Form S-174. For determination of taxable status of temporary sellers and reporting of tax liability.
- (i) Form S-001U. For occasional and non-Wisconsin sales of boats.
- (j) Form S-050U (also called "UT-5"). For consumers other than persons holding a Wisconsin seller's permit, retailers having a use tax registration certificate and nonresident contractors.
- (k) Form SU-051. For nonresident contractors having a use tax liability who do not have a Wisconsin seller's permit.
- (L) Form A-R-1 (Department of Transportation form). For the occasional sale of aircraft.

(2) Returns required to be filed with the department shall be filed by mailing them to P.O. Box 8902, Madison, Wisconsin 53708 or by delivering them to 4638 University Avenue, Madison, Wisconsin.

NOTE: Forms may be obtained by mail request to the Wisconsin Department of Revenue, P.O. Box 8903, Madison, Wisconsin 53708.

## RETAILER'S DISCOUNT

Section Tax 11.95 of the Wis. Adm. Code is adopted to read:

Tax 11.95 Retailer's discount. (Section 77.61(4)(b), Wis. Stats.)

(1) DISCOUNT EFFECTIVE APRIL 1, 1976. For reporting sales or use tax collected on their retail sales, retailers may deduct 1% of the total of sales or use tax payable for each tax reporting period if the tax payment is not delinquent. This discount shall be allowed only if the taxes are paid on or before the due date of the return, or on or before the expiration of any extension period if one has been granted. The discount is also not allowed on deficiency determinations or amended returns. On and after April 1, 1976, the discount shall be prohibited for consumer's use tax imposed pursuant to section 77.53(2), Wis. Stats.

(2) DISCOUNT PRIOR TO APRIL 1, 1976. Prior to April 1, 1976, persons holding a Wisconsin seller's permit could deduct the retailer's discount on any consumer's use tax paid, in addition to the discount on the sales or use tax paid on retail sales. Retailers could have deducted a 2% discount on retail sales and use taxes paid or payable and on consumer's use tax prior to January 1, 1972. The rate was reduced to 1% by statute effective January 1, 1972.