

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
100093	Adjusting the Wisconsin Basis of Depreciated or Amortized Assets - Common Questions

State of Wisconsin
Department of Revenue

Adjusting the Wisconsin Basis of Depreciated or Amortized Assets

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.

(Effective for taxable years beginning after December 31, 2013)

Note: This adjustment only applies to taxpayers that previously reported the modification for a short taxable year, and as a result, were not able to recognize the full addition. See common question number 27 for an example.

1. Am I required to make an addition or subtraction modification for property that was being depreciated (or amortized) on the last day of tax year 2013?
2. Is it mandatory to amortize the depreciation difference over five years or can I keep the federal and Wisconsin basis of assets different?
3. What happens when an asset is disposed of prior to expiration of the five-year amortization period?
4. Is the amortization of the difference in basis reported on Schedule I?
5. How does the basis adjustment apply when a sole proprietor reorganizes as a C corporation on January 1, 2014?
6. How does the basis adjustment apply in the case of a partnership liquidation?
7. How does the basis adjustment apply in the case of a corporate liquidation?
8. How is the unamortized basis balance treated when a tax-option (S) corporation is liquidated?
9. What happens if an individual dies before the 5-year period ends?
10. If there is a difference between the amount of depreciation claimed for Wisconsin regular and minimum tax purposes, do I need to make a modification on Schedule MT to account for the difference in adjusted basis of the assets?
11. Can the subtraction for difference in basis create a net operating loss (NOL) for individuals, estates, and trusts?

12. Can any portion of the subtraction for difference in basis that does not provide a tax benefit be carried over and used in a future year by an individual, estate, or trust?
13. After January 1, 2014, will the federal and Wisconsin basis of depreciated and amortized assets always be the same?
14. How does the depreciation/amortization basis adjustment apply to Wisconsin combined groups?
15. Can you have a different federal and Wisconsin basis in a depreciable asset starting in 2014?
16. How does federal bonus depreciation affect the new subtraction modification for the difference in federal and Wisconsin basis of assets?
17. Does this five-year basis amortization apply to rental property reported on Schedule E?
18. The new subtraction modification for the difference in basis of assets is amortized over five years. What if the asset class is 3, 7, 10 or 15 year property?
19. If I sell an asset in 2014, is the gain/loss amortized over five years as part of the subtraction modification?
20. In 2014, a farmer sells a depreciable asset for \$130,000 that was bought in a prior year for \$120,000. On December 31, 2013, the federal adjusted basis of the asset is \$0 and the WI adjusted basis of the asset is \$60,000. What is the difference in basis of the asset for purposes of the new subtraction modification and what is the amount of gain the farmer reports for Wisconsin?
21. How does the subtraction modification affect the computation of the deduction for 1/2 of self-employment tax, retirement contributions, medical insurance subtraction, child and dependent care subtraction, itemized deductions credit and NOLs? Does the new subtraction modification require the income limitations for these items to be recomputed under Wisconsin law?
22. An LLC, taxed as a partnership, is filing a final return due to technical termination. As described in Revenue Ruling 99-6 Situation 2, the IRS will treat the sale as a sale of membership interest by the original members and as an asset purchase by the buyer. How is the subtraction modification reported?
23. What happens when I have different bases for assets placed in service in 2014 or later, such as when I elect different section 179 expense for federal and Wisconsin?
24. How do I account for a difference in the section 179 expense carryover for federal and Wisconsin?
25. Is the difference in basis calculated at the end of the 2013 tax year considered an asset subject to section 179 expense?
26. How do the depreciation changes impact the computation of the manufacturing and agricultural credit?
27. How do I report the subtraction modification in a short taxable year?

1. Am I required to make an addition or subtraction modification for property that was being depreciated (or amortized) on the last day of tax year 2013?

Yes, starting with the first taxable year beginning after December 31, 2013, and for each of the next 4 taxable years, a person must either add or subtract 20% of the difference between the combined federal adjusted basis and the combined Wisconsin adjusted basis of all depreciated or amortized assets as of the last day of the taxable year beginning in 2013 that are being depreciated or amortized for both federal and Wisconsin purposes.

- o If the combined federal adjusted basis of the assets is less than the Wisconsin adjusted basis, the person must subtract 20% of the difference for the taxable year beginning in 2014 and for each of the next 4 taxable years.
- o If the combined federal adjusted basis of the assets is more than the Wisconsin adjusted basis, the person must add 20% of the difference for the taxable year beginning in 2014 and for each of the next 4 taxable years.

The result is that the Wisconsin adjusted basis and the federal adjusted basis of all depreciated and amortized assets are the same as of the first day of the taxable year beginning in 2014.

Example 1: Taxpayer files a tax return on a calendar-year basis.

Wisconsin adjusted basis of depreciable assets	
on December 31, 2013	\$200,000
Federal adjusted basis of depreciable assets	
on December 31, 2013	-100,000
Difference in basis	\$100,000
	x .20
Amount that must be subtracted from income	
for 2014 and each of the next 4 years	\$ 20,000

Example 2: Taxpayer files a tax return on a calendar-year basis.

Federal adjusted basis of depreciable assets	
on December 31, 2013	\$200,000
Wisconsin adjusted basis of depreciable assets	
on December 31, 2013	-100,000
Difference in basis	\$100,000
	x .20
Amount that must be added to income	
for 2014 and each of the next 4 years	\$ 20,000

Note: In most cases, the Wisconsin adjusted basis will be greater than the federal adjusted basis and result in a subtraction over the 5-year period. Although the following questions and answers refer to subtractions from income, they would also apply in the same manner when there is an addition to income rather than a subtraction.

2. **Is it mandatory to amortize the depreciation difference over five years or can I keep the federal and Wisconsin basis of assets different?**
The modification is mandatory.
3. **What happens when an asset is disposed of prior to expiration of the five-year amortization period?**

The addition or subtraction adjustment is computed as of December 31, 2013 (for calendar year-taxpayers). The adjustment continues for five taxable years from the date of computation, regardless of sale or disposition of an asset during that period.

4. Is the amortization of the difference in basis reported on Schedule I?

No, it is reported on Form 1 (line 4, code 21 for additions, and line 11, code 31 for subtractions) or Form 1NPR, (Schedule M).

5. How does the basis adjustment apply when a sole proprietor reorganizes as a C corporation on January 1, 2014?

The sole proprietor files tax returns on a calendar-year basis. The basis of the assets is determined as of December 31, 2013, when the assets were held by the sole proprietor. The sole proprietor is entitled to the subtraction from income for the 2014 through 2018 tax years (5 years at 20% of the difference in basis as of December 31, 2013).

As a result of transferring assets to a corporation for which a tax-free contribution is made under sec. 351 of the Internal Revenue Code (IRC), the corporation will have a tax basis in the assets equal to the tax basis of the assets in the hands of the sole proprietor on the day of contribution. Since the contribution was made on January 1, 2014, the asset basis is the federal basis in the hands of the sole proprietor and therefore will be the basis for the corporation immediately after the contribution.

6. How does the basis adjustment apply in the case of a partnership liquidation?

The answer depends on the facts and date of the liquidation. See the following examples. The examples assume the tax returns are filed on a calendar-year basis.

Example 1: Partnership A liquidates on December 31, 2013, and distributes its assets to its partners. On January 1, 2014, the partners contribute the former partnership assets into newly formed Corporation A in exchange for stock of Corporation A.

Since Partnership A liquidated and distributed its assets to its partners on December 31, 2013, the partners hold the assets at the end of the 2013 tax year. The partners are entitled to the subtraction for 20% of the difference in the federal and Wisconsin basis of the depreciable assets that is first available for the 2014 tax year.

In a tax-free contribution of assets to a newly-formed corporation, under sec. 351 of the IRC, the corporation has a basis in the depreciable assets equal to the adjusted basis of the assets in the hands of the partners immediately prior to the contribution. The Wisconsin adjusted basis of the assets on January 1, 2014 in the hands of the partners is the same as the adjusted basis determined for federal tax purposes. Since there is no difference in the federal and Wisconsin adjusted basis in the assets on January 1, 2014, and the corporation did not hold the assets on December 31, 2013, Corporation A is not entitled to a subtraction for the difference in the tax basis of the assets.

Example 2: On December 31, 2013, Partnership B calculates a difference in the federal and Wisconsin basis of depreciable assets of \$500,000. The partnership claims a subtraction from income for \$100,000 ($\$500,000 \times 20\%$) on its 2014 and 2015 returns, leaving an unamortized

balance of \$300,000 to be claimed for 2016-2018. On January 1, 2016, the partnership liquidates and distributes its assets to its three partners. Prior to liquidation, each partner held a 1/3 interest in the partnership.

On Partnership B's 2016 final tax return, the partnership must report to each partner, the partner's proportionate share of the unamortized balance and the remaining amortization period. In this case, Partnership B would report as a supplement to each partner's 2016 Schedule 3K-1, a statement identifying the partner's \$100,000 unamortized balance and the remaining amortization period of three years.

Each partner may claim a subtraction from income of \$33,333 for the 2016 through 2018 tax years.

7. How does the basis adjustment apply in the case of a corporate liquidation?

The corporation may subtract the balance of the basis adjustment in the year of liquidation.

Example: A C-corporation files its tax returns on a calendar-year basis. The C-corporation liquidates on December 31, 2015. On the date of liquidation, the corporation had an unamortized balance for the difference between the federal and Wisconsin basis of depreciable assets of \$80,000.

The corporation may deduct the \$80,000 unamortized balance in the year of liquidation. Section 71.26(2)(a)6., Wis. Stats., provides the income of a corporation means the gross income as computed under the IRC as modified ... plus or minus ... an amount equal to the difference between the federal basis and the Wisconsin basis of any asset sold, exchanged, abandoned, or otherwise disposed of in a taxable year. In this case, the difference between the federal basis and the Wisconsin basis of the unamortized balance is \$80,000 (\$80,000 Wisconsin basis and \$0 federal basis).

8. How is the unamortized basis balance treated when a tax-option (S) corporation is liquidated?

If the tax-option (S) corporation liquidates and files a final return, it may deduct the unamortized balance on its final return.

Example: A tax-option (S) corporation files its tax return on a calendar-year basis. The tax-option (S) corporation sells all of its assets on December 31, 2015 and files its final return. On the date of sale, the corporation had an unamortized balance of \$120,000 for the difference in the federal adjusted basis and the Wisconsin adjusted basis of depreciated assets.

The tax-option (S) corporation may deduct the \$120,000 unamortized balance in the year of liquidation. Section 71.34(1k)(d), Wis. Stats., provides the net income of a tax-option corporation means net income or loss computed under the IRC, except that ... an addition or subtraction ... shall be made for the net amount of state and federal differences including ... differences arising from the different basis of assets disposed of in a transaction in which gain or loss is recognized for state tax purposes. In this example, the difference between the federal basis and the Wisconsin basis of the unamortized balance is \$120,000 (\$120,000 Wisconsin basis and \$0 federal basis).

The shareholders may not claim an additional subtraction (other than the amount that passes through as part of the tax-option (S) corporation's net income).

9. What happens if an individual dies before the 5-year period ends?

The subtraction can no longer be claimed for any year after the year of death, except as provided in Example 2 below.

Example 1: The taxpayer is single and self-employed. The taxpayer files Wisconsin income tax returns on a calendar-year basis. The Wisconsin adjusted basis of the depreciated assets on December 31, 2013, was \$200,000, and the federal adjusted basis of those assets was \$100,000. The difference in basis was \$100,000 and the taxpayer could claim a subtraction of \$20,000 for 2014 and each of the next 4 years ($\$100,000 \times .20 = \$20,000$). The taxpayer claimed a \$20,000 subtraction from income on his 2014 Wisconsin income tax return. The taxpayer dies in August of 2015 and the assets transfer to his estate. The \$20,000 subtraction may be claimed on the final income tax return filed for the decedent for 2015. No subtraction is allowed to the estate for the remaining \$60,000 ($\$100,000$ less $\$40,000$).

Example 2: The facts are the same as in Example 1 except that the taxpayer is married and files a joint Wisconsin income tax return with his/her spouse. The taxpayers claimed a \$20,000 subtraction from income on their 2014 Wisconsin joint income tax return. One spouse dies in August of 2015. The \$20,000 subtraction may be claimed on a joint income tax return filed for the decedent and the surviving spouse for 2015. No further subtraction is allowed for the decedent's share (one-half) of the \$20,000 subtraction available for 2016-2018. The surviving spouse may claim a subtraction of \$10,000 for each of the next three years (2016-2018).

10. If there is a difference between the amount of depreciation claimed for Wisconsin regular and minimum tax purposes, do I need to make a modification on Schedule MT to account for the difference in adjusted basis of the assets?

The difference between the federal basis and the Wisconsin basis of depreciable assets for alternative minimum tax (AMT) purposes will be an adjustment to federal alternative minimum taxable income on Schedule MT. The same five-year adjustment that applies for regular tax purposes will apply for AMT purposes.

Example: An individual files a Wisconsin income tax return on a calendar-year basis. On December 31, 2013, for regular income tax purposes, the individual determines a difference between the federal basis and the Wisconsin basis of depreciable assets of \$25,000. The individual will claim a subtraction for 20% (\$5,000) of this difference on his 2014 income tax return.

On December 31, 2013, for AMT purposes, the individual determines a difference between the federal basis and the Wisconsin basis of depreciable assets of \$35,000 (\$10,000 more than the basis difference for regular tax purposes). When computing Wisconsin alternative minimum taxable income on Schedule MT, the individual is allowed a subtraction for 20% (\$7,000) of this difference on his 2014 Schedule MT.

Over the five-year adjustment period, the difference in basis for regular tax purposes is \$25,000 and for AMT purposes is \$35,000. The subtraction for AMT will be shown on two separate lines on Schedule MT; one line will represent the portion of the subtraction from Form 1 (\$5,000) and the other the remaining amount to be accounted for AMT purposes (\$2,000).

11. Can the subtraction for difference in basis create a net operating loss (NOL) for individuals, estates, and trusts?

No. In order to have a Wisconsin NOL, you must first have a federal NOL. If you do not have a federal NOL for the year, the subtraction for difference in basis will not create a Wisconsin NOL. If you do have a federal NOL for the year, the subtraction for difference in basis will increase your Wisconsin NOL.

12. Can any portion of the subtraction for difference in basis that does not provide a tax benefit be carried over and used in a future year by an individual, estate, or trust?

No. The 5-year subtraction for 20% of the difference in basis may only be used for the year for which it is computed. For example, you determine a \$100,000 difference in the basis of depreciated assets. You may claim \$20,000 for each year 2014-2018. In 2014, your Wisconsin income is \$18,000 before subtracting the \$20,000. Although you will not receive a tax benefit for \$2,000 of the subtraction amount, the \$2,000 may not be carried over and used in any future year.

13. After January 1, 2014, will the federal and Wisconsin basis of depreciated and amortized assets always be the same?

Using a calendar-year taxpayer for illustration, as a result of the 5-year adjustment for difference in basis of depreciated and amortized assets, the federal and Wisconsin basis of such assets acquired **prior** to January 1, 2014, will be the same. For assets placed in service in taxable years beginning on January 1, 2014, depreciation and amortization is computed under the Internal Revenue Code (IRC) in effect on January 1, 2014. This could result in a difference in the federal and Wisconsin basis of these assets.

Note: Congress has extended the federal bonus depreciation. The 50% bonus depreciation was extended and does not apply for Wisconsin. Wisconsin and federal depreciation may be different for assets placed into service during and after 2014 - which would require separate depreciation schedules for federal and Wisconsin tax purposes.

14. How does the depreciation/amortization basis adjustment apply to Wisconsin combined groups?

Combined groups determine and compute depreciation/amortization separately for each member of the group, based on that combined group member's activities. Likewise, each member of the combined group determines their required subtraction modification (basis adjustment) separately based on that member's property held on the last day of the 2013 tax year. The member's subtraction modification remains with the member for the full five years regardless of whether the member sells the underlying assets and regardless of whether the member leaves the combined group.

15. Can you have a different federal and Wisconsin basis in a depreciable asset starting in 2014?

At the start of the 2014 tax year, the Wisconsin basis of depreciable and amortizable assets is the same as federal. There are limited circumstances where a depreciable asset will have different Wisconsin and federal bases on the first day of the 2014 tax year (for example, certain partnership distributions where the partner receives a basis in the depreciable property equal to the basis the partner had in his/her partnership interest).

Note: A taxpayer can make a different depreciation election (e.g., section 179 expense) for federal and Wisconsin purposes. If this is done on assets placed in service during the 2014 tax year or thereafter, the taxpayer will have a different depreciable basis in the assets for federal

and Wisconsin purposes and will continue to keep separate depreciation schedules for tax purposes. Also, for assets placed in service on or after 2014, federal law provided for 50 percent bonus depreciation. This bonus depreciation does not apply for Wisconsin. This will also result in a different depreciable basis in the assets for federal and Wisconsin purposes and separate depreciation schedules will be needed.

16. How does federal bonus depreciation affect the new subtraction modification for the difference in federal and Wisconsin basis of assets?

The difference between federal and Wisconsin basis of depreciable assets as of the end of the 2013 tax year is amortized over five years. That difference may include bonus depreciation previously claimed for federal tax purposes.

Note: Congress has extended the federal bonus depreciation. The 50 percent bonus depreciation was extended and does not apply for Wisconsin. Wisconsin and federal depreciation may be different for assets placed into service in 2014 and after - which would require separate depreciation schedules for federal and Wisconsin tax purposes.

17. Does this five-year basis amortization apply to rental property reported on Schedule E?

Yes. All depreciable and amortizable assets must be considered for the new subtraction modification for 2014.

18. The new subtraction modification for the difference in basis of assets is amortized over five years. What if the asset class is 3, 7, 10 or 15 year property?

The asset class is not used in determining the subtraction modification. All depreciable and amortizable property, regardless of whether the asset class is more or less than five years and regardless of the remaining depreciable life of the asset, are used in the computation of the five-year subtraction modification.

19. If I sell an asset in 2014, is the gain/loss amortized over five years as part of the subtraction modification?

The gain/loss is not amortized; it is fully recognized in 2014.

20. In 2014, a farmer sells a depreciable asset for \$130,000 that was bought in a prior year for \$120,000. On December 31, 2013, the federal adjusted basis of the asset is \$0 and the WI adjusted basis of the asset is \$60,000. What is the difference in basis of the asset for purposes of the new subtraction modification and what is the amount of gain the farmer reports for Wisconsin?

The federal and Wisconsin basis of the asset will be the same on January 1, 2014 (\$0). The \$60,000 difference in basis will be allowed as a subtraction (amortized) from 2014-2018 (\$12,000 per year).

The federal and Wisconsin depreciation expense for 2014 is \$0 since there is no basis in the asset. The result is an ordinary gain of \$120,000 and a long-term capital gain of \$10,000 for both federal and Wisconsin income tax purposes. The farmer can exclude 60% of the \$10,000 long-term capital gain on his Wisconsin individual income tax return.

21. How does the subtraction modification affect the computation of the deduction for 1/2 of self-employment tax, retirement contributions, medical insurance subtraction, child and dependent care subtraction, itemized deductions credit and NOLs? Does the new subtraction modification require the income limitations for these items to be recomputed under Wisconsin law?

The Wisconsin subtraction modification does not affect the computation of federal adjusted gross income. Therefore, any income limitation that requires a computation of federal adjusted gross income is not affected by the Wisconsin subtraction modification and does not require a taxpayer to recompute the federal adjusted gross income in effect under Wisconsin law.

Examples are:

- federal deduction for ½ self-employment tax
- federal retirement contributions
- federal itemized deductions for medical expenses and donations to charity
- federal net operating loss

Exception: Due to federal depreciation provisions (e.g., 50% bonus depreciation) and other provisions extended, taxpayers may need to recompute the income limitation as a result of different deduction amounts allowed under federal and Wisconsin law.

The Wisconsin subtraction modification does affect the computation of Wisconsin income. Therefore, any income limitation that requires a computation of Wisconsin income is affected by the Wisconsin subtraction modification. Examples are:

- Wisconsin net operating loss
- Wisconsin subtraction for medical care insurance
- Wisconsin itemized deduction credit (standard deduction limitation)

22. An LLC, taxed as a partnership, is filing a final return due to technical termination. As described in Revenue Ruling 99-6 Situation 2, the IRS will treat the sale as a sale of membership interest by the original members and as an asset purchase by the buyer. How is the subtraction modification reported?

At the beginning of the 2014 tax year, the partnership's Wisconsin bases in the depreciable assets will be the same as federal. The partnership will have a modification for Wisconsin tax purposes equal to the difference between federal and Wisconsin basis of assets as of the end of the 2013 tax year. This tax modification will be amortized over five years and reflected on the partnership's tax returns. If the partnership is required to file a final return, the partnership will report each partner's proportionate share of the unamortized balance of the remaining Wisconsin-federal basis difference on each partner's Schedule 3K-1. The partners report their share of the modification on their income tax returns for the remaining periods available.

23. What happens when I have different bases for assets placed in service in 2014 or later, such as when I elect different section 179 expense for federal and Wisconsin?

Any difference in federal and Wisconsin bases of assets after the end of the 2013 tax year will have to be dealt with similar to prior years. You must keep separate depreciation schedules to determine federal and Wisconsin depreciation expense allowed. Any differences that occur after the end of the 2013 tax year do not become a new subtraction modification subject to five-year amortization.

Note: An individual who elects to claim a different amount of Internal Revenue Code sec. 179 expense deduction for Wisconsin than for federal tax purpose may use Schedule I to report that election. For further information on reporting this election, see the article [*Individuals Claiming a Different Section 179 Expense for Wisconsin*](#).

24. How do I account for a difference in the section 179 expense carryover for federal and Wisconsin?

The Wisconsin carryover for taxable years beginning on or after January 1, 2014, is the same as the federal carryover.

The basis of the asset must be adjusted to the federal basis of the asset as of the beginning of the 2014 tax year. Therefore the basis of the asset takes into consideration the previously allowed amount of section 179 expense claimed for federal purposes.

25. Is the difference in basis calculated at the end of the 2013 tax year considered an asset subject to section 179 expense?

No. It is a Wisconsin tax modification that is required to be used over five years.

26. How do the depreciation changes impact the computation of the manufacturing and agricultural credit?

The depreciation expense claimed on the Wisconsin tax return is either a direct or indirect expense in the computation of the manufacturing and agriculture credit if the expense is associated with the production gross receipts. The amount of depreciation expense is based on federal depreciation laws in effect for Wisconsin. Note: For taxable years beginning in 2014, the 50 percent bonus depreciation does not apply for Wisconsin.

The subtraction modification for the difference in federal and Wisconsin bases of assets for taxable years beginning after December 31, 2013, is not a direct or indirect expense for purposes of the credit.

27. How do I report the subtraction modification in a short taxable year?

The subtraction is prorated based on the number of months in the short taxable year and claimed against the Wisconsin income for the short taxable year prior to annualization. The short taxable year is considered a full year of the five-year amortization period.

Example: A calendar-year filer changes its accounting period to a fiscal year beginning July 1 and ending June 30. A Wisconsin return is filed for the short taxable year January 1, 2014, to June 30, 2014. One half (6/12) of the subtraction for 20% of the difference in basis of depreciable assets as of December 31, 2013, is subtracted from the Wisconsin income of the short taxable year. A 20% subtraction of the basis difference will be claimed on the returns for the next four taxable years beginning July 1, 2014, July 1, 2015, July 1, 2016, and July 1, 2017. **Note:** Changes made by 2015 Act 216 allow the final subtraction for the basis difference to be made for the taxable year beginning July 1, 2018.

The tax for a short taxable year that occurs because the taxpayer was not in existence for the entire taxable year (for example, a corporate or partnership liquidation or the death of an individual) is not computed on an annualized basis. As such, the subtraction for the short taxable year is same as what would be allowed on a return for a 12 month taxable year, except that a corporation may subtract the remaining unamortized balance of the modification on its final return.

Example: A corporation has a taxable year beginning December 1 and ending November 30. A 20% subtraction of the basis difference will be claimed on the returns for the next four taxable years beginning December 1, 2014, December 1, 2015, December 1, 2016, and December 1, 2017. On December 1, 2018, the corporation changes its accounting period to a

calendar year. A Wisconsin return is filed for the short taxable year December 1, 2018, to December 31, 2018. One-twelve (1/12) of the subtraction for 20% of the difference in basis of depreciable assets as of December 31, 2013, is subtracted from the Wisconsin income of the short taxable year. Note: Changes made by 2015 Act 216 allow the final subtraction for the basis difference to be made for the taxable year beginning January 1, 2019 (11/12 of the subtraction for 20% of the difference in basis of depreciable assets as of December 31, 2013).

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of December 13, 2019: Sections 71.05, 71.34 and 71.98, Wis. Stats.

Laws enacted and in effect after December 13, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to December 13, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

FOR QUESTIONS OR COMMENTS CONTACT:

MS 5-77

WISCONSIN DEPARTMENT OF REVENUE

Customer Service Bureau

PO Box 8949

Madison, WI 53708-8949

Phone: (608) 266-2772

Fax: (608) 267-1030

Email additional questions to DORFranchise@wisconsin.gov

Guidance Document Certification: <https://www.revenue.wi.gov/Pages/Certification-Statement.aspx>

Guidance Document Number: 100093

December 13, 2019

[About Us](#) [Contact Us](#) [Employment](#) [Media Room](#) [Plain Language](#) [Privacy](#) [Legal](#)
[Training](#)



Copyright © State of Wisconsin All Rights Reserved