

**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.

<b>Document Number</b>	<b>Document Title</b>
<b>100192</b>	Qualified Wisconsin Business Capital Gain Exclusion - Common Questions

State of Wisconsin  
Department of Revenue

# Qualified Wisconsin Business Capital Gain Exclusion

**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.**

1. What is the qualified Wisconsin business capital gain exclusion?
2. What is a qualified investment?
3. If a partner purchases another partner's interest, can that purchase qualify as an investment?
4. Are contributions of property in a business considered an investment?
5. What is a qualified Wisconsin business?
6. How do I claim the long-term capital gain exclusion?

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## 1. **What is the qualified Wisconsin business capital gain exclusion?**

An exclusion allowed for certain long-term capital gain from the sale of a qualified investment.

## 2. **What is a qualified investment?**

A qualified investment means an amount paid to acquire stock or other ownership interest in a partnership, corporation, tax-option corporation, or limited liability company treated as a partnership or corporation. A qualified investment is an investment in a qualified Wisconsin business where:

- a. The investment was in a business that was a qualified Wisconsin business for the year of the investment and for at least 2 of the 4 subsequent years, and
- b. The investment was made after December 31, 2010, and held for at least 5 uninterrupted years

**Note:** An investment in an entity disregarded for Wisconsin income tax purposes and reported on the owner's individual income tax return (such as on a Schedule C) is not considered a qualifying investment. Therefore, no exclusion would be allowed in the year of the sale.

## 3. **If a partner purchases another partner's interest, can that purchase qualify as an investment?**

Yes, the purchase may qualify as an investment in a qualified Wisconsin business.

**4. Are contributions of property in a business considered an investment?**

Yes, stock or other ownership interest acquired through the exchange of property may qualify as an investment in a qualified Wisconsin business.

**5. What is a qualified Wisconsin business?**

A qualified Wisconsin business is a business certified by the Wisconsin Economic Development Corporation (WEDC) or registered with the Department of Revenue (DOR).

The WEDC was responsible for certifying businesses through 2013. The DOR registration program began in 2014.

For more information on qualified Wisconsin businesses, see [registration of qualified Wisconsin businesses common questions](#).

**6. How do I claim the long-term capital gain exclusion?**

Individuals, including individual partners or members of a partnership, limited liability company, or limited liability partnership, or an individual shareholder of a corporation, must file Schedule QI, Sale of Investment in a Qualified Wisconsin Business, in order to claim the long-term capital gain exclusion.

The amount of gain that qualifies for the exclusion, as determined on Schedule QI, is then entered as an adjustment on line 15a of Schedule WD, Capital Gains and Losses.

## Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of January 21, 2020: Sections 71.03, 71.05 and 73.03, Wis. Stats., sec. 238.146, Wis. Stats. (2011-2012), and secs. Tax 2.08 and 2.986, Wis. Adm. Code.

Laws enacted and in effect after January 21, 2020, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to January 21, 2020, 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

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