

## 2007 ASSEMBLY BILL 384

May 31, 2007 – Introduced by Representatives SHERMAN, BIES, TURNER, VRUWINK, ALBERS, TOWNSEND, A. WILLIAMS, BOYLE, FIELDS, GRIGSBY, MUSSER, VOS, KESSLER and PETROWSKI, cosponsored by Senators LEHMAN, GROTHMAN, SCHULTZ and HANSEN. Referred to Committee on Ways and Means.

1     **AN ACT** *to amend* 71.83 (1) (a) 1., 71.83 (1) (a) 1m., 71.83 (1) (a) 2., 71.83 (1) (a)  
2             3. and 71.83 (1) (a) 4.; and *to create* 71.09 (11) (e) of the statutes; **relating to:**  
3             expanding the secretary of revenue’s authority to waive or reduce interest or  
4             penalties.

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### ***Analysis by the Legislative Reference Bureau***

Under current law, if an individual, fiduciary, or trust underpays its estimated tax, the state imposes interest at the rate of 12 percent per year on the amount of the underpayment, unless one of a number of exceptions apply. The exceptions include a determination by the secretary of revenue that it is not equitable to impose the interest, due to casualty, disaster, or other unusual circumstances. Another exception applies to an individual who had no income or alternative minimum tax liability for the preceding 12-month taxable year and who was a full-time Wisconsin resident during that period.

This bill creates another exception. Under the bill, no interest on an underpayment is due if the secretary of revenue determines that, in the interest of fairness, no interest should be imposed.

Under current law, certain persons are required to pay civil penalties for offenses such as failing to file an income or income and franchise tax return by the statutorily required due date, for failure to file an information return, for filing an incomplete or incorrect return, for filing an incomplete or incorrect deposit or withholding report, and for the late filing of a withholding report.

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Under this bill the secretary of revenue is authorized to exercise his or her discretion, in the interest of fairness, to waive or reduce the penalty that would otherwise be imposed under such circumstances.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           **SECTION 1.** 71.09 (11) (e) of the statutes is created to read:

2           71.09 **(11)** (e) The secretary of revenue determines that in the interests of  
3 fairness, no interest should be imposed.

4           **SECTION 2.** 71.83 (1) (a) 1. of the statutes is amended to read:

5           71.83 **(1)** (a) 1. ‘Failure to file.’ In case of failure to file any return required  
6 under s. 71.03, 71.24 or 71.44 on the due date prescribed therefor, including any  
7 extension of time for filing, unless it is shown that the failure is due to reasonable  
8 cause and not due to willful neglect, there shall be added to the amount required to  
9 be shown as tax on the return 5% of the amount of the tax if the failure is for not more  
10 than one month, with an additional 5% for each additional month or fraction thereof  
11 during which the failure continues, not exceeding 25% in the aggregate. In the  
12 interest of fairness, the secretary of revenue may exercise his or her discretion to  
13 waive or reduce the penalty that would otherwise be imposed under this subdivision.  
14 For purposes of this subdivision, the amount of tax required to be shown on the  
15 return shall be reduced by the amount of any part of the tax which is paid on or before  
16 the due date prescribed for payment and by the amount of any credit against the tax  
17 which may be claimed upon the return.

18           **SECTION 3.** 71.83 (1) (a) 1m. of the statutes is amended to read:

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1           71.83 (1) (a) 1m. ‘Failure to file information return.’ If a person fails to file a  
2 return required under subch. XI by the prescribed due date, including any extension,  
3 or files an incorrect or incomplete return, that person may be subject to a penalty of  
4 \$10 for each violation. A penalty shall be waived if the person shows that a violation  
5 is due to reasonable cause and not due to willful neglect. In the interest of fairness,  
6 the secretary of revenue may exercise his or her discretion to waive or reduce the  
7 penalty that would otherwise be imposed under this subdivision.

8           **SECTION 4.** 71.83 (1) (a) 2. of the statutes is amended to read:

9           71.83 (1) (a) 2. ‘Incomplete or incorrect return.’ If any person required under  
10 this chapter to file an income or franchise tax return files an incomplete or incorrect  
11 return, unless it is shown that such filing was due to good cause and not due to  
12 neglect, there shall be added to such person’s tax for the taxable year 25% of the  
13 amount otherwise payable on any income subsequently discovered or reported. The  
14 amount so added shall be assessed, levied and collected in the same manner as  
15 additional normal income or franchise taxes, and shall be in addition to any other  
16 penalties imposed by this chapter. In the interest of fairness, the secretary of  
17 revenue may exercise his or her discretion to waive or reduce the penalty that would  
18 otherwise be imposed under this subdivision. In this subdivision, “return” includes  
19 a separate return filed by a spouse with respect to a taxable year for which a joint  
20 return is filed under s. 71.03 (2) (g) to (L) after the filing of that separate return, and  
21 a joint return filed by the spouses with respect to a taxable year for which a separate  
22 return is filed under s. 71.03 (2) (m) after the filing of that joint return.

23           **SECTION 5.** 71.83 (1) (a) 3. of the statutes is amended to read:

24           71.83 (1) (a) 3. ‘Incomplete or incorrect deposit or withholding report.’ If any  
25 person required under subch. X to file a deposit report or withholding report files an

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1 incomplete or incorrect report, or fails to properly withhold or fails to properly  
2 deposit or pay over withheld funds, unless it can be shown that the filing or failure  
3 was due to good cause and not due to neglect, there shall be added to the tax 25% of  
4 the amount not reported or not withheld, deposited or paid over. The amount so  
5 added shall be assessed, levied and collected in the same manner as additional  
6 income or franchise taxes, and shall be in addition to any other penalties imposed in  
7 this subchapter. In the interest of fairness, the secretary of revenue may exercise his  
8 or her discretion to waive or reduce the penalty that would otherwise be imposed  
9 under this subdivision. “Person”, in this subdivision, includes an officer or employee  
10 of a corporation or other responsible person or a member or employee of a partnership  
11 or limited liability company or other responsible person who, as such officer,  
12 employee, member or other responsible person, is under a duty to perform the act in  
13 respect to which the violation occurs.

14 **SECTION 6.** 71.83 (1) (a) 4. of the statutes is amended to read:

15 71.83 (1) (a) 4. ‘Late filing of withholding report.’ In case of failure to file any  
16 withholding deposit or payment report required under s. 71.65 (3) on the due date  
17 prescribed therefor, unless it is shown that the failure is due to reasonable cause and  
18 not due to willful neglect, there shall be added to the amount required to be shown  
19 as withheld taxes on the report 5% of the amount if the failure is not for more than  
20 one month, with an additional 5% for each additional month or fraction thereof  
21 during which the failure continues, not exceeding 25% in the aggregate. In the  
22 interest of fairness, the secretary of revenue may exercise his or her discretion to  
23 waive or reduce the penalty that would otherwise be imposed under this subdivision.

24 **SECTION 7. Initial applicability.**

