

**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>100110</b>	Composite Returns - Common Questions

State of Wisconsin  
Department of Revenue

## Composite Returns

**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 a composite return?
2. Which composite return do partnerships and tax-option (S) corporations use?
3. Who may not participate in a composite return?
4. Can a non-individual be included on the composite return?
5. What kind of trust can be included on the composite return?
6. May a trust or estate file a composite return on behalf of its beneficiaries?
7. How is income calculated on Form 1CNP?
8. How is income calculated on Form 1CNS?
9. The amounts reported on the composite return don't agree with amounts reported on Schedule 3K-1/5K-1. Why?
10. Can Wisconsin itemized deductions be claimed on the composite return?
11. Can a credit, such as the angel investment tax credit, be claimed on the composite return?
12. Can a prior year net operating loss be claimed on a composite return?
13. Do I make quarterly 1CNP/1CNS payments?
14. How do I file?
15. Which attachments do I submit with the composite return?
16. The pass-through entity has a fiscal year end. Which year should be used on the composite return?
17. Who files an amended return?
18. What are the due dates for filings related to composite returns?

19. Why did I receive a bill after completing my composite return when I made estimated payments?

---

**1. What is a composite return?**

In general, a nonresident partner or shareholder must file his or her own Wisconsin income tax return if he or she has Wisconsin *gross* income of \$2,000 or more. This filing requirement is satisfied when the nonresident partner or shareholder files a Wisconsin nonresident individual income tax return, Form 1NPR, or the pass-through entity (partnership or tax-option (S) corporation) includes the nonresident partner or shareholder on a composite return. Wisconsin does not require composite returns. The department has implemented these returns to simplify filing for taxpayers and the department. A composite return may be filed on behalf of *two or more* qualifying and agreeing nonresident partners or shareholders.

Gross income means all income, before deducting expenses, reportable to Wisconsin which is received in the form of money, property, or services.

For a partner, it includes the partner's share of partnership income, before deducting expenses, as reported on the partner's Wisconsin Schedule 3K-1, line 23, column e. For a shareholder, it includes the shareholder's share of tax-option (S) corporation income, before deducting expenses, on the shareholder's Wisconsin Schedule 5K-1, line 20, column e.

**2. Which composite return do partnerships and tax-option (S) corporations use?**

Form 1CNP is used by partnerships, including limited liability companies treated as a partnership. Click here for [Form 1CNP](#) instructions.

Form 1CNS is used by tax-option (S) corporations, including limited liability companies treated as a tax-option (S) corporation. Click here for [Form 1CNS](#) instructions.

**3. Who may not participate in a composite return?**

A partnership or tax-option (S) corporation cannot file Form 1CNP or 1CNS on behalf of its nonresident partners or shareholders if it makes an election to pay tax at the entity level under sec. 71.21(6)(a), or 71.365(4m)(a), Wis. Stats.

A partner or shareholder does not qualify and cannot participate in a composite return if any of the following are true:

- He or she files an individual income tax return on a fiscal year basis, rather than a calendar year basis.
- He or she is a Wisconsin resident during any part of 2019.
- He or she derives Wisconsin taxable income other than from the reporting pass-through entity.
- He or she wishes to claim any tax credit or amounts deductible as itemized deductions.
- He or she is required to file Wisconsin [Schedule RT](#) to report interest expenses, rental expenses, management fees and intangible expenses that result from related party transactions between the owner and the pass-through entity.
- He or she filed Form PW-2 and has been approved by the department to be exempt from pass-through withholding for the partnership's or tax-option (S) corporation's current taxable year.
- The partner or shareholder is an electing small business trust (ESBT).
- The partner or shareholder is an entity. However, see questions 4 and 5 for further explanation.

**4. Can a non-individual be included on the composite return?**

Generally, no. However, there are two exceptions. First, if a partner is a limited liability company treated as a disregarded entity, the single member of the LLC may be included on Form 1CNP/1CNS. Secondly, certain grantor trusts may be included on Form 1CNP/1CNS. See question 5 for further explanation.

**5. What kind of trust can be included on the composite return?**

If the partner or shareholder is a grantor trust that is not required to file federal Form 1041, the grantor of the grantor trust is deemed to be the partner or shareholder and may be included on Form 1CNP/1CNS.

**6. May a trust or estate file a composite return on behalf of its beneficiaries?**

No. Composite returns are only available for qualifying nonresident partners, nonresident members of partnerships and nonresident shareholders of tax-option (S) corporations. The beneficiaries of the trust or estate must each file his, her, or its own Wisconsin income tax return.

**7. How is income calculated on Form 1CNP?**

- Compute the Wisconsin net income from amounts reported on each partner's Schedule 3K-1, column e, and entered on Form 1CNP, column C1.
- Enter each partner's share of Wisconsin gross income from Schedule 3K-1, line 23, in column C2.
- Enter each partner's guaranteed payments attributable to Wisconsin from Schedule 3K-1, line 4, column e, in column D.
- If known, enter each partner's federal adjusted gross income, from his or her federal Form 1040, in column F. Entering this amount allows you to compute tax using the tax computation worksheet, instead of computing tax using the flat rate.

**8. How is income calculated on Form 1CNS?**

- Compute the Wisconsin net income from amounts reported on each shareholder's Schedule 5K-1, column e, and enter on Form 1CNS, column D1.
- Enter each shareholder's share of gross income from Schedule 5K-1, line 20, in column D2.
- If known, enter each shareholder's federal adjusted gross income, from his or her federal Form 1040, in column E. Entering this amount allows you to compute tax using the tax computation worksheet, instead of computing tax using the flat rate.

**9. The amounts reported on the composite return don't agree with amounts reported on Schedule 3K-1/5K-1. Why?**

The difference may be due to these reasons:

- Wisconsin does not allow a federal deduction.  
*Example:* Wisconsin does not allow federal bonus depreciation. This amount is added back for Wisconsin purposes. Use the Wisconsin apportionment percentage to allocate allowable deductions to Wisconsin.
- Passive activity losses are limited by the Internal Revenue Code.
- Wisconsin does not tax the full amount of long-term capital gains.
- The net capital loss deduction is limited to \$500.
- A net operating loss carryforward is claimed.
- A lower-tier entity made an election to pay tax at the entity level under sec. 71.21(6)(a), Wis. Stats. A lower-tier entity is a pass-through entity (i.e. partnership) that is directly or indirectly owned by another partnership or tax-option (S) corporation.

If any of these differences apply, attach a schedule showing the computation of net income.

**10. Can Wisconsin itemized deductions be claimed on the composite return?**

No. A partner or shareholder must file a Wisconsin nonresident return, Form 1NPR, in order to claim a Wisconsin itemized deduction.

**11. Can a credit, such as the angel investment tax credit, be claimed on the composite return?**

No. A partner or shareholder must file a Wisconsin nonresident return, Form 1NPR, in order to claim a tax credit.

**12. Can a prior year net operating loss be claimed on a composite return?**

Yes. To claim a net operating loss carryforward, prepare and attach a schedule showing the computation of the carryforward.

Note: An individual generally must have a federal net operating loss in order to have a Wisconsin net operating loss. For exceptions, see [Wisconsin Tax Bulletin 70](#) (January 1991, page 19).

**13. Do I make quarterly 1CNP/1CNS payments?**

No. The partnership or tax-option (S) corporation will make quarterly estimated pass-through withholding payments if required. The entity then reconciles these payments and informs the department which partners or shareholders the payments are to be allocated to by filing Form PW-1. Those amounts are then claimed on the Form 1CNP/1CNS or on the partner's or shareholder's individual income tax return if they are not participating on the composite return.

**14. How do I file?**

Composite returns should be filed electronically through the department's online filing system, My Tax Account, or third party software.

If filing electronically presents a hardship, a waiver may be requested using Form EFT-102 and these instructions.

**15. Which attachments do I submit with the composite return?**

Include any schedule supporting the differences noted in question 9.

**Example:** Include a schedule showing computations when a net operating loss carryforward is claimed.

Do not include the following: federal Forms 1120S, 1065, 1065-B; federal Schedules K-1; Wisconsin Forms 5S, 3, PW-1; or Wisconsin Schedules 5K-1 or 3K-1 to the composite return.

**16. The pass-through entity has a fiscal year end. Which year should be used on the composite return?**

The end of the entity's reporting period determines the year of the composite return. The beginning of the entity's reporting period determines the year of the pass-through withholding return and corporation return.

**Example:** A tax-option (S) corporation's fiscal year ends July 31, 2019. The reporting period begins August 1, 2018. The tax-option (S) corporation will file a 2019 composite return, a 2018 pass-through withholding return and a 2018 corporation return.

**17. Who files an amended return?**

Depending on what changed, either the pass-through entity or the partner/shareholder is required to file an amended return.

**PASS-THROUGH ENTITY:** The pass-through entity must file an amended return to report changes that affect the partner's or shareholder's portion of income or loss.

**PARTNER OR SHAREHOLDER:** The partner or shareholder must file an amended return to report changes other than those that affect the partner's or shareholder's portion of income or loss.

**Example:** A partner/shareholder participates on the composite return, but wants to claim a tax credit. The partner/shareholder 1) files a Wisconsin Form 1NPR to claim the tax credit and claims the amount of net tax that was previously assessed for the partner/shareholder on the composite return, 2) checks the amended return box on Form 1NPR, and 3) includes a Schedule AR indicating which composite return the partner or shareholder was initially included. The receive date of the Form 1NPR will then be changed to the receive date of the composite return.

#### 18. What are the due dates for filings related to composite returns?

*If the regular due date falls on a weekend or legal holiday, the return and/or payment are due on the business day immediately following the weekend or holiday.*

<b>Tax-Option (S) Corporation calendar year filers:</b>	
Corporation Estimated Tax Payments	April 15, Jun 15, Sept 15 and Dec 15 (A)
Corporation Return, Form 5S	Mar 15 (B)
Pass-through Withholding Estimated Tax Payments	Mar 15, Jun 15, Sept 15 and Dec 15 (C)
Pass-through Withholding Return, Form PW-1	Mar 15 (B)
Composite Return, Form 1CNS	Apr 15

Due dates for fiscal filers:

(A) 15th day of the 4th, 6th, 9th, and 12th month of the taxable year (exception: tax years beginning in April are due June 15th)

(B) 15th day of the 3rd month following the end of the taxable year

(C) 15th day of the 3rd, 6th, 9th, and 12th month of the taxable year

<b>Partnership calendar year filers:</b>	
Partnership Estimated Tax Payments	Apr 15, Jun 15, Sept 15 and Jan 16 (D)
Partnership Return, Form 3	March 15 (E)
Pass-through Withholding Estimated Tax Payments	Mar 15, Jun 15, Sept 15 and Dec 15 (F)
Pass-through Withholding Return, Form PW-1	March 15 (E)
Composite Return, Form 1CNP	Apr 15

Due date for fiscal filers:

(D) 15th day of the 4th, 6th, and 9th month of the taxable year, and the 15th day of the 1st month following

the taxable year.

(E) 15th day of the 3rd month following the close of the taxable year.

(F) 15th day of the 3rd, 6th, 9th, and 12th month of the taxable year.

Extended due dates may be available. Check the form instructions.

19. **Why did I receive a bill after completing my composite return when I made estimated payments?**

Wisconsin Form PW-1 must be filed before the composite return. File Form PW-1 so the pass-through withholding can be claimed on your composite return.

## Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of December 20, 2019: Sections 71.02, 71.03, 71.07, 71.20 and 71.775, Wis. Stats., and sec. Tax 2.08, Wis. Adm. Code.

Laws enacted and in effect after December 20, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to December 20, 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](mailto:DORFranchise@wisconsin.gov)

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

Guidance Document Number: 100110

December 20, 2019

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



Copyright © State of Wisconsin All Rights Reserved