



# DALE KOOYENGA

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January 26, 2017

TO: Assembly Committee on Ways and Means  
FR: Representative Dale Kooyenga  
RE: AB 26 - Modifying due dates for returns, estimated payments, and withholding tax installments

Thank you for holding a hearing on this bill.

The purpose of this bill is to update certain due dates regarding filing returns, estimated payments, and withholding tax installments. The new due dates seek to conform more closely to federal guidelines as detailed in the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015.

The changes proposed in AB 26 would:

- Change the due dates for certain entities to file Wisconsin income or franchise tax returns, to pay the first installment of estimated income and franchise tax, and to file withholding tax returns. These changes federalize the due dates under Wisconsin law. The due dates detailed in federal law are summarized below:
  - The federal law currently requires partnerships, limited liability companies, and tax-option corporations to file income tax returns by March 15 or the 15th day of the third month following the entity's fiscal year.
  - For corporations other than a tax-option corporation (C-Corp), the filing due date is April 15th or the 15th day of the fourth month following the end of their fiscal year. An exception applies to corporations that have a taxable year ending on June 30. These corporations have a filing due date of September 15th until 2026 when it will be updated to October 15th.
- AB 26 alters the due dates for submitting payments for estimated income and franchise tax. The new due date will be April 15th or the 15th of the fourth month following fiscal year-end. An exception is corporations that have a taxable year ending in March. These corporations have a payment due date of March 15th.

- The bill also federalizes the due date for filing withholding tax returns. The change would connect the due date for withholding tax returns to the federal income tax return due date.
- Additionally, under current law, pass-through entities that underpay on estimated withholding tax must pay interest on that underpayment. AB 26 provides an exception to the rule by allowing the secretary of revenue to waive the interest requirement based on evidence that the entity experienced an unusual or disastrous circumstance.

Thank you for your attention to this matter. I look forward to your support of this bill.



WISCONSIN MANUFACTURERS & COMMERCE

**TO: Members of the Assembly Ways and Means Committee**

**FROM: Jason Culotta**  
**Senior Director of Government Relations**

**DATE: January 26, 2016**

**RE: Testimony on Assembly Bill 26**

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Thank you for the opportunity to share comments with you today about Assembly Bill 26, legislation to federalize Wisconsin's due dates for income and withholding tax filings and paying withholding tax installments.

Wisconsin Manufacturers & Commerce (WMC) is the state chamber of commerce and largest general business association in Wisconsin. We were founded more than 100 years ago, and are proud to represent approximately 3,800 member companies of all sizes, and from every sector of our economy. Roughly one-fourth of the private sector workforce is employed by a WMC member. Our mission is to make Wisconsin the most competitive state in the nation in which to do business.

A pillar of WMC's tax policy agenda is easing compliance for taxpayers. Federalizing the state income tax code to the greatest extent possible is typically one way to accomplish this goal.

Assembly Bill 26 largely provides for federalization of several tax due dates. The bill would be retroactive to January 2016 when the federal provisions first took effect.

Wisconsin is among five states which must make statutory changes to align our state code with the new federal standard.

**One crucial exception that the bill does not fully address is the treatment of C corporations.** By maintaining the state filing in March which is one month before the federal filing due in April, C corporations are placed in a difficult situation requiring they routinely seek extensions. Information contained in the federal filing is essential to completing the state filing.

Though not a loss of revenue to the state, adopting the same due dates for all C corporations would defer \$8 million to the second year of the state budget in what amounts to an accounting exercise where \$8 million would hit the state treasury one month later.

To allow for the inclusion of federal information on the state filing, the state's corporate income tax return due date would ideally be 30 days after the federal tax return due date.

One additional matter the bill could address to provide more certainty to taxpayers would be providing a safe harbor for companies filing the first quarter estimated payments based on the prior year's income. Often, estimating the amounts of tax owed in the first quarter is a difficult endeavor to accurately project. States with many domiciled C corporations like Illinois utilize this "prior year exception" for all four quarters, but providing it for even just the first quarter would be a benefit to Wisconsin taxpayers.

WMC believes this type of tax policy should apply uniformly to all businesses, regardless of how they are incorporated. We ask that you amend Assembly Bill 26 such that C corporation filings are provided the same treatment. We would strongly support the bill with that amendment.