

Wisconsin TAX BULLETIN

www.revenue.wi.gov

Number 158

October 2008



2009 Brings Paperless Resources

This is the last paper issue of the *Wisconsin Tax Bulletin* (WTB). In addition, the *Topical and Court Case Index* (TCCI) will no longer be printed, and Package WI-X has been discontinued. All of the information provided by these resources is available to you on the department's website at www.revenue.wi.gov. Forms and instructions for 2008 will be available in the "Forms" section, and the WTB and TCCI will be available in the "Publications" section.

An additional resource for tax professionals is the "Practitioners" section of the department's website. Look here for current news items, as well as other information of specific concern to software developers and tax practitioners. You can also sign up for the tax practitioner electronic mailing list to receive information and updates by e-mail, including notification when a new issue of the WTB is available or the TCCI has been updated. [☞](#)

Baraboo, Lancaster, and Marinette Offices to Close

The Department of Revenue will close its Lancaster office effective the end of October 2008, and its Baraboo and Marinette offices effective the end of December 2008. Customer services for persons in these locations will be provided from the Madison, Appleton, and Green Bay offices. Assistance and information are also available on the department's website, www.revenue.wi.gov.

In addition, department staff will be providing income tax assistance during the upcoming filing season at libraries in the Baraboo and Lancaster communities. See the article titled "Libraries to Help the Department of Revenue Provide Assistance" in the next column. [☞](#)

E-File Mandate Letters to Tax Return Preparers and Tax Preparation Firms

As part of the Wisconsin Department of Revenue's (DOR) efforts to increase electronic filing, DOR mailed e-file mandate letters to tax return preparers and tax preparation firms that prepare 100 or more paper individual income tax returns. The letter will require the tax return preparer or tax preparation firm to file individual income tax returns electronically, effective with tax returns filed on or after January 1, 2009 (Wisconsin Administrative Code section Tax 2.08(3)(b)).

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Libraries to Help the Department of Revenue Provide Assistance

Thanks to the cooperation of several libraries, income tax assistance will be provided during the upcoming filing season in 9 communities where a Department of Revenue (DOR) office has closed. Beginning in January of 2009, DOR staff will be providing assistance at libraries in the communities of Baraboo, Beaver Dam, Elkhorn, Grafton, Hayward, Kenosha, LaCrosse, Lancaster, and Sheboygan. Details as to the dates, times, and locations of assistance will be available by the end of December on DOR's website at www.revenue.wi.gov. [☞](#)

TeleFile Discontinued for Individuals

Due to decreased usage and increased costs, the Department of Revenue is no longer allowing individual income tax returns to be filed by telephone using TeleFile. TeleFile will continue to be available for filing sales and use tax returns.

The number of persons filing an income tax return using TeleFile has steadily decreased. While 126,800 individuals used TeleFile to file a 2000 return, only 25,600 used it to file a 2007 return. The department will be contacting those individuals who filed a 2007 return using TeleFile to explain other available electronic filing options. [☞](#)

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Tax Booklet Mailings to be Reduced for Individuals and Discontinued for Partnerships and Corporations

The Department of Revenue anticipates it will be reducing its annual mailing of Form 1, 1A and WI-Z, 1NPR, and Schedule H and H-EZ booklets for individual income tax by over 40% this year. A 2008 booklet will only be mailed to individuals who paper filed a 2007 income tax return or homestead credit claim using a department-printed form. In addition, the mailing of Form 3, 4, 5, and 5S booklets for partnership and corporate franchise and income tax has been discontinued. These decisions were made based on the department’s finding that many individuals and the majority of businesses use either tax preparation software or the Internet to obtain their forms.

The department will be promoting electronic filing of 2008 partnership, corporate franchise and income tax, and individual income tax forms. Forms and instructions will continue to be available on the department’s Internet site. [↗](#)



Your Comments About the Wisconsin Tax Bulletin

The *Wisconsin Tax Bulletin* (WTB) is produced to provide tax professionals with timely and useful information. Input from readers can be a valuable resource for improving the information provided in the WTB and how it is presented.

Do you have ideas, comments, or suggestions concerning the WTB? Please take a few moments to share them with us. Contact Dale Kleven by e-mail at isetechsvc@revenue.wi.gov or by phone at (608) 266-8253. We’d like to hear from you! [↗](#)

We Need You!



Volunteers are needed statewide for the Volunteer Income Tax Assistance (VITA) program of the Internal Revenue Service (IRS) and the Tax Counseling for the Elderly (TCE) program of the American Association of Retired Persons (AARP). The need is especially great in Milwaukee, where the VITA program is being expanded for the upcoming filing season to provide free tax preparation and electronic filing services for customers of 28 area libraries.

We know that tax time is already extremely busy, so even a few hours you could spare helping to prepare federal and state income tax returns for senior citizens and persons with low to moderate income would be greatly appreciated. To volunteer, or for more information concerning volunteer opportunities, contact Rick Dilley of the Wisconsin Department of Revenue at (608) 266-2606 or Richard.Dilley@revenue.wi.gov. [↗](#)



Please, No Staples

E-filing is the fastest, most secure way to file tax returns. If you or your clients choose to file on paper instead, please do NOT use staples. If you are concerned about holding documents together, use a paper clip. Removing staples requires extra effort; multiplied over thousands of returns, staples delay the processing of your clients’ tax returns. [↗](#)

Wisconsin Tax Bulletin

Published quarterly by:

Wisconsin Department of Revenue
 Income, Sales, and Excise Tax Division
 Mail Stop 6-40
 P.O. Box 8933
 Madison, WI 53708-8933

E-File Mandate Letters to Tax Return Preparers and Tax Preparation Firms

(continued from page 1)


A tax return preparer or tax preparation firm can learn how to become an authorized Electronic Filing Originator (ERO) for the State of Wisconsin by visiting our website at www.revenue.wi.gov/eserv/e-ero.html. This website also provides a list of tax preparation software to purchase and use to prepare and electronically file federal and state income tax returns. For any questions, the tax return preparer or tax preparation firm can e-mail DOR at efiling@revenue.wi.gov; write to the Customer Service Bureau, Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949; fax us at (608) 264-7776; or call us at (608) 264-6886.

If the tax return preparer or tax preparation firm believes the requirement to file electronically causes an *undue hardship* for their business, the preparer or firm can write to Mandate Waiver Request, Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949. The preparer or firm

must clearly indicate why the requirement causes an undue hardship.

There are numerous advantages of electronic filing, direct deposit, and electronic funds transfer (EFT):

- Electronic returns are more accurate. The computer eliminates arithmetic errors.
- Electronic returns are more certain. E-filing acknowledges that an income tax return was received.
- Electronic returns mean better business. An individual receives their income tax refund by direct deposit within 5-7 business days.
- EFT allows an individual to pay any balance due on the day specified.
- Electronic returns and refunds/payments provide security and confidentiality for all transactions.


These efficiencies have never been more important than now, when businesses and government are trying to find ways to provide quality service at a reduced cost. 

Schedules OS and OS-E Consolidated for 2008

Effective for 2008 tax returns, the department will once again be using a single schedule for individuals, estates, and trusts claiming the credit for net tax paid to another state (TPOS). The 2008 Schedule OS is a consolidation of the 2007 Schedule OS and the 2007 Schedule OS-E, which was available to individuals filing electronically and claiming TPOS. A draft of the 2008 Schedule OS is available at:

www.revenue.wi.gov/forms/draft/index.html.

The 2008 Schedule OS is similar in format to the 2007 Schedule OS-E in that it requires the claimant to enter income information from the other state tax return(s). However, unlike with Schedule OS-E a copy of the other state tax return(s) must be submitted to the department.


With the consolidation of Schedules OS and OS-E, software developers and other tax professionals will have one less form to manage. In addition, with the new format of Schedule OS the department anticipates quicker processing of tax returns claiming TPOS, as fewer letters seeking clarification of the credit computation should be required. 

Reminders: Filing Wage Statements and Information Returns

The Department of Revenue (DOR) wishes to remind employers and other payers who will be filing 2008 wage statements and other information returns in 2009 of the following:

- DOR no longer accepts magnetic media.

- Unless an exception applies, electronic filing is mandatory for employers filing 250 or more wage statements, and for payers filing 250 or more of any one type of information return with DOR.

Additional information is available in Publication 509, *Filing Wage Statements and Information Returns Electronically*. Publication 509 is available on DOR's website at www.revenue.wi.gov/pubs/pb509.pdf. 

Guidance on New Requirement to Add Back Certain Related Entity Expenses

In 2007 Wisconsin Act 226, the Wisconsin Statutes were amended to require taxpayers to “add back” to their federal income certain expenses paid, accrued, or incurred to a related entity when computing their Wisconsin income. The Act provides that these “added back” expenses may then be subtracted if certain conditions are met. The expenses subject to this new law are interest expenses and rental expenses.

The new law provides that one of the conditions required to subtract related party interest or rental expenses is that the expense be disclosed on a separate form prescribed by the department in the manner prescribed by the department. The department has designated Schedule RT as the form to be used for this disclosure.

Wisconsin Tax Bulletin 157 (July 2008), page 13, provides more details of the Act 226 provisions regarding related entity expenses.

This Bulletin contains the first of a two-part series of frequently asked questions about this new law. Part 1 presents answers to frequently asked questions about the following topics:

- Taxpayers subject to the addback requirement
- Expenses subject to the addback requirement
- Conditions necessary to deduct expenses that were added back
- Nondeductible related entity expenses

Part 1 of the series starts on page 16 of this Bulletin. Part 2 of the series, which will appear in the January 2009 Bulletin, will present answers to frequently asked questions about Schedule RT. [↗](#)



Administrative Rules in Process

Listed below are administrative rules that are currently in the rule promulgation process. The rules are shown at their stage in the process as of October 1, 2008, and at each step where action occurred during the period from July 1, 2008, through October 1, 2008. The listing includes rule numbers and names, and whether a rule is amended (A), repealed and recreated (R&R), or a new rule (NR).

Emergency Rules Adopted and in Effect

- 8.03 Wine collectors – NR
- 8.05 Small winery cooperative wholesalers – NR

Scope Statement Published (August 31, 2008)

- 1.12 Electronic funds transfer – A
- 2.03 Corporation returns – A
- 2.04 Information returns and wage statements – A
- 2.08 Returns of persons other than corporations – A
- 4.001 Motor vehicle, alternate fuels, and general aviation fuel tax return and refund claim forms – NR
- 7.001 Fermented malt beverage tax return and refund claim forms – NR
- 8.001 Intoxicating liquor report, tax return, and refund claim forms – NR

- 9.001 Cigarette and tobacco products report, tax return, and refund claim forms – NR
- 11.01 Sales and use tax, local exposition tax, and premier resort area tax return forms – A

Reviewed by Legislative Council Rules Clearinghouse

- 8.03 Wine collectors – NR
- 8.05 Small winery cooperative wholesalers – NR

Public Hearing Held (August 26, 2008)

- 8.03 Wine collectors – NR
- 8.05 Small winery cooperative wholesalers – NR

To order up-to-date administrative rules of the Department of Revenue (DOR), you can contact the Document Sales and Distribution Section of the Wisconsin Department of Administration to obtain the Tax section of the Wisconsin Administrative Code. Additional information is available at: www.legis.state.wi.us/rsb/codinfo.html.

Information concerning administrative rules of DOR, as well as other state agencies, is also available at <https://apps4.dhfs.state.wi.us/admrules/public/Home>. Through this website you can search for rules, view the status of current rulemaking, view documents associated with rulemaking, submit and view comments on rules, and subscribe to receive notification of rulemaking. [↗](#)

Wisconsin Use Tax on Motor Vehicles

A person or business that buys a motor vehicle from a non-dealer must report the purchase price when registering the vehicle with the State of Wisconsin and pay the use tax owed. The Department of Revenue reviews 100 percent of the registrations for motor vehicles to determine if the buyer paid the correct amount of tax at the time the vehicle was registered. Approximately 20 percent of all vehicle registrations are selected for further audit. The two most common reasons for audit selection are:

1. The purchase price reported by the buyer at the time of registration is less than the average retail value for a vehicle of that make, model, year, and mileage, and
2. The validity of the exemption claimed is questionable.

For those registrations selected for audit, the Department of Revenue will send a letter (and a follow-up letter, if necessary) to the seller of a vehicle in cases where there is a possible purchase price discrepancy. A letter may also be sent to the buyer requesting verification of the purchase price. If the buyer does not respond, an assessment will be issued to the buyer based on the average retail value for a vehicle of that make, model, year, and mileage. The Department of Revenue will contact the buyer to question the validity of an exemption claimed by the buyer if this is the issue of the audit.

If the information furnished by the seller or buyer indicates that the buyer did not report the full purchase price of the vehicle or claimed an invalid exemption, the Department of Revenue will issue an assessment notice to the buyer. This notice will include additional tax and interest at 12% per year, computed to the due date of the assessment notice. **In addition, a 50% negligence (incorrect return) penalty may be assessed based on the additional tax due.** The annual revenue collected/assessed through this program each year is approximately \$1.2 million.

Common mistakes made when a vehicle is registered are:

- Subtracting the selling price of a vehicle sold through a separate transaction from the purchase price of the replacement vehicle. For example, if a vehicle is purchased from Party A and you sell your old vehicle to Party B, no trade-in subtraction

is allowed for the sale to Party B when you register the vehicle purchased from Party A.

- Not getting a bill of sale from the seller at the time of purchase. You should request a bill of sale (above and beyond the title) from the seller and keep it for at least 5 years from the date of registration, even if you sell the vehicle.
- An incorrect purchase price is listed on the registration form when the vehicle is registered. Make sure you know and enter the correct purchase price before you register your vehicle.
- County and/or stadium tax is not reported and paid when due. Make sure you know if the county in which the vehicle will customarily be kept has imposed a local tax.
- Math errors when calculating the tax. State tax is calculated by multiplying the purchase price by 5% (.05). County tax is calculated by multiplying the purchase price by 0.5% (.005). Baseball stadium tax is calculated by multiplying the purchase price by 0.1% (.001). Football stadium tax is calculated by multiplying the purchase price by 0.5% (.005). Remember, even if someone else completes the form for you, once you sign it, you are responsible.
- Registrant fails to enter their Social Security Number (SSN) or Federal Employee Identification Number (FEIN) and telephone number on the registration form. The SSN/FEIN is used to ensure the transaction and tax paid is posted to the correct account at the Department of Revenue. The telephone number can be valuable if a question arises during the processing of the registration form.
- An incorrect credit for tax paid to another state or the District of Columbia is taken. You may offset the state and local tax owed to Wisconsin by tax properly paid to another state/local jurisdiction or the District of Columbia. Another state's tax can be used to offset Wisconsin local tax. Credit for sales or use tax properly paid to another state or local jurisdiction is only allowed on an item-for-item basis. For example, if a state imposes a sales tax on a vehicle, but not on the extended warranty, the credit for tax paid to the other state would only be allowed against the Wisconsin sales or use tax on the vehicle and not on the extended warranty. Additional information about credits for taxes paid

to other states is provided in *Wisconsin Tax Bulletin 157* (July 2008), on pages 28 through 49.

Example: Individual A purchased a vehicle in Michigan for \$10,000. An extended warranty was purchased for \$1,000. Individual A paid 6% Michigan state sales tax of \$600 (\$10,000 x 6%). Individual A registers the vehicle in Wisconsin. It will customarily be kept in Milwaukee County. The applicable tax rate in Milwaukee County is 5.6%. Individual A's Wisconsin tax liability is computed as follows:

Vehicle	\$10,000.00
Wisconsin Tax Rate	<u>5.6%</u>
Wisconsin Tax on Vehicle	\$560.00
Credit for Michigan Tax Paid on Vehicle	<u>\$560.00*</u>
Wisconsin Tax Due on Vehicle	0.00
Extended Warranty	\$1,000.00
Wisconsin Tax Rate	<u>5.6%</u>
Wisconsin Tax Due on Extended Warranty	\$56.00**

* The credit is limited to the amount of the combined Wisconsin state and local tax imposed on the purchase of the vehicle.

**Tax paid in Michigan on the vehicle cannot be used to offset tax due to Wisconsin on the extended warranty.

- An exemption is claimed using someone else's common or contract carrier (LC/MC/IC) exemption number. These numbers may not be used by an entity other than the one it was issued to.
- A farming exemption is claimed for a vehicle that is registered for highway use or when the buyer's activity does not qualify as a farming activity for sales and use tax purposes.

Many of the errors listed above are also commonly found on ATV, boat, snowmobile, and aircraft registration forms.

If you have additional questions regarding Wisconsin sales or use taxes, you may contact the Department of Revenue by phone at (608) 266-2776, by e-mail at sales10@revenue.wi.gov, or by mail at Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 53708-8949. [☞](#)

Submit Form W-RA and Required Attachments Electronically

Looking for a way to better serve your clients? Make filing their income tax returns and homestead credit claims completely paperless by submitting Form W-RA and required attachments electronically through the Department of Revenue's website. It's fast, easy, and free!

Additional information and instructions for this application are available at www.revenue.wi.gov/eserv/w-ra.html. You may also contact the department at (608) 267-3327 or w2data@revenue.wi.gov. [☞](#)

Sales and Use Tax Report Available

The latest issue of the *Sales and Use Tax Report* became available in September. The *Sales and Use Tax Report* contains summaries of recent sales and use tax law changes in addition to other pertinent sales and use tax information. Topics covered in the September 2008 *Sales and Use Tax Report* (3-08) include:

- IMPORTANT NOTICE: The *Sales and Use Tax Report* is Going Paperless (January 2010);
- Clark County Adopts County Tax;
- Motor Vehicle Dealers' Measure of Use Tax Increased to \$140;

- Wisconsin Supreme Court Rules in Computer Software Case;
- Sales to Foreign Officials;
- Credit for Sales and Use Taxes Paid to Other States and Their Local Units of Government;
- Film Production Services Credit Clarified; and
- Filing Sales and Use Tax Returns Electronically.


The Report is available on the Department of Revenue's website at www.revenue.wi.gov/ise/sales/08-3.pdf. [☞](#)

Reminders: 2009 Withholding Tax Payments

If you will be making Wisconsin withholding tax payments in 2009, the Department of Revenue asks you to be mindful of the following:

- Withholding Deposit Report Booklets (Form WT-6 coupon booklets) will not be mailed in 2009.
- If your withholding deposits will be \$10,000 or more in 2008, you must make your 2009 withholding tax payments via electronic funds transfer (EFT). Please visit our website at www.revenue.wi.gov/eserv/eftgen.html for more

information about this payment method. If this requirement imposes an undue hardship, you may request a hardship waiver from the Secretary of Revenue, Wisconsin Department of Revenue, P.O. Box 8949, Madison, WI, 53708-8949. Clearly indicate why this requirement causes an undue hardship.

- If your withholding deposits will be less than \$10,000 in 2008, you are encouraged to use EFT to make your 2009 withholding tax payments. You may, however, create and submit a customized paper WT-6 by visiting our website at www.revenue.wi.gov/forms/with/index.html. 



Enforcement Report

Former Tax Preparer Sentenced to Jail

Tineka M. Brown, 31, of Milwaukee was ordered to serve 60 days in jail in August 2008 for filing fraudulent state income tax returns while she was employed as a tax preparer at Jackson Hewitt Tax Services. Milwaukee County Circuit Judge Richard Sankovitz also placed Brown on two years of probation and banned her from ever preparing taxes for anyone in the future.

According to the criminal complaint filed on January 30, 2008, Brown falsified the returns of at least six persons between 2004 and 2005, claiming \$31,909 in false refunds of state and federal tax monies.

In one instance, Brown electronically submitted a phony wage statement with a customer's return, falsely claiming employment at V&J Employment Service Inc. She listed fake amounts of state and federal taxes withheld in an attempt to get a refund of \$3,488.

In another instance, Brown told a customer she had a friend who was not working and had children that she was not claiming. Brown falsely told the customer he could claim the children on his tax return so he could get more money back. Brown also told the customer he had to pay her \$1,000 for each child used, and she would give this money to the mother of the children. The customer stated Brown also charged him an additional \$200 to prepare the return.

The complaint stated Brown also falsely listed unrelated children on the returns of persons who did not live with the children nor provide support for them.

Brown was prosecuted by the Milwaukee County District Attorney's Office after an investigation by the Wisconsin Department of Revenue.

Attorney Sentenced for Failure to File Tax Returns

Clifton G. Owens, 66, a Milwaukee area bankruptcy attorney, was found guilty in May 2008 of two counts of failure to file Wisconsin income tax returns for the years 2003 and 2004. On the first count, Milwaukee County Circuit Court Judge Dominic Amato sentenced Owens to 9 months in the House of Correction with Huber privileges. This is stayed until June 29, 2009, when the case will be reviewed. On the second count, Owens was sentenced to 30 days in the House of Correction with Huber privileges.

According to the criminal complaint, Owens shared an office with an association of attorneys in Milwaukee under the name Wilson, Broadnax, and Owens. An analysis of Owens' accounts at US Bank, Associated Bank, and HSA Bank showed deposits of cash, checks, cashier's checks, and money orders totaling \$93,437 in 2003 and \$71,986 in 2004. Owens received these fees from a variety of individuals, businesses, and bankruptcy trustees.

The complaint also stated Owens has a record of delinquent tax filings. During the 1980's, the Department of Revenue sent correspondence to Owens in attempts to have him file tax returns, and in 1994, Owens pled guilty to a criminal charge for not filing a 1990 Wisconsin income tax return. According to the criminal complaint, Owens owes over \$100,000 in delinquent taxes, interest, and penalties. He has not filed a Wisconsin income tax return since 1996.

Owens was prosecuted by the Milwaukee County District Attorney's Office after an investigation by the Criminal Investigation Section of the Wisconsin Department of Revenue.

Buffalo County Man Pleads No Contest to Theft

Jason R. Herrmann, 26, entered a no contest plea in September 2008 to one count of felony theft resulting from a scheme to claim fraudulent Wisconsin tax refunds. Herrmann was charged in July 2008 with two counts of felony theft and one misdemeanor count of filing false Wisconsin tax documents. Two charges were dismissed and read into the record for purposes of sentencing and restitution.

Buffalo County District Attorney Tom Clark asked that Herrmann be imprisoned for two years, have five years of extended supervision, and be ordered to pay restitution of \$24,906. Substitute Judge Robert Wing ordered a presentence investigation. Sentencing was to be scheduled for a later date.

The felony theft count to which Herrmann pled no contest was for an electronically filed 2006 Wisconsin tax return in which he claimed a refund of \$22,253. The refund was to be direct deposited to an account at Citizen's Community Federal in his name with his fiancée, Rose Hagenbarth, also authorized on the account.

A portion of the claimed refund, \$11,232.24, was intercepted to pay Herrmann's delinquent child support liability with Buffalo County and \$11,020.76 was deposited in Herrmann's account on March 19, 2007. By March 23, 2007, \$10,960 was withdrawn from the account in a series of transactions signed by Herrmann or Hagenbarth.

The Wisconsin tax return Herrmann filed in his name had three altered W-2 wage statements attached to it that showed inflated Wisconsin wages and Wisconsin withholding, which formed the basis for the fraudulent refund claim. One altered W-2 was from Dregney Painting and Tree Service, showing Wisconsin wages of \$64,076 and Wisconsin withholding of \$8,236. The W-2 Dregney actually issued to Herrmann reported Wisconsin wages of \$864 and Wisconsin withholding of \$18.50. A second altered W-2 was from Dollar General, showing Wisconsin wages of \$87,377 and Wisconsin withholding of \$13,390. The Dollar General W-2 actually issued to Herrmann showed Wisconsin wages of \$1,233.40 and Wisconsin withholding of \$20.69. The

third altered W-2 was from Bee Forrest LLC. It showed Wisconsin wages of \$99,027 and Wisconsin withholding of \$16,938. The W-2 actually issued to Herrmann by Bee Forest reported Wisconsin wages of \$5,825.12 and Wisconsin withholding of \$226.02.

During the investigation, Herrmann confessed to the electronic filing of the fraudulent return and altering the W-2 wage statements that accompanied the return.

The second felony theft count involved the electronic filing of a 2006 Wisconsin tax return in the name of Herrmann's fiancée, Rose Hagenbarth. This return claimed that Hagenbarth was due a refund in the amount of \$2,653. That refund was also supposed to be direct deposited to the account at Citizen's Community Federal; \$2,411.80 was deposited April 17, 2007. Three withdrawals totaling \$2,400 were made on April 17 and 18, 2007 by Rose Hagenbarth, and \$241.20 of the claimed refund was intercepted to pay a liability owed to the Buffalo County Clerk of Courts.

The Wisconsin tax return filed in Hagenbarth's name had one W-2 wage statement attached from Dollar General, showing Wisconsin wages of \$64,076 and Wisconsin withholding of \$6,254. The Dollar General W-2 actually issued to Hagenbarth listed Wisconsin wages of \$230 and Wisconsin withholding of \$3.60.

Herrmann confessed that he electronically filed this return and altered the Wisconsin wage and withholding information on the W-2 wage statement.

The misdemeanor count of filing a false tax document was due to a fraudulent refund claimed by Herrmann in the name of an unrelated third party. The electronically filed return requested a refund of \$4,850 to be direct deposited into a bank account in the name of Jason Herrmann at Associated Bank. That claim was not paid. The return also had altered W-2 information from an actual employer of the unrelated third party.

Herrmann admitted that he electronically filed the false return and altered the W-2 information that accompanied the return. Herrmann also stated that the unrelated third party was not involved in the filing of the false return.

The tax charges are the result of an investigation by the Wisconsin Department of Revenue's Criminal Investigation Section.

Convenience Store Owner Charged With Sales Tax Theft

Rajnish Patel, 38, registered agent for Laxmigas LLC, appeared in Marathon County Circuit Court in August 2008 to answer charges filed against him. He was charged with eight felony counts and one misdemeanor count of theft of state sales taxes.

The charges were brought by the Marathon County District Attorney's Office following an investigation by the Wisconsin Department of Revenue's Fraud Unit.

According to the complaint, Patel failed to remit \$38,737.38 in sales taxes to the state that he had collected from January 2007 through September 2007. Laxmigas LLC operates two convenience stores in Wisconsin, located in Rothschild and Brokaw.

If convicted, Patel could face up to 36 years and 3 months in prison, \$90,000 in fines, or both.

Arrest Warrant Issued for Man Accused of Tax Fraud

Marathon County Judge Gregory Huber issued an arrest warrant for Shawn M. Hoffman, 37, of Stratford when he failed to appear in court in September 2008. Hoffman was charged in July 2007 by the Marathon County District Attorney's office with four felony counts of filing fraudulent Wisconsin income tax returns. Judge Huber ordered Hoffman's \$20,000 signature bond to be forfeited.

According to the complaint, Hoffman filed Wisconsin income tax returns on which he reported \$0 tax liability on \$0 income. He attached correspondence to the returns in which he argued that the Internal Revenue Code does not define income nor establish an income tax liability and does not state that wages, salaries, or compensation for personal services are taxable income.

The complaint alleges that in the four years 2002 through 2005, Hoffman worked as a construction contractor and earned gross income of \$41,125, \$84,805, \$73,248, and \$101,906, respectively.

Hoffman worked for two Wisconsin companies in 2002. Midwest Siding and Windows issued a Form 1099 to Hoffman which reported income of \$16,047. Cover-All of Wisconsin issued a 1099 to Hoffman reporting \$25,078 of income. For the years 2003 through 2005, Hoffman's income was reported to him on Forms 1099 from Cover-All. The complaint states that Hoffman evaded Wisconsin income tax in excess of \$17,000 for the four years.

Information in the complaint disclosed Hoffman filed a typical Wisconsin income tax return for the year 1999 as proof that Hoffman was aware of the requirement to file and how to correctly file.

Hoffman pled not guilty to the charges in October 2007.

The charges are the result of an investigation by the Wisconsin Department of Revenue's Criminal Investigation Section. If convicted on all counts, Hoffman faces 24 years in prison and \$40,000 in fines. [↗](#)