

2008

Understanding Wisconsin Taxes

Teacher's Tax Guide

Prepared by:

Wisconsin Department of Revenue
November, 2008

Teacher's Tax Guide

Understanding Wisconsin Taxes is intended to be taught after students have completed the Internal Revenue Service program. Students preparing tax returns should complete their federal return prior to completing the Wisconsin return because some information reported on the Wisconsin return is taken directly from the federal return.

Understanding Wisconsin Taxes Highlights

The Understanding Wisconsin Taxes publication has been redesigned to promote electronic filing. A lesson has been added to promote the Department's Wisconsin *e-file* application. The Department does not charge a fee to persons who electronically file using Wisconsin *e-file*. Most students who electronically file will receive their refunds 8 to 12 weeks sooner than students filing paper returns.

You should stress to students that Wisconsin *e-file* provides only for the filing of the student's Wisconsin income tax return. Students will need to use another application to file their federal return. Both the Internal Revenue Service's and Wisconsin Department of Revenue's websites provide a list of approved providers that allow for the free filing of the federal return.

The lessons regarding completing Wisconsin Forms WI-Z and 1A have been retained although the emphasis has been changed. Previously, these lessons instructed students what entries to make on each line. Currently, the emphasis is shifted more to explaining the purpose of the lines.

TeleFile Highlights

Effective for 2008, the Department of Revenue will no longer allow the filing of income tax returns using TeleFile. TeleFile allowed individuals to file their income tax returns by telephone.

The number of persons filing their tax returns using TeleFile has steadily decreased. While 126,800 individuals used TeleFile for 2000 returns, only 25,600 used it to file 2007 returns. Because of the decreased usage and increased costs of providing the TeleFile system, the program has been discontinued.

Electronic Filing Highlights

The Wisconsin Department of Revenue's Wisconsin *e-file* application allows eligible persons to file their Wisconsin income tax returns free of charge from the department's website.

Students not using Wisconsin *e-file* may choose from one of the approved providers on the Wisconsin Department of Revenue's website, the Internal Revenue Service's website, or from any other Internet provider's site. Most of the providers on the department's site and the IRS' site provide for the free filing of the student's federal return, but charge a fee for the filing of the state return.

Paper Return Highlights

A special conditions box is located under the School District number area. Taxpayers subject to one of the special conditions (these are identified in the Student Guide) should enter the number representing the condition in the box. When the return is processed, it will be routed to the unit that works with the special condition identified in the box. Very few students will be subject to the special conditions identified.

The Department has provided a Tips page on page 2 of the 1A & WI-Z Instructions and an example of how to print and not print numbers just above line 1 on all individual income tax forms. Following these instructions will aid in the scanning of the student's return and result in faster refunds.

Just above the signature area, the Department has provided for a Third Party Designee. Persons filing a Wisconsin income tax return can identify a third party designee that can contact the department with questions regarding the processing of the student's return. The third party designee's authority is limited to checking on the status of the student's refund, responding to correspondence regarding the processing of the return, and sending required documents. For 2008 returns, the third party designee's authority terminates on April 15, 2010.

Ordering Income Tax Forms

Internet: www.revenue.wi.gov

Click-on the *Forms* link on the left side of the page. When the *Forms Page* displays, **click-on** the *Online Forms Order* link in the *LINKS* box on the right side of the page. When the *Forms and Publications Request* page displays, choose *Other Government* for the *Customer Type*.

Mail: Forms Request Office, 5-77
Wisconsin Department of Revenue
PO Box 8949
Madison WI 53708-8949

Telephone: 1-608-266-1961

Important! Include the name of the high school and the address to which the forms should be sent. If ordering by mail, include your name and daytime telephone number.

I hope that you find this updated version of Understanding Wisconsin Taxes useful. If you have any comments or suggestions, please contact Harold Blaize at:

Telephone: (608) 266-2024

Mail: Wisconsin Department of Revenue
Attn: Harold Blaize
Mail Stop 5-257
PO Box 8906
Madison WI 53708-8906

Email: harold.blaize@revenue.wi.gov

Tip Please remind students to be careful to enter only their Wisconsin withholding. A common error on returns is entering FICA tax or federal income tax withholding.

Solutions to Questions and Problems Found in the Student Tax Guide

Lesson 3 – Who Must File and Why

- Question 1 Yes. Gross income (\$9,000) is more than \$8,960. This person can be claimed as a dependent.
- Question 2 No. Gross income (\$9,300) is less than \$9,660. This person cannot be claimed as a dependent.
- Question 3 No. Gross income (\$4,300) is less than \$8,960 and interest income is less than \$301. This person can be claimed as a dependent.
- Question 4 Yes. Gross income of \$903 is more than \$900 and includes at least \$301 of nonwage income. This person can be claimed as a dependent.

Lesson 4 – Which Form Should You File?

- Question 1 Form WI-Z – only if they filed federal Form 1040EZ.
- Question 2 Form 1A. Dividend income, except for Alaska Permanent Fund dividends, cannot be reported on Federal Form 1040EZ.
- Question 3 Form 1A. Taxpayer cannot file federal Form 1040EZ because taxpayer has more than \$1,500 interest income. Therefore, taxpayer cannot file Wisconsin Form WI-Z.
- Question 4 Form 1A. Taxpayers with interest income from state, municipal or U.S. bonds cannot use Form WI-Z.

Notes to Lessons 8 and 9

Please inform students that they should **not** use the facsimile forms included in this package to prepare actual income tax returns. The forms provided with this package will not scan properly. These forms are intended only for use with the problems in Lessons 8 and 9.

Students who can be claimed as dependents must use the Standard Deduction Worksheet for Dependents.

Lesson 8 – Form WI-Z (step-by-step)

A. Wages, salaries, and tips included in line 1 of Form WI-Z. (Do not include interest income or taxable scholarships or fellowships not reported on a W-2.) . . . A.	1,900.00
B. Addition amount B.	300.00
C. Add lines A and B. If total is less than \$900, fill in \$900 C.	2,200.00
D. Fill in the standard deduction for your filing status using table, page 31 D.	8,960.00
E. Fill in the SMALLER of line C or D here and on line 3 of Form WI-Z. E.	2,200.00

Worksheet for Computing Wisconsin Sales and Use Tax

1. Total purchases subject to Wisconsin sales and use tax (i.e., purchases on which no sales and use tax was charged by the seller) 1.	\$ 364.00
2. Sales and use tax rate (see rate chart at right) 2.	x 5.5 %
3. Amount of sales and use tax due (line 1 multiplied by tax rate on line 2). Round this amount to the nearest dollar and fill in on line 26 of Form 1A (line 13 of Form WI-Z) 3.	\$ 20.02

Sales and Use Tax Rate Chart

In all Wisconsin counties except those shown in a through c below, the tax rate was 5.5% for all of 2008.

a. If storage, use, or consumption in 2008 was in one of the following counties, the tax rate was 5.6%:

Milwaukee Ozaukee Washington

b. If storage, use, or consumption in 2008 was in one of the following counties, the tax rate was 5.1%:

Racine Waukesha

c. If storage, use, or consumption in 2008 was in one of the following counties, the tax rate was 5%:

Calumet	Kewaunee	Outagamie
Clark	Manitowoc	Sheboygan
Fond du Lac	Menominee	Winnebago

See page 2 for TIPS on completing this form.

NOTE

DO NOT STAPLE

Your social security number 987 00 4321	Spouse's social security number
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Your legal last name Day	Legal first name Joseph	M.I. K	State election campaign fund If you want \$1 to go to the State Election Campaign Fund, check here. <input type="checkbox"/> You <input type="checkbox"/> Your spouse Designating an amount will not change your tax or refund.
If a joint return, spouse's legal last name	Spouse's legal first name	M.I.	

Home address (number and street). If you have PO Box, see page 6. 615 Poplar Drive			Tax district Check below then fill in either the name of city, village, or town and the county in which you lived at the end of 2008. <input checked="" type="checkbox"/> City <input type="checkbox"/> Village <input type="checkbox"/> Town City, village, or town Madison
City or post office Madison	State WI	Zip code 53505	

Filing status
(check below)

Single

Married filing joint return (even if only one had income)



County of **Dane**

School district number (see page 23) **3269**

Special conditions

ENCLOSE WITHHOLDING STATEMENTS

PAPER CLIP CHECK OR MONEY ORDER HERE

Print numbers like this → **0 1 2 3 4 5 6 7 8 9** Not like this → ~~0 1 4 7~~ **NO COMMAS; NO CENTS**

1	Income from line 4 of federal Form 1040EZ	1	<u>2,275.00</u>
2	If your parent (or someone else) can claim you (or your spouse) as a dependent, check here	2	<input checked="" type="checkbox"/>
3	Fill in the standard deduction for your filing status from table, page 31. But if you checked line 2, fill in the amount from worksheet on back.	3	<u>2,200.00</u>
4	Subtract line 3 from line 1. If line 3 is larger than line 1, fill in 0.	4	<u>75.00</u>
5	Deduction for exemptions. Fill in \$700 (\$1,400 if married, or 0 if you checked line 2 – see instructions on back).	5	<u>0.00</u>
6	Subtract line 5 from line 4. If line 5 is larger than line 4, fill in 0. This is your taxable income.	6	<u>75.00</u>
7	Tax. Use amount on line 6 to find your tax using table, page 24	7	<u>3.00</u>
8	School property tax credit		
8a	Rent paid in 2008 – heat included <u>.00</u>	} Find credit from table page 12	8a <u>.00</u>
	Rent paid in 2008 – heat not included <u>.00</u>		
8b	Property taxes paid on home in 2008 <u>.00</u>	} Find credit from table page 13	8b <u>.00</u>
9	Working families tax credit – if line 1 is less than \$10,000 (\$19,000 if married filing joint), see page 14	9	<u>.00</u>
10	Married couple credit. Wages 10a Yourself <u>.00</u> (see instructions on reverse side) 10b Spouse <u>.00</u>		
10c	Fill in smaller of 10a or 10b but no more than \$16,000 <u>.00</u> x .03 = .. 10c <u>.00</u>		
11	Add credits on lines 8a, 8b, 9, and 10c	11	<u>0.00</u>
12	Subtract line 11 from line 7. If line 11 is larger than line 7, fill in 0. This is your net tax	12	<u>3.00</u>
13	Sales and use tax due on out-of-state purchases (see page 15)	13	<u>20.00</u>
14	Donations (decreases refund or increases amount owed)		
a	Endangered resources <u>10.00</u>	e	Multiple sclerosis <u>.00</u>
b	Packers football stadium <u>.00</u>	f	Firefighters memorial <u>.00</u>
c	Breast cancer research <u>.00</u>	g	Prostate cancer research <u>.00</u>
d	Veterans trust fund <u>.00</u>	Total (add lines a through g)	14h <u>10.00</u>
15	Add lines 12, 13, and 14h	15	<u>33.00</u>

16	Amount from line 15	16	33.00
17	Wisconsin income tax withheld. Enclose readable withholding statements	17	50.00
18	If line 17 is larger than line 16, subtract line 16 from line 17 This is YOUR REFUND	18	17.00
19	If line 16 is larger than line 17, subtract line 17 from line 16 This is the AMOUNT YOU OWE	19	.00

Third Party Designee Do you want to allow another person to discuss this return with the department (see page 19)? **Yes** Complete the following. **No**

Designee's name **Judy Day** Phone no. **(608) 266-2772** Personal identification number (PIN) **9 8 7 0 0**

Sign below Under penalties of law, I declare that this return is true, correct, and complete to the best of my knowledge and belief.

Your signature **Joseph Day** Spouse's signature (if filing jointly, BOTH must sign) _____ Date **01-15-08** Daytime phone () _____

Mail your return to: Wisconsin Department of Revenue
 If refund or no tax due PO Box 59, Madison WI 53785-0001
 If tax due PO Box 268, Madison WI 53790-0001

For Department Use Only

R	T	MAN	C		

INSTRUCTIONS



Read "Which Form to File for 2008" on page 3 of the Form 1A instructions to see which form is right for you.

Filling in Your Return Use black ink to complete the copy of the form that you file with the department. Round off cents to the nearest dollar. Drop amounts under 50¢ and increase amounts from 50¢ through 99¢ to the next dollar. If completing the form by hand, **do not use commas** when filling in amounts.

Name and Address Print your legal name and address. If you filed a joint return for 2007 and are filing a joint return for 2008 with the same spouse, enter your names and social security numbers in the same order as on your 2007 return.

Line 2 Dependents Check line 2 if your parent (or someone else) can claim you (or your spouse) as a dependent on his or her return. Check line 2 even if that person chose not to claim you.

Line 3 If you checked line 2, use this worksheet to figure the amount to fill in on line 3.

A. Wages, salaries, and tips included in line 1 of Form WI-Z. (Do not include interest income or taxable scholarships or fellowships not reported on a W-2.) . . . A.	_____
B. Addition amount B.	<u>300.00</u>
C. Add lines A and B. If total is less than \$900, fill in \$900 C.	_____
D. Fill in the standard deduction for your filing status using table, page 31 D.	_____
E. Fill in the SMALLER of line C or D here and on line 3 of Form WI-Z. E.	_____

Line 5 A personal exemption is not allowed for a person who can be claimed as a dependent on someone else's return. If you are single and can be claimed as a dependent, fill in 0 on line 5. If you are married and both spouses can be claimed as a dependent, fill in 0 on line 5. If you are married and only one of you can be claimed as a dependent, fill in \$700 on line 5.

Lines 8a and 8b School Property Tax Credit You may claim a credit if, during 2008, you paid rent for living quarters used as your primary residence OR you paid property taxes on your home. See the instructions for lines 20a and 20b of Form 1A. The total credits on lines 8a and 8b cannot exceed \$300.

Line 9 Working Families Tax Credit You may claim a credit if line 1 of Form WI-Z is less than \$10,000 (\$19,000 if married filing a joint return). But, you cannot claim a credit if you can be claimed as a dependent on another person's return. See the instructions for line 21 of Form 1A.

Line 10 Married Couple Credit If you are married and you and your spouse were both employed in 2008, you may claim the married couple credit. Complete the following steps:

- (1) Fill in your 2008 wages on line 10a. Fill in your spouse's wages on line 10b.
- (2) Fill in the smaller of line 10a or 10b (but not more than \$16,000) in the space provided on line 10c.
- (3) Multiply the amount determined in Step 2 by .03 (3%).
- (4) Fill in the result (but not more than \$480) on line 10c.

Line 13 Sales and Use Tax Due on Out-of-State Purchases If you made purchases from out-of-state firms during 2008 and did not pay a sales and use tax, you may owe Wisconsin sales and use tax. See the instructions for line 26 of Form 1A.

Line 14 Donations You may designate amounts as a donation to one or more of the programs listed on lines 14a through 14g. Your donation will either reduce your refund or be added to tax due. Add the amounts on lines 14a through 14g and fill in the total on line 14h. See the instructions for line 27 of Form 1A for further information on how your donation will be used.

Line 17 Wisconsin Income Tax Withheld Fill in the total amount of Wisconsin income tax withheld as shown on your withholding statements (W-2s). **Do not include income tax withheld for any state other than Wisconsin.** Enclose your withholding statements.

Line 18 or 19 Fill in line 18 or 19 to determine your refund or amount you owe. If you owe an amount, paper clip your check or money order to Form WI-Z. See page 18 of the Form 1A instructions for information on paying by credit card.

Third Party Designee See page 19 of the Form 1A instructions.

Sign and Date Your Return Form WI-Z is not a valid return unless you sign it. If married, your spouse must also sign.

Enclosures See Form 1A instructions (page 20) for enclosures that may be required. Do not enclose a copy of your federal return.

Lesson 9 – Form 1A (step-by-step)

Standard Deduction Worksheet for Dependents

A. Wages, salaries, and tips from line 1 of Form 1A. (Do not include taxable scholarships or fellowships not reported on a W-2)	A. <u>5,250.00</u>
B. Addition amount	B. <u>300.</u>
C. Add lines A and B. If total is less than \$900, fill in \$900.	C. <u>5,550.00</u>
D. Using the amount on line 12 of Form 1A, fill in the standard deduction for your filing status from table, page 31	D. <u>8,960.00</u>
E. Fill in the SMALLER of line C or D here and on line 14 of Form 1A . .	E. <u>5,550.00</u>

Worksheet for Computing Wisconsin Sales and Use Tax

1. Total purchases subject to Wisconsin sales and use tax (i.e., purchases on which no sales and use tax was charged by the seller)	1. \$ <u>146.00</u>
2. Sales and use tax rate (see rate chart at right)	2. x <u>5.6 %</u>
3. Amount of sales and use tax due (line 1 multiplied by tax rate on line 2). Round this amount to the nearest dollar and fill in on line 26 of Form 1A (line 13 of Form WI-Z)	3. \$ <u>8.18</u>

Sales and Use Tax Rate Chart

In all Wisconsin counties except those shown in a through c below, the tax rate was 5.5% for all of 2008.

a. If storage, use, or consumption in 2008 was in one of the following counties, the tax rate was 5.6%:

Milwaukee Ozaukee Washington

b. If storage, use, or consumption in 2008 was in one of the following counties, the tax rate was 5.1%:

Racine Waukesha

c. If storage, use, or consumption in 2008 was in one of the following counties, the tax rate was 5%:

Calumet	Kewaunee	Outagamie
Clark	Manitowoc	Sheboygan
Fond du Lac	Menominee	Winnebago

Complete form using **BLACK INK**



See page 2 for TIPS on completing this form.

Note

DO NOT STAPLE

Your social security number 987 00 2080	Spouse's social security number
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Your legal last name Black	Legal first name Susan	M.I. A
If a joint return, spouse's legal last name	Spouse's legal first name	M.I.

Home address (number and street). If you have a PO Box, see page 6.
601 Turnbolt Street

City or post office Milwaukee	State WI	Zip code 53154
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Filing status

Single

Married filing joint return (even if only one had income)

Head of household

Also, check here if married. **Fill in qualifying person's name**

State election campaign fund
If you want \$1 to go to the State Election Campaign Fund, check here. You Your spouse
Designating an amount will not change your tax or refund.

Tax district Check below then fill in either the name of city, village, or town and the county in which you lived at the end of 2008.

City, village, or town City Village Town
Milwaukee

County of **Milwaukee**

School district number (see page 23) **4018**

Special conditions

Print numbers like this → **0 1 2 3 4 5 6 7 8 9** Not like this → **Ø 1 4 7** **NO COMMAS; NO CENTS**

1	Wages, salaries, tips, etc. (see page 7)	1	<u>5,250.00</u>
2	Interest (see page 7)	2	<u>450.00</u>
3	Ordinary dividends (from line 9a of federal Form 1040A or 1040)	3	<u>.00</u>
4	Capital gain distributions (see page 8)	4	<u>.00</u>
5	Unemployment compensation (from worksheet, page 8)	5	<u>.00</u>
6	Taxable IRA distributions, pensions, and annuities (see page 8)	6	<u>.00</u>
7	Add lines 1 through 6	7	<u>5,700.00</u>
8	IRA deduction (see page 9)	8	<u>.00</u>
9	Student loan interest deduction (see page 9)	9	<u>.00</u>
10	Medical care insurance deduction (see page 9)	10	<u>.00</u>
11	Add lines 8 through 10	11	<u>0.00</u>
12	Subtract line 11 from line 7. This is your Wisconsin income	12	<u>5,700.00</u>
13	If your parent (or someone else) can claim you (or your spouse) as a dependent, check here	13	<input checked="" type="checkbox"/>
14	Fill in the standard deduction for your filing status from table, page 31. But if you checked line 13, fill in amount from worksheet, page 10	14	<u>5,550.00</u>
15	Subtract line 14 from line 12. If line 14 is larger than line 12, fill in 0	15	<u>150.00</u>
16	Exemptions (Caution: see page 10)		
	a Fill in exemptions from your federal return _____ x \$700	16a	<u>.00</u>
	b Check if 65 or older <input type="checkbox"/> You + <input type="checkbox"/> Spouse = _____ x \$250	16b	<u>.00</u>
	c Add lines 16a and 16b	16c	<u>0.00</u>
17	Subtract line 16c from line 15. If line 16c is larger than line 15, fill in 0. This is your taxable income	17	<u>150.00</u>
18	Tax. Use amount on line 17 to find your tax using table, page 24	18	<u>7.00</u>
19	Armed forces member credit (must be stationed outside U.S., see page 11)	19	<u>.00</u>
20	School property tax credit		
	a Rent paid in 2008—heat included _____ .00	} Find credit from table page 12 ..	20a <u>.00</u>
	Rent paid in 2008—heat not included _____ .00		
	b Property taxes paid on home in 2008 _____ .00	} Find credit from table page 13 ..	20b <u>.00</u>
21	Working families tax credit, see page 14	21	<u>.00</u>
22	Married couple credit. Complete schedule on reverse side	22	<u>.00</u>
23	Add lines 19 through 22. This is the total of your credits	23	<u>0.00</u>
24	Subtract line 23 from line 18. If line 23 is larger than line 18, fill in 0. This is your net tax	24	<u>7.00</u>



ENCLOSE withholding statements

PAPER CLIP payment here

