

# WITHHOLDING TAX UPDATE

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## What's New?

- **New reporting requirement for employer withholding.** Beginning January 1, 2019, employers filing quarterly, monthly, or semi-monthly cannot submit an annual reconciliation of Wisconsin tax withheld (WT-7) until all withholding deposit reports (WT-6) have been filed. The filer will get a rejection or error message if the total withholding tax reported on the annual reconciliation is more than the total tax reported on the withholding deposit reports or one or more withholding deposits have not been filed. Withholding deposits can be in pending status with a future payment date. This new requirement should reduce the number of penalties imposed on the annual reconciliation and reduce appeals (see [Wisconsin Tax Bulletin #203](#)).
- **New stand-alone W-2 application.** A new stand-alone W-2 application allows businesses to key in and submit W-2s and 1099s at any time during the year in My Tax Account. Previously, businesses could only submit these in My Tax Account while completing the WT-7. The application makes it easier to submit information returns omitted from previous submissions. It also provides a user friendly option for those that don't have active withholding accounts but have a need to submit W-2s or 1099s. Available in 2019.

## Withholding Tax Rates

The current withholding tax rates will continue for 2019. These rates are available in [Publication W-166](#), *Wisconsin Employer's Withholding Tax Guide*, for payroll periods beginning on or after April 1, 2014.

## Reminder

- An employer or payer required to file 10 or more W-2s or 10 or more of any one type of information return with the department must file such returns electronically.
- All W-2s and information returns required to be filed with the department are due January 31.
- A 30-day extension is available upon request for filing W-2s and 1099s with the department.
- The department may not issue a refund to an employed individual before March 1, unless the individual and individual's employer have filed all required returns and forms.

## Filing Frequency Changes

Each year the department runs an annual scan process that evaluates your deposits from the last year and adjusts your filing frequency accordingly. This process runs in November to determine your filing frequency for 2019 withholding tax deposits. If your filing frequency changes, we notify you in writing. A copy of this letter is available in *My Tax Account*.

## Nonresident Entertainer Withholding – Reporting Changes in 2019

A nonresident entertainer who receives more than \$7,000 for the performance of amusement, entertainment, or public speaking services, or performs in sporting events in Wisconsin, must file a surety bond or cash deposit with the department at least seven days prior to the performance in Wisconsin. The amount of the bond or deposit is generally 6% of the total contract price.

If a bond or deposit is not filed by the nonresident entertainer, the person who contracts for the performance of the services by the nonresident entertainer, or the person who has receipt, custody, or control of the proceeds of the event, must withhold 6% of the amount paid to the entertainer and remit it to the department within five days after the performance.

### *What's changing?*

Beginning in 2019, the nonresident entertainer withholding report (Form WT-11) is tax-year specific and allows a person to report withholding for multiple nonresident entertainers. In addition, nonresident entertainers may submit a request for a lower withholding rate using the new Form WT-12.

Starting in January, the updated Form WT-11 and new Form WT-12 may be filed using My Tax Account, the department's online filing and payment system. These forms will be available on the department's website in mid-December for viewing and printing.

## Reporting by Financial Institutions and Insurance Agencies

All banks, credit unions, insurance agencies and other employers who withhold Wisconsin income tax from employee wages (W-2) and interest and dividends (1099-DIV, 1099-INT, etc.), or have a third party withhold on their behalf, must report the total amount withheld from wages, interest and dividends from all sources on the employer's annual reconciliation (WT-7). The information returns (1099-DIV, 1099-INT, etc.) with Wisconsin withholding must be submitted with the WT-7.

## Verify Client Information

The Department of Revenue offers preparers the opportunity to verify certain client-related data via an online [data exchange program](#). Payroll providers can use the withholding data exchange to inform the department of a new client and verify withholding tax account numbers and filing frequency information, including new filing frequency data for the upcoming year. Files are acted on as received. Results are returned the next business day.

## Wage and Information Return Reporting Requirements

In a continued effort to fight fraud, the department wants to ensure the information you file matches the information reported by the payee. Review and follow the requirements in this publication to submit wage statements and information returns for payments made in 2018.

Before filing, verify the payer's 15-digit withholding tax number, federal employer identification number and legal name using our account [look-up](#). Preparers can use our [withholding data exchange](#) to verify client information in bulk.

Wage or information returns with incomplete or incorrect information will be rejected. Rejected returns must be corrected and resubmitted. Incorrect or incomplete returns filed on paper will not be returned. A letter will be sent asking for correction and resubmission of the corrected forms.

For more information on filing requirements, see [Publication 117](#), *Guide to Wisconsin Wage and Information Returns*.

## Employers and Preparers: Beware of W-2 Email Scam

The Internal Revenue Service is urging employers and payroll service providers to be on alert for a W-2 email scam. These emails appear to come from someone within your organization and request copies of W-2s. Identity thieves use this information to file fake tax returns for refunds. If your organization experiences W-2 data loss, contact the IRS and Wisconsin Department of Revenue:

- **IRS** – Visit <https://www.irs.gov/identity-theft-fraud-scams> (see Businesses section).
- **Wisconsin Department of Revenue** – Contact us at [DORIDTheft@wisconsin.gov](mailto:DORIDTheft@wisconsin.gov) to report the data loss and provide contact information. Do not include personally identifiable information for impacted employees or customers in your email.

The Wisconsin Department of Agriculture, Trade and Consumer Protection offers an informational brochure on identity theft-related topics at <https://datcp.wi.gov/Pages/Publications/IDTheftPrivacyProtectionFactSheets.aspx>.

### Transportation Fringe Benefits

The value of certain transportation fringe benefits provided by an employer to an employee may be excluded from employee wages.

#### 2018 Treatment

For federal and Wisconsin purposes, the amount that may be excluded from employee wages for 2018 is limited as follows:

- \$260 per month for qualified parking
- \$260 per month for commuter highway vehicle transportation and transit passes

Note:

- Qualified transportation fringe benefits are still excluded from an employee's income. However, the expenses associated with the benefits are no longer deductible by the employer. In addition, no deduction is allowed for any expense incurred for providing any transportation, or any payment or reimbursement to an employee, in connection with travel between an employee's residence and place of employment, except as necessary for ensuring the safety of the employee, or for qualified bicycle commuting reimbursements.
- Employers must now include bicycle commuting reimbursements in the employee's wages. Bicycle commuting reimbursements are still deductible by the employer.
- Moving expense reimbursements are also included in the employee wages with an exception for members of the U.S. Armed Forces (criteria apply). See Wisconsin Schedule I instructions for more information.

#### 2019 Treatment

For federal and Wisconsin purposes, the amount that may be excluded from employee wages for 2019 is limited as follows:

- \$265 per month for qualified parking
- \$265 per month for commuter highway vehicle transportation and transit passes

### Electronic Filing Reminder

You must file your withholding deposit reports and pay electronically if your deposits were \$300 or more in the prior year. The annual reconciliation must also be filed electronically. In addition, filers with 10 or more wage statements or 10 or more information returns must file such statements and returns electronically. If these requirements create an undue hardship, you may request an e-filing/e-payment waiver by completing Form EFT-102, *Electronic Filing or Electronic Payment Waiver Request*.

### Deposit Report (WT-6) Filing and Payment Options

Electronic filing options for withholding tax deposits are:

- [My Tax Account](https://tap.revenue.wi.gov) – <https://tap.revenue.wi.gov>
- ACH Credit – through your financial institution
- File Transfer – DOR website
- Credit Card – through Official Payments 1-800-272-9829; use code 5800
- Telephone – call 608-261-5340 or 414-227-3895

**Note** – Annual filers do not file deposit reports.

### Annual Reconciliation (WT-7) Filing and Payment Options

Electronic filing options include:

- [My Tax Account](https://tap.revenue.wi.gov) – <https://tap.revenue.wi.gov>
- File Transfer – DOR website
- Telephone – call 608-261-5340 or 414-227-3895

Include on the reconciliation the total number of W-2s reportable to Wisconsin. This includes W-2s mailed to us with "WI" in box 15 and electronically filed W-2s with "55" in the state code field. Only report information returns (e.g., 1099-R, 1099-MISC, W-2G) with Wisconsin withholding on the reconciliation.

**Note** – If you close your withholding account before December 31, the reconciliation, wage statements, and information returns with Wisconsin withholding are due within **30** days of the account cease date.

### Filing Wage and Information Returns

Wage statements and information returns, including the annual reconciliation (if required), must be filed with the department by January 31. Review and follow the reporting requirements below to submit wage statements and information returns.

Wage Statement and Information Return Reporting Requirements			
Required information	Send information	Required format for paper filers	Do not send
<ul style="list-style-type: none"> <li>15-digit Wisconsin withholding tax number. Those who did not withhold, are not required to withhold <b>and</b> never held a Wisconsin withholding tax number, must use 036888888888801.</li> <li>Nine-digit federal employer identification number (FEIN)</li> <li>Legal name must match numbers above</li> <li>Nine-digit payee tax identification number</li> <li>Wisconsin as top state (if possible)</li> </ul> <p><b>Before filing:</b></p> <ul style="list-style-type: none"> <li>Register, if required, or make any name changes</li> <li>Verify the first three items above using our <a href="#">account look-up</a></li> <li>Preparers can use our <a href="#">withholding data exchange</a> to verify client information</li> </ul>	<p><b>Electronic</b></p> <ul style="list-style-type: none"> <li>If you file 10 or more wage statements or information returns, you must file them electronically. See <a href="#">Publication 117</a> for “How to File.”</li> </ul> <p><b>Paper</b></p> <ul style="list-style-type: none"> <li>If you file fewer than 10, we encourage you to file electronically. Otherwise, mail them to the following address:</li> </ul> <p>Wisconsin Department of Revenue PO Box 8920 Madison WI 53708-8920</p> <p><b>Do not send to any other address</b></p>	<ul style="list-style-type: none"> <li>Data must be in similar location of federal form on IRS website</li> <li>Must be in form format. We will not accept text lists.</li> <li>No more than four statements or returns per page</li> <li>Page no larger than 8.5"x11"</li> <li>Page no smaller than 2.75" high or 4.25" wide</li> <li>Send only one statement or return per employee/ payee (no duplicates)</li> <li>Use blue or black ink</li> </ul>	<ul style="list-style-type: none"> <li>1096-federal transmittal form</li> <li>1099-DIV or 1099-INT if no Wisconsin withholding (do not include on WT-7)</li> <li>CDs, magnetic tapes or non-SSA PDFs</li> <li>Carbon copies</li> <li>Correspondence</li> <li>Duplicate W-2s with no change (if change made, file W-2c only)</li> <li>Duplicate WT-7</li> <li>Old version WT-7 if paper filing</li> <li>W-2 or 1099 file with no Wisconsin connection</li> <li>W-2s or 1099s with no Wisconsin connection if paper filing</li> <li>WT2</li> </ul>

Failure to file wage statements and information returns by the due date, including any extension, or filing an incorrect or incomplete return, will result in a penalty of \$10 for each statement or return.

If you file 10 or more wage statements (W-2s) or 10 or more information returns (W-2G, 1099-MISC, 1099-R), you are required to file electronically. Failure to file 10 or more wage statements or information returns electronically will result in a penalty of \$10 for each statement or return filed by paper.

An appeal of penalty must be received within 60 days of the penalty notification. For appeals, missing wage statements and information returns must be submitted.

### Wage and Information Return Filing Options

If you file 10 or more wage statements (Forms W-2) or 10 or more information returns (Forms W-2G, 1099-MISC, 1099-R), you must file electronically. Filing options include:

- Key W-2s, 1099-MISCs and 1099-Rs in *My Tax Account* when filing the annual reconciliation (WT-7).
- Transfer a PDF file (for W-2s) created at Social Security Administration website to [DOR](#).
- Transfer an EFW2 file (for W-2s) to [DOR](#).
- Transfer an IRS formatted file (for 1099-Rs, 1099-MISCs and W-2Gs) to [DOR](#).

**Note** - If you use payroll software to prepare your wage statements or information returns, your software may allow you to submit your wage statements and information returns electronically.

If you file fewer than 10 wage statements or fewer than 10 information returns, we encourage you to file electronically. Otherwise, mail these statements and returns to Wisconsin Department of Revenue, PO Box 8920, Madison WI 53708-8920.

### Extensions

You may request an extension of 30 days for filing the annual reconciliation (WT-7). If an extension is granted, it also applies to corresponding wage statements and information returns. There is no extension of time for filing forms W-2G.

Due dates for the following cannot be extended:

- Furnishing wage statements to employees
- Furnishing information returns to recipients

Extension requests must be made in writing, via email or through *My Tax Account*. Requests must be received by January 31. Send requests for waivers from filing wage and information returns electronically, at least 30 days before the filing due date, and requests for extending the time to file wage and information returns to:

E-file waivers using EFT-102:

Wisconsin Department of Revenue  
PO Box 8949-8902  
Madison WI 53708-8902  
DORWaiverRequest@wisconsin.gov

Extension:

Wisconsin Department of Revenue  
PO Box 8946  
Madison WI 53708-8946  
DORRegistration@wisconsin.gov

### Amended Annual Reconciliation (WT-7)

If you discover an error on a reconciliation that was already filed, file another reconciliation with the correct information and note that it is an amended return. Include an explanation for the change. File corrected wage statements (W-2cs) and information returns (1099, etc.) to support the change, but only for those corrected and only to report corrected amounts withheld.

Do not file an amended reconciliation to report errors in employee wages paid, employee social security numbers (SSN) or your federal employee identification number (FEIN). Instead, file your corrected wage statements. If it is necessary to correct wage statements, furnish corrected copies of the statements to the affected employees and advise them to file the corrected copies with their individual income tax returns.

### Single-Member LLCs – Are You Registered Correctly?

A single-member LLC that reports its revenue and expenses on its owner's tax return (LLC's activity is reported on Schedule C of the owner's federal income tax return) is a disregarded entity.

For federal and Wisconsin withholding tax purposes, a disregarded entity is considered an "employer." As an "employer," a disregarded entity must obtain a Wisconsin withholding tax number using the LLC's legal name and federal employer identification number, rather than the owner's name and taxpayer identification number.

If the Wisconsin withholding tax account is in the owner's name, you may need to register for a new Wisconsin withholding tax number at [tap.revenue.wi.gov/btr](http://tap.revenue.wi.gov/btr). You must use the LLC's legal name and federal employer identification number at the time of registration. Be sure to close the prior withholding account.

If the department discovers a disregarded LLC registered for a withholding account using the owner's information, rather than the LLC's information, we will set-up a new withholding account using the LLC's legal name and federal employer identification number. We will send you a letter with the LLC's new withholding account number and close the owner's withholding account.

For reporting and collecting Wisconsin sales and use taxes, the single-owner of a disregarded LLC has the option to (a) include the LLC's sales on the owner's sales tax return, or (b) file a separate sales tax return for the LLC. If (b) is chosen, all of the owner's disregarded LLCs must separately apply for a seller's permit if they make taxable sales.

If you have questions related to this process, please contact us at 608-266-2776.

## Employees Claiming Exemption from Withholding (Forms W-4 and WT-4)

Employers must send a copy of the W-4 or WT-4 to us when:

- An employee claims more than 10 exemptions for Wisconsin purposes, or
- An employee claims complete exemption from Wisconsin withholding and earns over \$200 a week.

Send above forms to: Wisconsin Department of Revenue, Audit Bureau, Mail Stop 5-144, PO Box 8906, Madison WI 53708-8906.

If an employee claims complete exemption from Wisconsin withholding tax, a new WT-4 must be filed with the employer annually on or before April 30 of that year. If the employee fails to do so, the employee is considered as claiming zero withholding exemptions.

## Retirement and Pension Payments Exempt from Income Tax Withholding

Pension and retirement income are not wages under Wisconsin law. Therefore, withholding is not required on retirement and pension payments. However, the recipient may request that the payer withhold Wisconsin income tax from such payments. The request must be in writing and the amount withheld from each payment must be \$5 or more.

If Wisconsin income tax is not withheld, the recipient may be required to make estimated tax payments. Generally, individuals that expect to pay \$500 or more with their income tax return must make estimated tax payments. Individuals may make estimated payments online at <https://tap.revenue.wi.gov/pay>.

See [Publication 126](#), *How Your Retirement Benefits Are Taxed*, for additional information.

## My Tax Account Webinars

We offer an Annual Filer Refresher webinar on January 8, January 15, and January 22, 2019 (the same information is provided in each webinar). Check the training page on [revenue.wi.gov](http://revenue.wi.gov) for registration availability.

The Annual Filer Refresher webinar covers a variety of topics, including how to:

- File and pay withholding tax (WT-6 and WT-7)
- Key and Submit Wage Statements and Information Returns (W2s, 1099-Rs & 1099 MISCs)
- Print a Seller's Permit and/or a Business Tax Registration Certificate
- Update profile information (bank and contact information)
- Submit an appeal
- Request an extension

We also offer a My Tax Account webinar for new users the second Tuesday of even numbered months. The next webinar is schedule for December 11, 2018, 9:30 am to 10:30 am (CST). The webinar covers topics including, but not limited to, My Tax Account's two-step login process, filing and payment of [www.revenue.wi.gov/Pages/Training/Home.aspx](http://www.revenue.wi.gov/Pages/Training/Home.aspx) for more information.

## Quick Links

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- [Filing frequency changes](#)
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**Withholding Tax Electronic Mailing List**

Subscribe to the department's withholding tax electronic mailing list to receive withholding tax related communications at [revenue.wi.gov/html/lists.html](http://revenue.wi.gov/html/lists.html).

**Where to Direct Questions**

Wisconsin Department of Revenue  
Mail Stop 5-77  
PO Box 8949  
Madison WI 53708-8949

Email: [DORWithholdingTax@wisconsin.gov](mailto:DORWithholdingTax@wisconsin.gov)

Phone: 608-266-2776

Visit: [revenue.wi.gov/withholding](http://revenue.wi.gov/withholding)