

(2) The phrase "of a like kind" has reference to the nature or character of the property and not its grade or quality. One kind or class of property may not be exchanged tax free for property of a different kind or class.

(3) A leasehold interest in land cannot be exchanged tax free for a fee title unless the lease has 30 years or more to run.

(4) Where as part of the consideration to the taxpayer another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition (in the amount of the liability) shall be considered as money received by the taxpayer on the exchange.

(5) Section 71.03 (6) does not apply to trade-in of non-business property, such as an automobile used solely for personal purposes.

History: Cr. Register, February, 1958, No. 26, eff. 3-1-58.

Tax 2.73 Involuntary conversion. (Section 71.03 (1) (g), Wis. Stats.) (1) In all cases of gain on involuntary conversion where such gain is not recognized for income tax purposes, the property acquired in the replacement is deemed to take the place of the property destroyed for purposes of depreciation, depletion and profit or loss on subsequent sale or other disposition.

(2) In all cases of involuntary conversion which result in losses, such losses are allowable in the year in which the conversion takes place.

(3) This section does not apply when insurance money received on the conversion of Wisconsin assets is used in replacement outside of Wisconsin. In such case, the gain or loss must be reported in the year of conversion.

Tax 2.75 Recoveries. (Section 71.03 (1) (l), Wis. Stats.) Recoveries of items previously charged off as loss or as expense (including recoveries through health and accident insurance or otherwise of payments deducted pursuant to section 71.05 (9), Wis. Stats.), are taxable income in the year of recovery.

Tax 2.76 Refunds of taxes. (Section 71.03 (1) (l), Wis. Stats.) Refunds of federal, state or local taxes together with interest thereon which were allowed as deductions from gross income in previous years are taxable income.

Tax 2.77 Strike benefits. (Section 71.03 (1) (l), Wis. Stats.) Members of a labor organization who receive benefits from a union while on strike realize taxable income in the amount of the benefits received. Dues and strike assessments paid to labor unions are deductible from income.

Tax 2.78 Merchandise taken from stock for personal use. (Section 71.03 (1) (l), Wis. Stats.) Merchants who consume a portion of their stock of goods held for sale must report as income the cost value of the merchandise consumed.

Tax 2.79 Prizes. (Section 71.03 (1) (l), Wis. Stats.) A prize won is taxable income when received. Any expenses incurred in connection with winning a prize are deductible from the amount received.

Tax 2.80 Improvements on leased real estate, income to lessor. (Section 71.03 (1) (1), Wis. Stats.) If improvements are made on leased property and the life of such improvements extends beyond the terms of the lease, the lessor derives taxable income at the expiration of the lease, the amount of which is represented by the fair market value of the improvements at the time.

Tax 2.81 Damages received. (Section 71.03 (1) (1), Wis. Stats.) Damages may result in taxable income when recovered on account of injury to property, interference with property rights or breach of contract, when the amounts received as damages are in excess of the income tax cost of the property destroyed. Damages recovered for libel of business reputation are taxable income. Damages received for personal injury, assault and battery, sickness, alienation of affections, breach of promise, surrender of custody of minor child and similar personal damages are not taxable income.

Tax 2.82 Mileage received. (Section 71.03 (1) (1), Wis. Stats.) The excess of mileage received over actual expenditures is taxable income.

Tax 2.83 Per diem allowances received. (Section 71.03 (1) (1), Wis. Stats.) The excess of per diem allowances received over actual expenditures is taxable income.

Tax 2.84 Life insurance premium paid for officers and employes. (Section 71.03 (1) (1), Wis. Stats.) Life insurance premiums paid for officers and employes where such officers or employes are the insured are taxable income to them in the amount of the premiums paid. However, such premiums paid do not constitute taxable income to officers and employes in the case of non-permanent group insurance.

Tax 2.85 Accommodations furnished, as part of compensation. (Section 71.03 (1) (1), Wis. Stats.) The reasonable value of accommodations furnished to officers or employes as part of their compensation, such as board and lodging to hotel managers, and use of residences furnished to clergymen, teachers, public employes and household servants, is taxable income.

Tax 2.86 Income from cancellation of government contracts. (Section 71.03 (1) (1), Wis. Stats.) Compensation under cancelled government contracts not reported in the return for the year in which claim therefor was filed must be included as income in the year in which such claim is allowed.

Tax 2.87 Contributions for line extension. (Section 71.03 (1) (1), Wis. Stats.) Amounts received by a public utility from its customers in consideration of the extension of its service lines are taxable income. If and when such amounts are subsequently refunded, they are valid deductions in the year of refund.

Tax 2.90 Withholding; wages. (Section 71.19 Wis. Stats.) (1) The term 'wages' means all remuneration for services performed by an employe for his employer unless specifically excepted under section 71.19, Wis. Stats.