

Chapter Tax 2

INCOME TAXATION, RETURNS, RECORDS AND GROSS INCOME

Tax 2.01	Residence	Tax 2.51	Rent received from Wisconsin real estate
Tax 2.02	Income year	Tax 2.53	Stock dividends and stock rights
Tax 2.03	Corporation returns	Tax 2.56	Insurance dividends and proceeds received
Tax 2.04	Information returns; forms 9 and 9x for corporations	Tax 2.57	Annuity payments
Tax 2.05	Information returns, forms 8 for corporations	Tax 2.60	Dividends on stock sold "short"
Tax 2.06	Information returns for individuals	Tax 2.61	Building and loan dividends on installment shares
Tax 2.07	Income tax returns of dissolved corporations	Tax 2.63	Dividends accrued on stock
Tax 2.08	Returns of persons other than corporations	Tax 2.65	Interest received
Tax 2.09	Reproduction of forms	Tax 2.67	Wages, salaries and other compensations received
Tax 2.10	Optional tax table	Tax 2.69	Income from Wisconsin business
Tax 2.14	Separate income tax returns for husband and wife	Tax 2.70	Gain or loss on capital assets; basis of determining
Tax 2.15	Methods of accounting	Tax 2.71	Sales of capital assets on deferred payments
Tax 2.16	Changes in method of accounting	Tax 2.72	Exchanges of property not made pursuant to a plan of reorganization
Tax 2.17	Cash method of accounting	Tax 2.73	Involuntary conversion
Tax 2.18	Accrual method of accounting	Tax 2.75	Recoveries
Tax 2.19	Instalment method of accounting	Tax 2.76	Refunds of taxes
Tax 2.20	Accounting for acceptance corporations, dealers in commercial paper, mortgage discount companies and small loan companies	Tax 2.77	Strike benefits
Tax 2.21	Accounting for contractors	Tax 2.78	Merchandise taken from stock for personal use
Tax 2.22	Accounting for dealers in securities	Tax 2.79	Prizes
Tax 2.23	Accounting for farmers and dairymen	Tax 2.80	Improvements on leased real estate, income to lessor
Tax 2.24	Accounting for retail merchants	Tax 2.81	Damages received
Tax 2.25	Accounting generally	Tax 2.82	Mileage received
Tax 2.26	"Last in, first out" method of inventorying	Tax 2.83	Per diem allowances received
Tax 2.41	Separate accounting method	Tax 2.84	Life insurance premium paid for officers and employees
Tax 2.42	Apportionment method	Tax 2.85	Accommodations furnished, as part of compensation
Tax 2.43	Nonapportionable income	Tax 2.86	Income from cancellation of government contracts
Tax 2.44	Permission to change basis of allocation of income	Tax 2.87	Contributions for line extension

Apportionment in special case of business income & installment air carrier

Just 2.791 changed by amendment. I will be for production next or month

Tax 2.01 Residence. (Section 71.01, Wis. Stats.) (1) Income of teachers, traveling salesmen, federal employes or officials, and others whose profession or occupation necessitates temporary absence from their residence for five months or more of the income year is taxable in Wisconsin if residence is maintained in this state, regardless of their place of employment.

(2) The residence of a wife is that of her husband unless there is affirmative evidence to the contrary or unless the husband and wife are permanently separated. The residence of a minor child, unless emancipated, is that of its father, or of the mother, if the father is deceased.

(3) Individuals claiming a change of residence from Wisconsin to another state shall file a "declaration of residence" with the assessor of incomes for the district in which the return for the preceding income year was filed and furnish such other information as the assessor may require.

Tax 2.02 Income year. (Section 71.01, Wis. Stats.) The term "income year" shall mean the calendar year or the corresponding fiscal year upon which basis the net income is computed. In cases where a fractional part of a year is made the basis for computing net income, such period is considered the "income year."

Tax 2.03 Corporation returns. For the purpose of filing income tax returns, the tax commissioner has designated the following forms for the use of corporations:

- Form 4 Return of income for the calendar or fiscal year.
- Form 4A Balance sheets as of beginning and end of taxable year; analysis of surplus account; reconciliation of book income with net income reported.
- Form 4B Apportionment data (when applicable to the corporation).
- Form 4C Separate accounting data (when applicable to the corporation).

All returns, statements, schedules and information required to be filed or furnished by corporations shall be filed with the department of taxation at its offices in the State Office Building at Madison.

Note: Blank forms may be obtained from the department at the State Office Building address.

Tax 2.04 Information returns; forms 9 and 9x for corporations. (Sections 71.04 (1) and (2) and 71.10 (1), Wis. Stats.) All corporations doing business within this state, whether subject to the income tax or not, shall file with the department of taxation at its office in the State Office Building at Madison on or before March 15 of each year on Forms 9 as prescribed by the tax commissioner, statements of payments made within the preceding calendar year to residents of Wisconsin of salaries, wages, bonuses, retirement pay, fees, rents, royalties, interest, dividends and liquidating distributions. These forms must be filed by March 15 of each year regardless of the fact that the corporation keeps its records on a fiscal year basis. Salaries, wages, bonuses, retirement pay, fees and other compensation paid to an employe or officer (active or retired) need not be reported on Forms 9 if they aggregate less than \$600; and no one of interest, dividends, rents or royalties need be reported if it is less than \$100. Each corporation must file with forms 8 or 9, form 9x showing the number of reports made on forms 8 and 9. (See also Tax 2.05) Items of expense required to be reported on Forms 9 may be disallowed as deductions from the corporation's gross income upon failure to make proper report thereof.

Note: Blank forms may be obtained from the department at the State Office Building address.

(Corporations failing to file Forms 9 as prescribed by law shall be subject to a fine of not less than \$50 nor more than \$500. (See section 71.11 (45), Wis. Stats.)

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Tax 2.05 Information returns, forms 8 for corporations. (Section 71.10 (1), Wis. Stats.) All corporations doing business within this state, whether subject to the income tax or not, are required to file with the department of taxation at its offices in the State Office Building at Madison on or before March 15 of each year on forms 8 as prescribed by the tax commissioner, statements of such transfers of capital stock as have been made by residents of Wisconsin during the preceding calendar year.

Note: Blank forms may be obtained from the department at the State Office Building address.

(Corporations failing to file such statements shall be subject to a fine of not less than \$50 nor more than \$500. (See section 71.11 (45), Wis. Stats.)

Tax 2.06 Information returns for individuals. (Section 71.05 and 71.05 (3), Wis. Stats.) Reports of payments made by individuals may be made a part of the income tax return or may be reported on forms 9. The items of expense referred to in the statutes will be disallowed as deductions from gross income if not properly reported.

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Note: Blank forms may be obtained from the office of the assessor of incomes in which the reports are required to be filed.

Tax 2.07 Income tax returns of dissolved corporations. (Section 71.10 (1), Wis. Stats.) The officers of a corporation which has been dissolved during the income year must file a corporate income tax return for such year and for any year thereafter in which there is corporate income. The final return must indicate the disposition of all corporate assets.

Tax 2.08 Returns of persons other than corporations. (1) For the purpose of filing income tax returns, the commissioner of taxation has designated the following forms for the use of persons other than corporations:

- Form 1 For all individuals except married women.
- Form 1B For persons having a business or profession.
- Form 1-Fc For farmers on the cash basis.
- Form 1-Fi For farmers on the accrual basis.
(Form 1B, 1-Fc or 1-Fi is filed with Form 1.)
- Form 1W For wives having separate incomes.
- Form 2 For trustees, executors, administrators and others acting in a fiduciary capacity, but excluding guardians. (Guardians should report on Form 1.)
- Form 3 For copartnerships and joint venturers.

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(2) Information returns required of persons other than corporations are specified in Tax 2.06 and Tax 3.63. See also Tax 3.07.

(3) All returns, reports, statements and information required to be filed, furnished or reported by natural persons or partnerships, shall be filed in the offices of the assessor of incomes for the district in which the natural person resides, or in which the partnership has its principal business office. Natural persons who are not residents of this state shall file with the assessor of incomes from whose district they derive income from business therein transacted or prop-

erty therein located, and when they derive such income from more than one district, they shall consistently file in the office of the assessor of incomes for one of such districts unless notified by the department to file with the assessor of another district.

Note: Blank forms may be obtained from the office of the assessor of incomes in which the returns are required to be filed.

Tax 2.09 Reproduction of forms. Subject to the conditions set forth under this rule, the official Wisconsin income tax return forms may be reproduced and the reproductions filed with the department in lieu of the corresponding official forms:

(1) The reproductions must be made by photo-offset, photo-engraving or by some similar photographic process. They may be reproduced on one side or both sides of the paper.

(2) The reproductions must be on paper of substantially the same color, weight and texture, and of quality at least as good as that used in the official forms. Forms 1-Fc, 1-Fi, 1-W, 2 and 3 may not, therefore, be reproduced and filed on white paper.

(3) Since all of the official forms are printed in black ink, such printing must be reproduced in the same color.

(4) The size of the reproductions, both as to the dimensions of the paper and image reproduced thereon, must be the same as that of the official form.

(5) All signatures required on returns which are filed with the department must be original, affixed subsequent to the reproduction process.

Tax 2.10 Optional tax table (see page 9).

Tax 2.14 Separate income tax returns for husband and wife. If husband and wife each has a gross income of \$600 or more or if either has any net income when their combined net income is \$1,400 or more, each must file a separate return. (See *Amerpohl v. Tax Commission*, 225 Wis. 62.) The aggregate personal exemption of \$14.00 allowable when Forms 1 and 1-W are filed may be divided between the two according to their choice.

Tax 2.15 Methods of accounting. (Section 71.11 (8), Wis. Stats.) No uniform method of accounting can be prescribed for all taxpayers, and the law contemplates that each taxpayer may return his income in accordance with the method of accounting regularly employed in keeping his books. If no method of accounting is regularly employed or if the method employed does not clearly reflect the income, the department of taxation may prescribe the method to be used. A method of accounting will not be regarded as clearly reflecting the income unless all items of gross income and all deductions are treated with reasonable consistency.

Tax 2.16 Changes in method of accounting. (Section 71.11 (8), Wis. Stats.) No change in the method of accounting used in reporting income may be made without first obtaining the written permission of the tax commissioner or the assessor of incomes, as the case may be. Applications for such change must set forth clearly the nature of the business, the method of accounting used in keeping the books, and the reasons for changing the method of reporting. In changing from a cash basis of accounting to an accrual basis of accounting, income accrued but not yet collected as of the close of the year of change shall be added to income actually received in cash during the year,

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(5) All signatures required on returns which are filed with the department must be original, affixed subsequent to the reproduction process.

History: 1-2-56; am. Register, February, 1958, No. 26, eff. 3-1-58.

Tax 2.11 Tax Table. (Section 71.09 (2b) Wis. Stats. applicable to income years ending on and after August 31, 1959)

If Your Net Taxable Income Is		*Your Gross Normal Tax Is	If Your Net Taxable Income Is		*Your Gross Normal Tax Is	If Your Net Taxable Income Is		*Your Gross Normal Tax Is	If Your Net Taxable Income Is		*Your Gross Normal Tax Is
At Least	But Less Than		At Least	But Less Than		At Least	But Less Than		At Least	But Less Than	
0	50	.20	1,850	1,900	20.90	3,700	3,750	55.60	5,480	5,520	110.00
50	100	.70	1,900	1,950	21.60	3,750	3,800	56.90	5,520	5,560	111.40
100	150	1.20	1,950	2,000	22.20	3,800	3,850	58.10	5,560	5,600	112.80
150	200	1.70	2,000	2,050	22.90	3,850	3,900	59.40	5,600	5,640	114.20
200	250	2.20	2,050	2,100	23.60	3,900	3,950	60.60	5,640	5,680	115.60
250	300	2.70	2,100	2,150	24.40	3,950	4,000	61.90	5,680	5,720	117.00
300	350	3.20	2,150	2,200	25.10	4,000	4,050	63.20	5,720	5,760	118.40
350	400	3.70	2,200	2,250	25.90	4,050	4,100	64.80	5,760	5,800	119.80
400	450	4.20	2,250	2,300	26.60	4,100	4,150	66.30	5,800	5,840	121.20
450	500	4.70	2,300	2,350	27.40	4,150	4,200	67.80	5,840	5,880	122.60
500	550	5.20	2,350	2,400	28.10	4,200	4,250	69.30	5,880	5,920	124.00
550	600	5.70	2,400	2,450	28.90	4,250	4,300	70.80	5,920	5,960	125.40
600	650	6.20	2,450	2,500	29.60	4,300	4,350	72.30	5,960	6,000	126.80
650	700	6.70	2,500	2,550	30.40	4,350	4,400	73.80	6,000	6,040	128.30
700	750	7.20	2,550	2,600	31.10	4,400	4,450	75.30	6,040	6,080	129.90
750	800	7.70	2,600	2,650	31.90	4,450	4,500	76.80	6,080	6,120	131.50
800	850	8.20	2,650	2,700	32.60	4,500	4,550	78.30	6,120	6,160	133.10
850	900	8.70	2,700	2,750	33.40	4,550	4,600	79.80	6,160	6,200	134.70
900	950	9.20	2,750	2,800	34.10	4,600	4,650	81.30	6,200	6,240	136.30
950	1,000	9.70	2,800	2,850	34.90	4,650	4,700	82.80	6,240	6,280	137.90
1,000	1,050	10.30	2,850	2,900	35.60	4,700	4,750	84.30	6,280	6,320	139.50
1,050	1,100	10.90	2,900	2,950	36.40	4,750	4,800	85.80	6,320	6,360	141.10
1,100	1,150	11.60	2,950	3,000	37.10	4,800	4,850	87.30	6,360	6,400	142.70
1,150	1,200	12.20	3,000	3,050	38.10	4,850	4,900	88.80	6,400	6,440	144.30
1,200	1,250	12.80	3,050	3,100	39.40	4,900	4,950	90.30	6,440	6,480	145.90
1,250	1,300	13.40	3,100	3,150	40.60	4,950	5,000	91.80	6,480	6,520	147.50
1,300	1,350	14.10	3,150	3,200	41.90	5,000	5,040	93.20	6,520	6,560	149.10
1,350	1,400	14.70	3,200	3,250	43.10	5,040	5,080	94.60	6,560	6,600	150.70
1,400	1,450	15.30	3,250	3,300	44.40	5,080	5,120	96.00	6,600	6,640	152.30
1,450	1,500	15.90	3,300	3,350	45.60	5,120	5,160	97.40	6,640	6,680	153.90
1,500	1,550	16.60	3,350	3,400	46.90	5,160	5,200	98.80	6,680	6,720	155.50
1,550	1,600	17.20	3,400	3,450	48.10	5,200	5,240	100.20	6,720	6,760	157.10
1,600	1,650	17.80	3,450	3,500	49.40	5,240	5,280	101.60	6,760	6,800	158.70
1,650	1,700	18.40	3,500	3,550	50.60	5,280	5,320	103.00	6,800	6,840	160.30
1,700	1,750	19.10	3,550	3,600	51.90	5,320	5,360	104.40	6,840	6,880	161.90
1,750	1,800	19.70	3,600	3,650	53.10	5,360	5,400	105.80	6,880	6,920	163.50
1,800	1,850	20.30	3,650	3,700	54.40	5,400	5,440	107.20	6,920	6,960	165.10
						5,440	5,480	108.60	6,960	7,000	166.70

TAX ON INCOMES OF OVER \$7,000

YOUR TAXABLE INCOME

If amount on Line 7, Page 1 is

Over	But Not Over
\$ 7,000	— \$ 8,000
8,000	— 9,000
9,000	— 10,000
10,000	— 11,000
11,000	— 12,000
12,000	— 13,000
13,000	— 14,000
14,000	—

YOUR GROSS NORMAL TAX

Enter on Line A, Page 1

This Amt.	+	This %	On Excess Over
\$167.50	plus 5 %	—	\$ 7,000
217.50	plus 5½%	—	8,000
272.50	plus 6 %	—	9,000
332.50	plus 6½%	—	10,000
397.50	plus 7 %	—	11,000
467.50	plus 7½%	—	12,000
542.50	plus 8 %	—	13,000
622.50	plus 8½%	—	14,000

*From the gross tax determined by this table the taxpayer should deduct his personal exemptions, if any, to arrive at his net normal income tax. To such tax must be added any surtax on the net normal income tax as is provided by law.

History: Cr. Register, January, 1960, No. 49, eff. 2-1-60.

Register, January, 1960, No. 49

Tax 2.10 Optional tax table. (see page 9).

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Tax 2.14 Separate income tax returns for husband and wife. If husband and wife each has a gross income of \$600.00 or more or if each has some net income when their combined net income is \$1,400.00 or more, each must file a separate return. (See *Amerpohl vs Tax Commission*, 225 Wis. 62.) The aggregate personal exemption of \$14.00 allowable when each files a return may be divided between the two according to their choice.

History: 1-2-56; am. Register, February, 1958, No. 26, eff. 3-1-58.

Tax 2.15 Methods of accounting. (Section 71.11 (8), Wis. Stats.) No uniform method of accounting can be prescribed for all taxpayers, and the law contemplates that each taxpayer may return his income in accordance with the method of accounting regularly employed in keeping his books. If no method of accounting is regularly employed or if the method employed does not clearly reflect the income, the department of taxation may prescribe the method to be used. A method of accounting will not be regarded as clearly reflecting the income unless all items of gross income and all deductions are treated with reasonable consistency.

Tax 2.16 Changes in method of accounting. (Section 71.11 (8), Wis. Stats.) No change in the method of accounting used in reporting income may be made without first obtaining the written permission of the tax commissioner or the assessor of incomes, as the case may be. Applications for such change must set forth clearly the nature of the business, the method of accounting used in keeping the books, and the reasons for changing the method of reporting. In changing from a cash basis of accounting to an accrual basis of accounting, income accrued but not yet collected as of the close of the year of change shall be added to income actually received in cash during the year,

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DETERMINATION OF INCOME FROM MULTISTATE OPERATIONS

Tax 2.41 Separate accounting method. (Section 71.07 (2), Wis. Stats.) (1) When the separate accounting method is used, separate records must be kept of sales, cost of sales and expenses for the Wisconsin business as distinct from the remainder of the business. Overhead items of income and expense must then be allocated to the business within and without Wisconsin upon a basis or combination of bases justified by the facts and conditions. For example: The ratio of Wisconsin sales to total sales usually represents a satisfactory basis for a merchandising business, while the ratio of direct cost of material and labor in Wisconsin to the total gives a more accurate result for a construction business. Federal income taxes are based upon income and should, therefore, be allocated to Wisconsin business on the basis of income. Federal income taxes are deductible only on the cash basis, and the allocation to Wisconsin business for any year, therefore, must be based upon the ratio of income within Wisconsin to the total income of the year on which the federal income taxes are assessed, even though that ratio differs from the ratio of the year in which the taxes are actually paid.

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(a) The relationship of the general overhead items to Wisconsin operations will determine whether the home office income and expense should be allocated to the Wisconsin business. Such overhead items as officers' salaries, office salaries, office rent and sundry office expenses should ordinarily be included in the allocation.

(2) Interest received on bonds and dividends received on stocks held for investment are not subject to allocation except as they may be used to reduce apportionable interest paid. Rentals received from real estate held purely for investment purposes and not used in the operation of the business are not subject to allocation. All expenses connected with the interest, dividends and rentals realized from investments such as the above are not subject to allocation but must be applied against the investment income. The taxability of the net investment income depends upon the situs of the investment property or the residence of the recipient.

Tax 2.42 Apportionment method. (Section 71.07 (2), Wis. Stats.) Any person engaged in business within and without the state must report by the statutory apportionment method when the business of such person within the state is an integral part of a unitary business, unless the department of taxation expressly permits reporting on a different basis. The factors used in the apportionment method are as follows:

(1) Tangible property includes land, buildings, machinery and equipment, inventories and other tangible personal property actually owned and used in producing apportionable income. Tangible property which is used in producing nonapportionable or nontaxable income cannot be included in the property factor. The value at which tangible property should be included in the apportionment factor is the average of the beginning and close of year values on a comparable basis within and without the state. If the average at the beginning and end of the year does not fairly represent the average of the property owned during the year, the average may be obtained by dividing the sum of the monthly balances by 12.

(2) The cost of manufacturing, collecting, assembling or processing within Wisconsin must be determined in all cases in the same manner and under the same rules as the cost for the entire business within and without Wisconsin is determined. When a product is partially completed outside of the state and then shipped into the state for further processing or completion, only the labor and manufacturing expense incurred from the time that the product is brought into the state becomes a part of the cost within Wisconsin, and the total material used in manufacturing both within and without the state shall be allocated on some equitable basis such as the ratio of direct labor and manufacturing expense within Wisconsin to the total thereof.

(3) Sales are made in Wisconsin if made through or by offices, agencies or branches located within the state, regardless of the location of the purchaser. Sales made by a foreign corporation to customers in Wisconsin through the medium of solicitors and traveling salesmen are not Wisconsin sales unless such salesmen are identified with offices, agencies or branches located within Wisconsin. Sales made by a sales office in Wisconsin to customers located outside of Wisconsin are Wisconsin sales for purposes of apportionment. Goods sold through a sales office in Wisconsin may be shipped direct from a factory located outside the state to a customer located outside the state and still be Wisconsin sales. Goods sold through a sales office located outside of the state without the intervention of any Wisconsin office, branch or agency but shipped from a factory located in Wisconsin to a Wisconsin customer are not Wisconsin sales.

Tax 2.43 Nonapportionable income. (Section 71.07 (2), Wis. Stats.)

(1) The expenses related to nonapportionable income must be deducted therefrom to determine the net nonapportionable income. In the case of dividends and interest received which follows the residence of the recipient, only the excess of the amounts received over the sum of interest paid and dividends deducted plus other related expenses can be considered as nonapportionable income. If the interest paid, deductible dividends received and related expenses exceed the total interest and dividends received, no deduction from total net income can be made for nonapportionable interest and dividends. All of the nonapportionable income must be deducted from the total net income of the business to determine the apportionable income to which the apportionment percentage is applied. Any nonapportionable income attributable to Wisconsin must be added to the apportionable income allocated to Wisconsin to determine the total Wisconsin net income.

(a) Gains and losses on sale or discard of working assets such as machinery and automobiles are ordinarily considered to be adjustments of depreciation and are treated as apportionable.

Tax 2.44 Permission to change basis of allocation of income. (Section 71.07 (2), Wis. Stats.) (1) Except when income must be reported on the apportionment basis, permission to make a change either from separate accounting to apportionment, or vice versa, must be obtained in writing from the tax commissioner or the assessor of incomes upon written application setting forth in detail the reasons why the desired change will more clearly reflect the taxpayer's Wisconsin income.

(a) Such application must be filed before the end of the income year for which the change is desired.

Tax 2.72 Exchanges of property not made pursuant to a plan of reorganization. (Section 71.03 (1) (g), Wis. Stats.) (1) When property is exchanged for other property which has a fair market value, a taxable gain or deductible loss may result, and such fair market value must be treated as the price realized for the property exchanged and the cost price of the property received, for purposes of future sale. When the property received in exchange has no determinable market value, the property received takes the place of the property exchanged, and no profit or loss is recognized. In the event of future sale, the income tax cost of the original property exchanged becomes the basis for computing the gain or loss on the property received in exchange.

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(2) Where property of two different kinds is received in exchange for property, one kind having a determinable fair market value and the other no determinable fair market value, the gain is measured by the excess of the fair market value of the property received over the income tax cost of the property exchanged. The property received which has no determinable fair market value is considered as having no cost in case of future sale, the entire proceeds of such sale being taxable income. If the income tax cost of the property exchanged is in excess of the fair market value of the property received in exchange, such excess shall be taken as the income tax cost of the property received which has no determinable fair market value, no loss being recognized in such cases.

(3) Taxable gain or deductible loss must be computed when used working assets, such as automobiles and machinery, are traded in on the purchase price of new assets of a similar nature. The measure of gain or loss is the difference between the trade-in allowance and the net income tax cost of the old assets. The only exception to this rule occurs in the case of a taxpayer who has been permitted or required to use a composite rate of depreciation.

In general, there are only three types of exchanges upon which exemption from tax may be claimed:

- (1) Exchanges made pursuant to a plan of reorganization.
- (2) Exchanges in which the property received in trade has no determinable market value. In attempting to determine the market value of the property received in exchange, the same methods may be used as in determining 1911 value.
- (3) Exchanges of residences pursuant to section 71.03 (5) of the statutes.

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.

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Tax 2.75 Recoveries. (Section 71.03 (1) (1), 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) (1), 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) (1), 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) (1), 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) (1), 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) (f), 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) (i), 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) (j), 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.

Chapter Tax 3

INCOME TAXATION, DEDUCTIONS FROM GROSS INCOME, EXCLUSIONS AND EXEMPTIONS, ETC.

Tax 3.01	Rents paid	Tax 3.39	Depletion, records required
Tax 3.03	Dividends received, deductibility of	Tax 3.42	Amortization of defense facilities
Tax 3.05	Profit-sharing distributions	Tax 3.44	Organization and financing expenses
Tax 3.06	Compensation paid in capital stock	Tax 3.45	Bond premium, discount and expense
Tax 3.07	Bonuses and retroactive wage adjustments	Tax 3.47	Legal expenses and fines
Tax 3.08	Retirement and profit sharing payments	Tax 3.49	Professional expenses
Tax 3.10	Salesmen's and officers' commissions, travel and entertainment expense	Tax 3.51	Traveling expenses
Tax 3.11	Compensation paid to household servants	Tax 3.52	Automobile expenses
Tax 3.12	Losses on account of wash sales	Tax 3.53	Miscellaneous expenses deductible
Tax 3.14	Losses from bad debts	Tax 3.54	Miscellaneous expenses not deductible
Tax 3.16	Losses on involuntary conversion	Tax 3.55	Donations and contributions
Tax 3.17	Losses, miscellaneous	Tax 3.61	Exempt income
Tax 3.20	Interest paid	Tax 3.62	Inheritances, devises, bequests and gifts
Tax 3.22	Real estate and personal property taxes	Tax 3.63	Pension and profit-sharing trusts
Tax 3.23	Federal income and excess profits taxes	Tax 3.64	Personal exemption proration
Tax 3.24	Taxes, miscellaneous	Tax 3.71	Income of estate of decedent
Tax 3.28	Depreciation, basis for allowance	Tax 3.72	Executors and administrators, income received after final account
Tax 3.29	Depreciation, computation of allowance	Tax 3.73	Trustees, when taxable period covered by a trust differs from distributee's taxable period
Tax 3.30	Depreciation and amortization, leasehold improvements	Tax 3.74	Trustees, separate trusts, each taxed as an entity
Tax 3.31	Depreciation of personal property	Tax 3.81	Offset of occupational taxes paid against normal income taxes
Tax 3.32	Depreciation rates	Tax 3.82	Evasion of tax through affiliated interests
Tax 3.35	Depletion, basis for allowance	Tax 3.68	Proration of 20 per cent surtax
Tax 3.36	Depletion of timber	Tax 3.91	Application for abatement
Tax 3.37	Depletion of mineral deposits	Tax 3.92	Informal conference
Tax 3.38	Depletion allowance to mines and mills producing or finishing ores of lead, zinc, copper or other metals except iron	Tax 3.93	Closing stipulation
		Tax 3.94	Claims for refund

Tax 3.01 Rents paid. (Sections 71.04 (2) and 71.05 (2), Wis. Stats.) Rents paid on property used in producing taxable income are deductible from gross income. The cost of leaseholds, acquired for cash or property, represents rent paid in advance and as such is deductible from gross income in equal amounts over the life of the leaseholds. Taxes paid by the lessee for the lessor are to be treated as additional rent paid and are a deductible expense.

Tax 3.03 Dividends received, deductibility of. (Section 71.04 (4), Wis. Stats.) (1) In determining whether 50% or more of the net income or loss for the preceding year of the corporation paying the dividend was used in computing taxable income, nontaxable income from United States interest and deductible dividends must be disregarded.