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# Wisconsin Legislative Council

## ACT MEMO

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April 19, 2022

**2021 Wisconsin Act 262**  
[2021 Senate Bill 794]

**Pass-Through Entity Audits**

### BACKGROUND

Pass-through entities include partnerships, limited liability companies, and tax-option corporations and may have members numbering in the hundreds or even thousands. Under prior law, when auditing pass-through entities for tax purposes, the Department of Revenue (DOR) was generally required to contact each individual member when conducting the audit.

### 2021 WISCONSIN ACT 262

2021 Wisconsin Act 262 made a number of changes intended to permit DOR to perform certain procedures associated with pass-through entity audits at the entity level. Specifically, these changes permit DOR to do the following:

- Assess and collect additional tax from a pass-through entity on income otherwise reportable by its pass-through members.
- Direct the Secretary of the Department of Administration to refund to a pass-through entity the part of an overpayment paid by the entity and not by the entity's members.
- Assess an adjustment to reduce a tax credit to a pass-through entity if the entity previously computed the credit and reported the credit to its members.
- Assess an adjustment to increase a tax credit to offset additional tax assessed to a pass-through entity.
- Assess any pass-through member of an entity for their allocated portion of additional collective tax owed by an entity.

**Effective date:** April 17, 2022

DWS:ksm