

# Start-Up Guide for Doing Business in the State of Wisconsin





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Fax: 715-344-9791

### **Wausau**

1429 Merrill Avenue  
Wausau, WI 54401-2646  
Phone: 715-675-2351  
Fax: 715-675-2812

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**PLEASE NOTE:** This document provides information of a general nature regarding tax laws or legislation. None of the information contained herein is intended as legal advice or opinion relative to specific matters, facts, situations or issues. Additional facts and information or future developments may affect the subjects addressed in this communication. We suggest that you consult with your legal or tax advisor regarding the enclosed.

This material is designed to provide you with highlights of recent tax, financial and business issues. Because the information presented is general in nature and is subject to change, we urge you to contact us for personal advice before you act. We are not responsible for errors, misinterpretations or omissions related to this information. To ensure compliance with requirements imposed by the IRS, if these materials contain advice concerning any federal tax issue or submission, please be advised that it is not intended or written to be used, and that it cannot be used, for the purpose of avoiding federal tax penalties unless otherwise expressly indicated.

## About this Guide

Starting a new business off on the right foot is extremely important. This guide on operating your business in Wisconsin will assist you in coping with the complicated maze of forms and requirements. It answers the important questions about filing requirements such as the reason for the requirement, what form to file, when it is required and how it is done. It assembles in one place, with the related filing instructions, all the forms a business must file. A section covering accounting and recordkeeping requirements is also included.

We hope you will find this guide useful. If you have any questions, please contact one of our business professionals.

## About Schenck SC

Schenck has grown from a sole proprietorship founded in 1930 to a company with more than 60 shareholders, more than 500 employees and nine locations throughout Wisconsin. The firm has grown by understanding the demands of business combined with a sincere concern for clients and their success. Whether it's manufacturing, health care, real estate and construction, financial institutions, retail, transportation or government and not-for-profit organizations—our people know what it takes to stay competitive in your business environment.

As a leader in innovative business solutions, Schenck provides you with a wide range of services designed to help your business succeed. From accounting to technology consulting to retirement planning and everything in between, Schenck will work with you every step of the way to provide you with the solutions you want and the service you deserve. As all of our offices work together to serve you, we'll help you find even more solutions and more ways to save time and money.

To learn more about Schenck, visit our website at [www.schencksc.com](http://www.schencksc.com).

## What Business Consultants Can Offer

Entrepreneurs are visionaries who take on the risk of starting a new business or creating a new product. Unfortunately, not all entrepreneurs are schooled in the specifics of starting and running their own company. A prospective or emerging small business owner should turn to the professional community for advice and direction. Some of the professionals available for consultation include accountants, attorneys, bankers and others business owners in the business community.

### Certified Public Accountants

Small businesses open their doors every day in the United States. Their ability to survive depends, in large part, on the effectiveness of the management of finances. Anyone in business will say that the only constant in business is change. The economy, technology, competition and even the rules are ever-changing; success in business depends on the ability to anticipate these changes and their likely effect on your business. A certified public accountant provides a variety of services to assist in preparing a comprehensive set of plans to start or continue your company.

For those starting or operating their own business, a certified public accountant can help set up an effective record-keeping system to monitor receipts, disbursements, receivables, inventory, taxes and payroll. It is critical for the accounting system to provide accurate and timely information so you can make important business decisions and meet government reporting requirements.

Certified public accountants know the financial aspects of business and understand how they operate. They bring a sense of security because of their unique combination of independence, competence and experience in dealing with a variety of business owners on a daily basis. Businesses can rely on certified public accountants for objective advice, a wide range of expertise, creative alternatives to problems, established ethics, superior credentials and, most importantly, reliability and trust.

### Attorneys

Attorneys are needed to draft and review important documents, recommend and implement the legal form of a business, evaluate business agreements and provide representation in legal matters.

An attorney's training and experience in the legal aspects of forming and operating a business is an invaluable tool to the small business owner. Choose an attorney that has a business background and will be around to help as you grow the business.

### Bankers

Financing is often needed to set up and operate a business. These funds can be obtained from a commercial bank. In addition to providing cash for a business, financial institutions are well-versed in finance, economics and the complexity of cash and debt management. They should be interested in establishing long-term relationships and building mutual trust and understanding based on an individual company's needs.

Normally, a financial institution will want a business plan and possibly personal financial statements before lending the money needed to start or continue business endeavors. An accountant will be able to compile necessary information required by a lending institution.

### Other Resources

**Federal Government:** The Small Business Administration (SBA) located in Madison, WI (608-264-5261) has loans available as well as seminars, booklets and other publications to assist the small business owner.

**State Government:** The Wisconsin Department of Development, located in Madison, WI, (608-266-9467) offers a range of assistance to new or expanding businesses. This assistance includes a variety of publications, resources and demographic information. This information can be used to make better business decisions.

**Educational Institutions:** Most colleges, universities and vocational institutions offer "Business Start-Up" classes which are very informative in helping new and operating business owners set a course to a profitable company.

**Service Corps of Retired Executives (SCORE):** SCORE is an organization of retired executives who are available to assist in working through the many decisions and areas of consideration faced by a new business.

## Checklist for the Business Start-Up

This checklist is designed to be used as “helpful hints” for beginning businesses. Frequently, when the decision to start a business moves from an idea to reality, everything seems to demand immediate attention. Important steps may be overlooked. Completing the essential steps included in the checklist will increase the efficiency and organization of a new business.

### 1. Personal Assessment

- Have motivation, energy and willingness to put in long hours with an unpredictable financial return.
- Possess business experience, background and training for the operation.
- Have leadership and organizational abilities, and a willingness to assume decision-making responsibilities.
- Have interest in working with many different types of people.

### 2. Planning

- Determine and define the products or service to be provided. Develop a business plan.
- Develop a financial plan.
- Develop a marketing and/or promotional plan.

### 3. Establishment

- Secure financing.
- Contact the necessary federal, state and local agencies for regulatory information and permit and license applications.
- Review federal, state and local tax laws.
- Obtain management assistance from resource organizations such as Small Business Centers (SBC), Small Business Development Centers (SBDC) and Service Corps of Retired Executives (SCORE).
- Get necessary professional advice and assistance from attorneys and accountants. Complete all forms and pay all fees.

### 4. Implementation

- Register the business name.
- Obtain adequate insurance coverage.
- Hire and train employees.
- Initiate the marketing plan.

## Forms of Doing Business

Once you have made the decision to launch a new business, choosing the appropriate legal form of entity is very important. Available options include sole proprietorship, partnership, corporation limited liability company (LLC) and limited liability partnership (LLP). Choosing the right entity depends on a variety of tax and non-tax considerations. (See Exhibit I, “Comparison of Business Entities,” for the features of these entities shown in a grid format.)

### Sole Proprietorship

In a sole proprietorship, the assets and liabilities of the business are owned directly and entirely by one individual. This is the most basic and usually the simplest form of business organization. In a proprietorship, the owner holds title to property, conducts business for profit and is directly and personally liable for all obligations of that business. In most cases, the owner’s personal assets can be seized to satisfy debts of the proprietorship. A sole proprietorship has the same tax year as its owner.

## Partnership

Partnerships include any unincorporated trade or business carried on by two or more persons who contribute capital or services to the venture and share in its profits and losses. In addition to the ordinary partnership, the term includes syndicates, groups, pools and joint ventures. Because of tax rules and regulations, partnerships are increasingly complex entities. The net income of a partnership is taxed to the individual partners in accordance with their percentage share of the business. This income is taxed whether or not it is distributed to the partners. Each partner is jointly and severally liable for the partnership's obligations. Like proprietorships, a partner's personal assets can be seized to satisfy debts of the partnership.

A partnership is generally required to adopt the tax year of its majority owners. There are three exceptions to this rule:

- Fiscal year end: based on IRS approval of business purpose,
- Fiscal year end: based on natural business tax year - 25% or more of the partnership's gross receipts are recognized during the last two months of the same 12-month period for three consecutive years, or
- Fiscal year of either Sept., Oct., or Nov.: based on a one-time election on Form 8716 which requires an annual tax deposit be made to the IRS (discussed under "Estimated Tax Payments" on page 22).

## Corporation

A corporation is an artificial entity which has been created formally under the business corporation law of a state or other jurisdiction. Operating in a corporate entity generally provides limited liability for its owners, ease of transferring ownership interests and, generally, it is easier to obtain additional capital through the sale of stock. There are two types of corporations, a regular or "C" corporation and an "S" corporation.

**C Corporation:** A regular or "C" corporation is the standard corporate form for nearly all large companies. Its income is taxed twice, once at the corporate level, and then a second time when the company pays dividends which are then taxed to the shareholders. A C corporation may choose a calendar year or a fiscal year for reporting purposes.

**S Corporation:** An "S" corporation is a special type of corporate entity which retains some of the benefits of a corporate existence (notably, a corporate shell to protect the owners from creditors and liability), while having its income taxed only once, to the shareholders. In this respect, an S corporation is much like a partnership.

To elect S corporation status, IRS Form 2553 (Election by a Small Business Corporation) must be filed. The decision to file an S election requires a decision as to the tax year to be used by the S corporation. In general, those electing S corporation status have the following three choices:

- Calendar year ending December 31
- Fiscal year end based on IRS approval of business purpose
- Fiscal year of either Sept., Oct. or Nov. based on a one-time election on Form 8716 (Election to Have a Tax Year Other Than a Required Tax Year) which requires an annual tax deposit be made to the IRS (discussed under "Estimated Tax Payments" on page 22)..

## Limited Liability Company (LLC)

The LLC is an entity which has become popular in recent years. LLCs generally have the best features of partnerships and S corporations. However, their principal disadvantage is that because they are a relatively new form of business entity with little regulatory case law to follow, the treatment is inconsistent from state to state.

Restrictions on an LLC's tax year are the same as stated above for a partnership.

**Check-the-Box Rules:** Under these rules, business entities not required to be treated as corporations are referred to as "eligible entities." These include most unincorporated legal entities, i.e., LLCs and limited partnerships.

Eligible entities with two or more owners can elect to be treated as a partnership or a corporation for federal income tax purposes.

Eligible single-owner entities, such as the single-member LLCs allowed by Wisconsin, as well as some other states, can elect to have their existence ignored for federal income tax purposes. Under the check-the-box regulations, an LLC with a single member is treated as the same tax entity as its owner (i.e., a sole proprietorship, division or branch), or can elect to be taxed as a corporation. As an example, an LLC owned by a single individual can elect to be treated as a sole proprietorship, or an LLC wholly owned by a corporation can elect to be treated as an unincorporated branch of the parent corporation. However, if corporate treatment provides the better alternative, the single-owner entity can elect to be treated as a corporation.

## Limited Liability Partnership (LLP)

The primary advantage of an LLP over a general partnership is that a partner in an LLP is generally not personally liable for debts, obligations or liabilities of the partnership including tort liability for which the partner is not personally responsible. As with the LLC, the primary disadvantage is that because they are relatively new entities, there is not much guidance from the courts, Internal Revenue Service or state Departments of Revenue in interpreting the statutes. Restrictions on an LLP's tax year are the same as stated above for an LLC.

## Deciding Whether to Incorporate

From a tax viewpoint, the corporation and the unincorporated entity each has its own advantages and disadvantages. Determining whether, on balance, the tax factors dictate the use of the corporate or non-corporate form will obviously be easier for a sole proprietorship (with its singular interest) than for a multi-member partnership (with differing and inevitably conflicting personal interests). Rarely will all partners agree that incorporation is either inadvisable or advisable — at least not when judging from selfish points of view. However, there are situations in which the federal tax structure clearly favors one form of business over the other. Some instances are listed below:

- For an infant or expanding profitable business needing capital, the corporate form is better.
- When the owners of a successful business comprise most of its “employees,” the corporate form (with liberal deferred compensation and fringe benefit plans) is better
- The owners of a multi-employee business personally need or want their earnings currently—a non-corporate form is better, especially if the business is providing the employees with minimal deferred compensation and a fringe benefit plan.
- The business is going through a loss era (perhaps because it was recently started)—a non-corporate form is better.

A slight tax benefit will not justify, by itself, the incorporation of a business. The tax law facilitates the incorporation of a business but deters its liquidation. For example, if a business loaded with goodwill is incorporated tax free and then liquidated two years later, the liquidation transactions could produce a substantial long-term capital gain on the original amount of goodwill, although it is merely being restored to the original owner. Therefore, a business should not be incorporated unless one or both of the following applies:

- The objectives of the business and its owners will clearly be better achieved under corporate tax rules.
- There is a non-tax reason (such as limited liability) which compels incorporation regardless of tax consequences.

## Legal Forms of Organization

The following lets you compare the main forms of business organization as they relate to human resources, initial funding, government regulation, revenue/profits and growth potential. Keep in mind that your initial organization decision can be changed. As your business grows and prospers, your financial and tax situations may warrant a change in your form of organization.

### Human Resources

#### Management Control

- **Proprietorship:** One owner is in total control.
- **Partnership:** Control is divided among two or more partners and decisions are made by the majority or a prearranged agreement (limited partners cannot manage the business).
- **C Corporation:** A C corporation acts as one person, but the Board of Directors (influenced by the votes of shareholders) holds legal, formal control. Working control is held by those who manage the business day-to-day.
- **S Corporation:** An S corporation is allowed to have only one class of stock, but can have differences in voting rights without violating the one-class-of-stock requirement. An S corporation is generally allowed to have a maximum of 100 shareholders.
- **LLC:** The owners of an LLC are called “LLC members.” If the LLC is member-managed, then each member has broad management rights. A member's interest is like a partnership interest comprising both economic and voting rights.

A manager is a party named by the LLC to manage the entity. There may be more than one manager. The LLC is then considered manager-managed. The manager's authority is similar to a general partner or a president of a corporation.

- **LLP:** All partners in an LLP may participate in the management and control of the LLP. Each partner has one vote, unless a written agreement provides otherwise. For day-to-day decisions, a majority vote of the partners is necessary. For decisions which are not in the day-to-day operations, unanimous approval is required.

### **Personnel and Expertise**

- **Proprietorship:** Depends mainly on the owner's skills; hard to obtain quality employees.
- **Partnership:** Depends mainly on partners' skills; hard to find suitable partners or employees.
- **C Corporation:** Allows for flexible management; easier to secure quality employees with the necessary expertise.
- **S Corporation:** Because of its small size, finding compatible shareholders can be as difficult as finding compatible partners for a partnership.
- **LLC:** Similar to a partnership and S corporation.
- **LLP:** Similar to an LLC.

### **Continuity of Existence and Transferability of Ownership**

- **Proprietorship:** Ends when the owner sells or transfers ownership, or dies.
- **Partnership:** Ends when (1) fewer than 2 partners remain, (2) the partnership transfers more than 50% of the ownership in a 12-month period or (3) upon agreement by the partners. Transfer conditions vary with the partnership agreement.
- **C Corporation:** Continues until liquidated by action of the shareholders. The C corporation is the most flexible from an entity in terms of transferability of interest (i.e. ownership) from one shareholder to another.
- **S Corporation:** Like a C corporation, an S corporation is quite freely transferable. However, most S corporations have binding agreements limiting the transferability of the shares.
- **LLC:** Multi-member LLCs are similar to a partnership. Single member LLCs run as sole-proprietorships terminate when the owner sells or transfers ownership, or dies. Single member LLCs wholly owned by a corporation terminate upon liquidation.
- **LLP:** Ends when (1) there is no general partner, (2) there are fewer than 2 partners, (3) the LLP transfers more than 50% of the ownership in a 12-month period, (4) upon agreement between partners; or (5) upon violation of the partnership agreement.

## **Initial Funding**

### **Requirements and Costs**

- **Proprietorship:** Costs are lowest (filing fee required if the business is held under a name other than owner's name).
- **Partnership:** Costs are low. For a general partnership, an agreement is optional but recommended. For a limited partnership, an agreement stating liabilities and responsibilities of each partner is required.
- **C Corporation:** Costs are highest; legal forms, documents and professional fees are required.
- **S Corporation:** Because of its small size, S corporations usually have agreements drawn up, binding the shareholders in certain respects. Cost is generally less than that of a C corporation, however.
- **LLC:** LLCs have start-up costs similar to a partnership and S corporation.
- **LLP:** Costs are low, as with a partnership; partnership agreement is optional but is highly recommended.

### **Ability to Raise Capital**

- **Proprietorship:** All equity (funding) must come from proprietor; loans are based on the credit-worthiness of the owner.
- **Partnership:** Equity is limited to the resources of each of the partners and the ability of each to acquire loans and/or investors.
- **C Corporation:** Has the greatest equity potential—can sell new stock; loans are based on corporate financial strength and expertise.

- **S Corporation:** Can sell shares of stock both to existing and new shareholders, assuming that the acquirer is eligible to purchase and the shareholder maximum is not violated. However, the shareholder agreement typically defines how new shares are to be issued.
- **LLC:** Equity is limited to the resources of each of the partners and the ability of each to acquire loans and/or investors, similar to a partnership.
- **LLP:** Equity is limited to the resources of each of the partners and the ability of each to acquire loans and/or investors, same as an LLC.

### Losses/Debts

- **Proprietorship:** The owner is liable for all debts.
- **Partnership:** General partners are liable for all debts. Limited partners have restricted liability and involvement as provided in the partnership agreement.
- **C Corporation:** The C corporation is liable for debts. Shareholders are liable only for the amount invested; they are liable for more only if personal guarantees were given.
- **S Corporation:** An S corporation generally provides for limited liability for its owners. The S corporation would then be liable for all debts. Shareholders are liable only for amount invested; are liable for more only if personal guarantees were given.
- **LLC:** Similar to an S corporation.
- **LLP:** Personal liability of each partner is limited to the extent of the partner's capital contribution. If tort liability arises from another partner's actions, the personal assets of the "innocent" partner(s) cannot be reached.

### Government Regulation

- **Proprietorship:** Little regulation; few records needed.
- **Partnership:** Subject to limited regulation; few records needed; articles of partnership should be drawn up.
- **C Corporation:** Extensive recordkeeping required; must have articles of incorporation, by-laws and filing fees.
- **S Corporation:** An S corporation can lose its S corporation status if it does not keep certain records. Therefore, it is advisable to maintain comprehensive records with regards to certain issues about S corporations.
- **LLC:** An LLC, being a relatively new form of doing business, does not have the comprehensive guidance that other entities have. Generally, statutes allowing for LLCs are patterned after partnership and limited partnership statutes. To secure any limited liability protection available, the name of the LLC must include "Registered Limited Liability Company," "Limited Liability Company," "L.L.C.," or "LLC."
- **LLP:** In order to be registered as a limited liability partnership, a registration statement must be filed with the Secretary of State. This statement basically includes such information as the name of the partnership, the state under whose laws the LLP is formed, the mailing address of the principal office and the name and address of the registered agent. The name of the LLP must include "Registered Limited Liability Partnership," "Limited Liability Partnership," "L.L.P.," or "LLP"

### Revenue/Profits

- **Proprietorship:** All profits belong to the owner.
- **Partnership:** Profits are divided among partners.
- **C Corporation:** Profits are retained in the corporation; shareholders receive dividends.
- **S Corporation:** Income flows through to the shareholders based on the number of shares each shareholder owns. This is required and cannot be overridden by an agreement among the owners.
- **LLC:** Profits are divided among the members.
- **LLP:** Profits are divided among the partners.

## Growth Potential

- **Proprietorship:** Options for growth are limited to reinvesting the profits and obtaining loans on the owner's line of credit.
- **Partnership:** Options for growth are limited to reinvesting the profits (however, the partners will still be taxed on their respective portion of income) and to obtaining loans on the partners' lines of credit.
- **C Corporation:** Options for growth are more flexible. The entity can reinvest profits (at discretion of the Board of Directors), sell additional shares, and obtain loans on the corporation's credit.
- **S Corporation:** An S corporation can incur debt and sell additional shares of stock. Income can be retained, but the shareholders will still have to recognize the income even if they do not receive a distribution.
- **LLC:** Similar to a partnership.
- **LLP:** Similar to a partnership.

## Registration Forms and Requirements

### Application for Employer Identification Number (Federal Form SS-4) (Exhibit II)

Every employer who has not previously obtained an identification number (EIN) and who pays wages to one or more employees or is required to have an identification number for use on any return, statement or other document must file form SS-4 to establish a business tax account.

Form SS-4 can be completed online to obtain an EIN immediately. The online application requires the same information as the paper application. If completing an online application, remember to print out the online application after you have entered the required information. You should also print out the IRS confirmation of your company's EIN. To apply online, go to [www.irs.gov/businesses](http://www.irs.gov/businesses) and click on "Employer ID Numbers" under Businesses Topics. Click on the link to Apply for an EIN Online, then click the link to APPLY ONLINE NOW.

If you do not have Internet access, you can manually complete and mail or fax Form SS-4. Submit the form in sufficient time for the identification number to be included in a return, statement or other document. You will receive your company's EIN in the mail in approximately 4 weeks. Send the form to the following mailing address:

**Internal Revenue Service**

Attn: EIN Operation  
Cincinnati, OH 45999

**If you need an EIN immediately:** You can obtain an EIN immediately by phone through the Internal Revenue Service Tele-TIN unit. Simply complete Form SS-4, then call the toll-free telephone number 800-829-4933. IRS customer services representatives will respond to taxpayer calls Monday through Friday from 7 a.m. – 10 p.m. local time. Taxpayers can fax requests for an EIN 24 hours a day, 7 days a week to 859-669-5760.

Form SS-4 can be obtained from your local IRS office or by phone, fax or through the Internet:

800-TAX-FORM (800-829-3676)  
Fax: 703-368-9694 (Order No. 16055)  
[www.irs.gov](http://www.irs.gov)

Note: If you have become the new owner of an existing business, you cannot use the EIN of the previous owner.

If you are a single member LLC with no employees, apply for an EIN instead of using your social security number, since one of the main reasons for selecting LLC status is liability protection. The EIN number helps support dissociation between your LLC and your personal matters.

## Application for Business Tax Registration (WI Form BTR-101) (Exhibit III)

**Who must file:** Every business that sells tangible personal property, performs taxable services or pays wages subject to withholding must file Form BTR-101, "Application for Business Tax Registration," with the Wisconsin Department of Revenue. This form registers the business with the state and will result in the state providing forms for filing sales and use tax, state withholding tax and Wisconsin income tax.

A \$20 Wisconsin Business Tax Registration (BTR) fee may be required. The \$20 fee applies only to the first permit or certificate applied for. Subsequent registrations for other permits or certificates do not require another fee.

### Form BTR-101 Permits or Certificates

- |  |                 |
|--|-----------------|
| • Employer Identification Number (Withholding Tax) | Fee Required    |
| • Seller's Permit (Sales Tax)                      | Fee Required    |
| • Local Exposition Tax (sales in Milwaukee County) | Fee Required    |
| • Consumer's Use Tax                               | No Fee Required |
| • Use Tax  | Fee Required    |
| • Dry Cleaning Facility                            | No Fee Required |

File Form BTR-101 in sufficient time for the permits or certificates to be available for use upon the start of operations. Allow 2-3 weeks.

File Form BTR-101 online at [www.revenue.wi.gov](http://www.revenue.wi.gov) or obtain the form by downloading it, calling 608-266-2776 or visiting any local Wisconsin Department of Revenue office.

## Business Licenses

Some businesses and occupations are required to be licensed by the state. For additional information on licensing, contact either the Wisconsin Department of Safety and Professional Services at 877-617-1565 or the Department of Commerce Help Line at 800-435-7287. You can also find information online at [www.wi.gov](http://www.wi.gov) using the Business Wizard in the QuickLink section.

Contact the Wisconsin Department of Natural Resources office nearest you for information regarding permits and agencies if your business is going to be involved in (1) major alterations to the landscape, (2) building near waterways or wetlands, (3) emissions into the air, (4) discharges of waste water, (5) the disposal or processing of solid waste or (6) the generation, hauling or disposal of hazardous wastes.

## Worker's Compensation

Worker's Compensation is a system of no-fault insurance that provides wage replacement and medical benefits to employees for accidental injuries or diseases related to the employee's work.

Worker's Compensation Insurance is compulsory for employers except farm labor if payroll exceeds \$500 in any calendar quarter for services in Wisconsin. Worker's Compensation Insurance is compulsory for farmers with six or more employees. It can be purchased from your insurance agent.

The penalties for not being insured can be quite severe and expensive. An illegally uninsured employer may be fined up to \$100 for each day without insurance. Uninsured employers are personally liable for benefits and do not have the normal exemptions for property from seizure and sale on execution of judgment. Officers and directors of uninsured corporations are personally liable for benefits owed by the corporation. (Wis. Statutes 102.28)

The employer must report any claim of an injury to the insurance carrier within 7 days. Self-insured employers and insurance carriers must report all accidents causing at least four days of lost time to the Worker's Compensation Division. The report must be filed by the fourteenth day after the injury on Form WKC-12, "First Report of Injury or Disease."

All work related fatalities must be reported to the Madison Worker's Compensation Division office within 24 hours of the fatality.

The employer also is required, upon request, to provide the Worker's Compensation Division with the number of workers the employer has, the nature of their work, the name of the employer's Worker's Compensation insurance company and the effective date and number of the policy.

Failure to provide this information upon request shall result in a penalty to the employer up to \$100 for each offense. Failure to furnish these reports is presumptive evidence that the employer is uninsured.

## Wisconsin Employer Report (Wisconsin UCT-1)

The Wisconsin Unemployment Reserves and Compensation Act is administered by the Department of Workforce Development.

As a new business, there are different conditions that need to be met before a business must apply for an unemployment account. The most utilized condition is payment of \$1,500 or more in a calendar quarter.

To apply for a Wisconsin UC number, new businesses should complete Form UCT-1. Call the Division of Unemployment Insurance at 608-261-6700 for the form, or go to [http://dwd.wisconsin.gov/dwd/forms/ui/pdf/uct\\_1\\_e.pdf](http://dwd.wisconsin.gov/dwd/forms/ui/pdf/uct_1_e.pdf). You can submit the form online by going to <http://dwd.wisconsin.gov/uitax>. Click on “New Employer Registration” under Employer Services.

## Payroll / Federal

### New Hires

#### Employee’s Withholding Allowance Certificate (Federal Form W-4)

On or before the first day of employment, each new hire should complete Form W-4. This form provides employers with the employee’s name, address, social security number, marital status and number of withholding allowances. Form W-4 is required so that the employer can withhold the correct amount of Federal income tax from an employee’s pay. The IRS encourages employers to ask each employee to file a new W-4 at the beginning of each year in the event their marital status or number of allowances has changed. Form W-4 can be found on the IRS website at [www.irs.gov/pub/irs-pdf/fw4.pdf](http://www.irs.gov/pub/irs-pdf/fw4.pdf)

#### Employment Eligibility Verification (Federal Form I-9)

Within three days from the date of hire, employers are required to have all employees complete Form I-9. Employers are required to verify the information and retain the completed form. The employer has to accept any I.D. on List A, B or C and cannot ask for any one in particular. In recent years, Congress has worked to reform our nation’s immigration laws; the goal being to preserve our tradition of legal immigration and not allowing illegal entry. This form was developed for verifying that persons are eligible to work in the United States. The form is available from U.S. Citizen and Immigration Services at 800-870-3676 or on their website at [www.uscis.gov/files/form/i-9.pdf](http://www.uscis.gov/files/form/i-9.pdf).

### Continuing Reporting Forms

#### Employer’s Quarterly Federal Tax Return (Federal Form 941)

Use Form 941 to report federal income tax you withheld from wages, tips, supplemental unemployment compensation benefits, third party payment of sick pay and both the employer and employee portions of social security and Medicare taxes (FICA).

**Who must file:** Employers who withhold income tax, FICA taxes or both must file Form 941 quarterly.

**When to file:** File starting with the first quarter in which you are required to withhold income tax or pay wages subject to FICA tax.

#### Due Dates For Returns

Payroll Period:	Due Date:
January/February/March	April 30
April/May/June	July 31
July/August/September	October 31
October/November/December	January 31

To obtain a blank Form 941, contact your local Internal Revenue Service office or call 800-TAX-FORM in time to file the return when due.

## Employer's Annual Federal Unemployment (FUTA) Tax (Form 940)

Use Form 940 for the annual reporting of tax under FUTA. You, as an employer, must pay this tax quarterly.

**Who must file:** In general, every employer who, during the year, paid wages of \$1,500 or more in any calendar quarter or had one or more employees for some part of a day in 20 different weeks must file. The 20 different weeks need not be consecutive. Count all regular, temporary and part-time employees.

**When to file:** Form 940 is due annually on January 31 of the following year.

**When to pay:** Although the form is only required annually, you may have to deposit the tax quarterly. To calculate the amount of taxes you owe, multiply wages paid up to \$7,000 per employee by 0.8% (.008) for wages paid from January 1 to June 30, 2011. For wages paid on or after July 1, 2011, multiply by 0.6% (.006). If the undeposited FUTA tax is greater than \$500 in any quarter, you must deposit it. The deposit due dates are shown in the following chart:

If Underdeposited FUTA Taxes are Over \$500 on	Deposit by
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

The 0.2% surtax for FUTA expired on June 30, 2011. Contact your local Schenck office to see if Congress reinstated the surtax.

## Federal Payroll Tax Depositing

In general, all employers must deposit employment taxes, including withheld income, FICA and FUTA taxes, by electronic funds transfer. Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). EFTPS is a free service provided by the Department of Treasury. To get more information or to enroll in EFTPS, call 800-555-4477. You can also visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov). If you do not want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service or other trusted third party to make deposits on your behalf.

All businesses that are issued a new EIN will be "pre-enrolled" in the EFTPS system if the EIN application indicates that the business will have a federal tax obligation.

To make your EFTPS deposit on time, you must initiate the transaction by 7 p.m. Central time the day before the date the deposit is due. If you use a third party to make a deposit on your behalf, they may have different cutoff times. Failure to make timely deposits may result in a failure-to-deposit penalty of up to 10% of the amount of the deposit based on the number of days the deposit is late.

## Depositing Federal 941 Taxes

The aggregate amount of taxes accumulated from wages paid during a specific period determines the frequency of deposits. You accumulate these taxes when you pay the wages (or make the payments from which the taxes are withheld), not when your payroll period ends.

All employers are required to deposit withholding taxes on either a monthly or semi-weekly basis. The determination of which deposit schedule applies will be made by looking back at the employment taxes reported for a 12-month look-back period based on July 1 through June 30 of the prior year. For example, the look-back period for calendar year 2011 will be the period from July 1, 2009 to June 30, 2010. If your deposit frequency changes, the Internal Revenue Service will inform you by November which schedule you should follow for the coming year. The following page has a summary of when deposits are to be made.

<b>Amount of Payroll Taxes</b>	<b>Due Date of Deposit</b>
\$50,000 or less in employment taxes reported during the look-back period.	15th day of the following month.
\$50,000 or more in employment taxes reported during the look-back period.	For paydays on Wednesday, Thursday and/or Friday, the deposit will be due by the following Wednesday.  For paydays on Saturday, Sunday, Monday and/or Tuesday, the deposit will be due by the Friday following the payday.  Note: Employers will generally have at least three banking days to make a deposit.
<b>Special Rules</b>	
Employer accumulating \$100,000 during a monthly or semi-weekly period.	Deposit due by the next banking day and the employer immediately becomes a semi-weekly depositor for the remainder of the calendar year and for the following calendar year.
Employer accumulating less than \$2,500 during the quarter.	Taxes can be paid with Form 941 quarterly employment tax returns.
New employer.	Automatically a monthly depositor for the first year of business. The \$100,000 one-day rule applies.
Due date falling on a holiday.	Payment is due on the next business day following the holiday.

**Safe Harbor**

A safe harbor exists for employers that deposit less than their full amount of employment taxes. For this purpose, an employer meets the safe harbor if the shortfall does not exceed the greater of \$100 or 2% of the employer’s deposit obligation, and if the employer deposits the shortfall either by the due date of the quarterly return for monthly filers or by the earlier of either 1) the first Wednesday or Friday (whichever comes first) falling on or after the 15th day of the month following the month in which the deposit was required to be made or 2) the due date of Form 941 for the quarter of the tax liability for semi-weekly filers. If this case exists, no penalty should be assessed. Even if the safe harbor is not met, if employers can show reasonable cause for depositing less than the full amount, the penalty might be abated.

**Annual Reporting / Federal**

**Wage and Tax Statement (Federal Form W-2)**

Forms W-2 are to be prepared by all employers. This form is used to report wages and other types of compensation paid to the individual employee during the calendar year as well as employment taxes withheld on these compensation payments.

Give copies of Form W-2 to each employee during the previous calendar year by January 31. If a terminated employee requests a W-2, it must be furnished within 30 days of date of the request or within 30 days of the final wage payment, whichever is later. File Copy A of Form W-2 with an accompanying Form W-3 by February 28 (or March 31 for electronic filers) with the Social Security Administration.

Filers of 250 or more W-2 forms must file them electronically unless the IRS grants a waiver to the employer. To file electronically, you can use the Social Security Administration’s Business Services Online (BSO) website to upload a wage report or submit W-2s online. Go to [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer) and click on “E-Filing Format” or call the SSA’s Employer Reporting Branch at 800-772-6270. Many software packages also offer electronic filing and reporting services and/or products.

**Transmittal of Income and Tax Statements (Federal Form W-3)**

Employers and other payers must file Form W-3 with copy A of the W-2 forms. See above.

### **New Hire Reporting (Wisconsin Form WT-4)**

New hire reporting is a process in which an employer reports information on newly hired and rehired employees (individuals who did not receive pay for 90 days or more) to the Department of Workforce Development within 20 days of the date of hire or rehire. The purpose of this reporting is to help locate parents and enforce child support payment orders, and to help states prevent fraudulent worker's compensation and unemployment claims.

The new hire report must contain the following: employee name, address, social security number, date of birth and date of hire, and employer name, address and Federal Employer Identification Number. The employer can submit new hire information online at [www.wi-newhire.com](http://www.wi-newhire.com) or by using Wisconsin Form WT-4 available online at [www.revenue.wi.gov/forms/with/w-204f.pdf](http://www.revenue.wi.gov/forms/with/w-204f.pdf).

If you have questions about new hire requirements, call the New Hire Processing Center toll free at 888-300-4473.

### **Continuing Reporting Forms**

#### **Quarterly Contribution/Wage Report (Wisconsin Form UCT-101-E and UC-7823-E)**

Form UCT-101-E is used to report covered wages for state unemployment taxes on a quarterly basis. Form UC-7823-E is used to report wages paid during the quarter to each employee. Employers with 25 or more employees are required to file electronically. Employers with fewer than 25 employees can also file electronically or they can request paper forms via email at [wagenet@dwd.wisconsin.gov](mailto:wagenet@dwd.wisconsin.gov) or by calling 608-266-6877. To file reports online, go to <http://dwd.wisconsin.gov/uitax/> and select "File Tax and Wage Reports" under Employer Services.

These reports are required from all employers covered under Wisconsin's Unemployment Compensation (UC) Law.

The UCT-101-E and UC-7823-E are due by the end of the month following the end of the quarter, together with payment due, if any. These reports are due even if no wages were paid.

#### **State Withholding Tax Deposit Report (Wisconsin Form WT-6)**

Form WT-6 is used to file the return for state withholding tax on wages. If annual withholding tax liability is greater than \$300, Forms WT-6 and withholding payments are required to be filed electronically unless a waiver has been granted. Go to <http://www.revenue.wi.gov> for more information on the various electronic filing options including:

- My Tax Account
- Telefile ACH Credit or by credit card
- WT-6 file transmission

If an electronic filing waiver has been granted or the annual tax liability is under \$300, a fill-in Form WT-6 is available at [www.revenue.wi.gov/forms/with/w-006f.pdf](http://www.revenue.wi.gov/forms/with/w-006f.pdf).

For additional information, contact the Wisconsin Department of Revenue at 608-266-2776 or by email at [DORwithholdingtax@revenue.wi.gov](mailto:DORwithholdingtax@revenue.wi.gov).

The WT-6 is due annually, quarterly, monthly or semi-monthly, depending on the amount of tax due the preceding year. Annual filers remit withheld taxes with the annual reconciliation on Form WT-7 (see below). Electronic payments should be initiated by 4 p.m. Central the business day prior to the due date.

Note: Form WT-6 must be submitted whether or not any taxes were withheld during the period.

### **Annual Reporting / Wisconsin**

#### **Employer's Annual Reconciliation of Wisconsin Income Tax Withheld from Wages (Wisconsin Form WT-7)**

Form WT-7 is prepared by the employer to reconcile the tax withheld from employees' wages (as reflected on employees' W-2 forms) with the amount of withholding tax paid over to the department during the previous calendar year. All employers and preparers are required to file their WT-7 electronically with one of three options:

- My Tax Account
- Telefile
- eFile Transmission

Go to [www.revenue.wi.gov/eserv/wt-7/options.html](http://www.revenue.wi.gov/eserv/wt-7/options.html) for information on the various filing methods or call 608-266-2776. File by January 31 of the following year.

Forms W-2 must also be filed with the Department of Revenue by January 31 of the following year. If you file at least 50 W-2s, you must file them electronically unless you have a waiver. Publication 509 ([www.revenue.wi.gov/pubs/pb509.pdf](http://www.revenue.wi.gov/pubs/pb509.pdf)) includes information on filing wage statements electronically. If you have less than 50 Form W-2s, paper forms can be mailed to the department using Form WT2 Paper W-2 Transmittal Sheet.

## Other Reporting Forms / Federal

### Information Return (Federal Form 1099)

Any person (corporation, partnership, individual, estate or trust) who makes reportable transactions during the calendar year must file information returns to report those transactions to the IRS. Such payments are not subject to the withholding tax and are not reported on withholding statements (W-2s). Nonprofit organizations are considered to be engaged in a trade or business and are subject to the reporting requirements.

Payments made to corporations are exempt from the reporting requirements; however, the following payments made to corporations generally must be reported on Form 1099-MISC:

- Medical and health care payments (reported in box 6).
- Fish purchases for cash (reported in box 7).
- Attorneys' fees (reported in box 7).
- Gross proceeds paid to an attorney (reported in box 14).
- Substitute payments in lieu of dividends or tax-exempt interest (reported in box 8).
- Payments by a federal executive agency for services (vendors) (reported in box 7).

The chart below indicates various types of income, the type of form required, and if it must be filed with the IRS and/or Wisconsin. The list below is not a complete list of all payments, and the absence of a payment from the list does not indicate that the payment is not reportable. For information on a specific type of payment, see the separate instructions for Forms 1099.

#### 1099s and other annual information returns: IRS forms and types of payments to report

	Minimum amount to report		Due dates		
	IRS	WI	Recipient	IRS	WI
1099-DIV (n/a for Wisconsin)					
• Distribution paid on stock, such as dividends, capital gains or non-taxable distributions	\$10	n/a	Jan. 31	Feb. 28*	n/a
• Distributions in liquidation	\$600	n/a	Jan. 31	Feb. 28*	n/a
1099-INT (n/a for Wisconsin)					
• Interest payments by financial institutions	\$10	n/a	Jan. 31	Feb. 28*	n/a
• Interest payments made in the course of a trade or business	\$600	n/a	Jan. 31	Feb. 28*	n/a

1099-MISC (Form 9b for Wisconsin, if desired)					
• Royalty payments	\$10	\$600	Jan. 31	Feb. 28*	**
• Rents	\$600	\$600	Jan. 31	Feb. 28*	**
• Payment for services rendered in a trade or business:					
- By individuals not treated as employees or single-member LLCs	\$600	\$600	Jan. 31	Feb. 28*	Feb. 28*
- By partnerships and LLCs operating as partnerships	\$600	\$600	Jan. 31	Feb. 28*	Feb. 28*
- By all attorneys and law firms, whether or not incorporated	\$600	\$600	Jan. 31	Feb. 28*	Feb. 28*
Note: if the service provider is an incorporated trade or business, no 1099-MISC is required unless the service provider is an attorney or law firm.					
• Gross proceeds paid to attorneys for settlements where legal fees are separately stated	any amount	n/a	Feb. 15	Feb. 28*	n/a
• Prizes and awards that are not for services rendered	\$600	n/a	Jan. 31	Feb. 28*	n/a
• Direct sales of consumer goods for resale (except for sales to permanent retail establishments)	\$5,000	n/a	Jan. 31	Feb. 28*	n/a
1099-PATR (n/a for Wisconsin)					
• Distributions from cooperatives to their patrons	\$10	n/a	Jan. 31	Feb. 28*	Feb. 28
1099-R (Form 9b for Wisconsin, if desired)					
• Distributions from pensions, annuities, retirement or profit sharing plans, IRAs insurance contracts, etc.	\$10	\$600	Jan. 31	Feb. 28*	Feb. 28
• Distributions from pensions, annuities, etc. (as described above) with Wisconsin withholding	\$10	any amount	Jan. 31	Feb. 28*	Jan. 31
1099-S (n/a for Wisconsin)					
• Statement of proceeds from real estate transactions (Special rules apply for principal residences.)	\$600	n/a	Feb. 15	Feb. 28*	n/a

\* The due date is March 31 if filed electronically.

\*\* Due date March 15 for corporations and February 28 for other taxpayers.

If you file 50 or more Wisconsin copies of Form 1099, you must file electronically with the Wisconsin Department of Revenue (WDOR). If you file 250 or more federal copies of Form 1099, you must file electronically with the IRS. The federal and Wisconsin thresholds apply separately for each type of Form 1099. To register for electronic filing, complete Form 4419, "Application for Filing Information Returns Electronically," at least 30 days before the due date of the returns. No registration is needed for the WDOR.

If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file electronically, you report an incorrect TIN or fail to report a TIN or you fail to file paper forms that are machine readable. The amount of the penalty is based on when you file the correct information return.

## Form 1096

Form 1096 is the summary and transmittal form required to be filed with Copy A of all Forms 1099, 1098, 3921, 3922, 5498 and W-2G. Prepare and file a separate Form 1096 with each type of form, as well as all corrected forms. Form 1096 applies to paper information returns only. Send the forms in a flat mailing envelope. Do not fold them.

## IRS Matching Notices Related to 1099 Preparation

The IRS has procedures for matching recipients' names and identification numbers reported on Forms 1099 and 1098 to the names registered with the Internal Revenue Service and/or Social Security Administration. Issuing Form 1099 or 1098 in the wrong name can lead to penalties for failure to report the correct information. The proper reporting method differs, based on whether the recipient is a corporation or partnership, sole-proprietor, single-member LLC (SMLLC) or an individual.

- Corporations, partnerships and multi-member LLCs: You should use the name and employer identification number (EIN) of the recipient.
- Sole proprietors, SMLLCs owned by an individual and individuals: You must use the individual's name as recorded with the Social Security Administration on the first name line. You may use the business name on the second line, but not on the first line. On forms issued to sole proprietors and SMLLCs, you may use either the proprietor's or SMLLC owner's social security number or owner's EIN (if they have one) - the IRS prefers the social security number. Do not use the SMLLC's EIN as opposed to the owner's EIN.
- SMLLCs not owned by an individual: you should use the name and EIN of the owner. Do not use the SMLLC's EIN.
- Multiple recipients (joint accounts): If you made payments to more than one recipient, or if the account is in more than one name, show the name of the recipient whose TIN is first shown on the return as the ONLY name on the first name line. You may show the names of any other individual recipients in the area below the first line.

Use Form W-9, "Request for Taxpayer Identification Number and Certification," to obtain all names and numbers from businesses or individuals for whom you must report payments on Forms 1098 or 1099. Failure to obtain the correct taxpayer identification number or name may subject future payments to backup withholding. Properly completed Forms W-9 will provide the documentation necessary to avoid penalties (discussed below).

## Verifying Names and Numbers Reported on Information Returns / TIN Matching Program

For verifying names and numbers reported on information returns (Forms 1099), the IRS offers a Taxpayer Identification Number (TIN) Matching Program via the Internet. Currently there is no fee to participate; however, third-party payers and their authorized agents must sign an online "Terms of Agreement" clause. The TIN Matching Program is explained in Publication 2108-A, available at [www.irs.gov](http://www.irs.gov).

## Backup Withholding Requirements

Backup withholding is required if a payee fails to furnish you with the correct taxpayer identification number (TIN) or if the IRS notifies you that the payee is subject to backup withholding. The mandatory backup withholding rate is 28% for all payments until the payee furnishes you with the TIN in the manner required. Most payments, including nonemployee compensation, are subject to backup withholding even if the payee has applied for a TIN. Payees of interest and dividends may avoid backup withholding for up to 60 days by noting "Applied For" in the TIN block of Form W-9 and signing the form. However, you must begin backup withholding after 60 days if the payee fails to furnish you with the new TIN. For all payments, you may stop backup withholding once the payee provides you with the correct TIN in the manner required.

If you are required to withhold, but fail to do so and the IRS discovers it, expect an assessment for backup withholding in addition to any failure to file penalties and trust fund recovery penalties. The backup withholding assessment can, depending on the aggregate amount required to be reported, easily skyrocket to far more than the usual \$250 per form penalty for the intentional failure to file.

For example, if you paid \$600 or more during the year to each of several unincorporated service providers and failed to file information returns, the penalty for intentional non-filing would be \$250 per Form 1099, your backup withholding assessment would be 28% of the aggregate amount required to be reported on the information returns and your trust fund recovery penalty would be another 28%. You must report backup withholding on Form 945.

## Other Reporting Forms / Wisconsin

### Information Return (State Form 1099)

Refer to the chart on the previous pages for state filing requirements.

State copies of 1099s must be filed with the Department of Revenue by March 15 for corporate taxpayers and by February 28 for non-corporate payers (individuals, partnerships, estates and trusts). Be aware there is a Wisconsin Form 9b which can be used for information return reporting; however, a copy of Federal Form 1099 may be submitted.

### Seller's Permit

Every sole proprietorship, partnership, S corporation or corporation which has retail sales or rentals of tangible personal property or taxable services is required by Wisconsin law to have a seller's permit.

When purchasing an existing business that engages in retail sales, the Wisconsin Department of Revenue (DOR) should be contacted to determine if sales taxes are owed by that retail store because the purchaser of that retail business will become liable for any unpaid sales taxes. This can be avoided by obtaining a "Sales and Use Tax Clearance Certificate," thereby freeing the purchaser of all liability. It is important to note that you cannot request clearance until AFTER the sale has taken place, so if purchasing, some money should be held until clearance is obtained. Consult an accountant for filing instructions and the proper procedure.

An application for a seller's permit for a new business should be made at least three weeks before the planned opening of the doors for business. One can apply for a seller's permit with the "Application for Permit" which is also used to apply for a Wisconsin employer's identification number. They may both be applied for at the same time; however, only one application is filed for all locations. A separate seller's permit is required for each location at which retail sales occur. The seller's permit must be displayed in a prominent location in the place of business. This permit can be revoked for failure to pay taxes. The Wisconsin Department of Revenue will inform the business whether its reporting period will be annual, quarterly or monthly. This form will be used to report the total sales or use tax liability which is owed to the state of Wisconsin.

### Wisconsin Sales and Use Tax Return (Wisconsin Form ST-12)

This return and schedule are for reporting or amending a previously filed state, county and stadium sales and use taxes. This return must be filed online when due, even if you have no tax to report or pay your tax electronically. As part of the Wisconsin Department of Revenue's (DOR) efforts to become more efficient and increase electronic filing, DOR has notified businesses of their requirement to electronically file their sales and use tax returns. Businesses should also consider paying their tax owed by electronic means through direct debit/withdrawal, ACH Credit or credit card. Businesses have a number of choices to e-file and e-pay which can be found at [www.revenue.wi.gov](http://www.revenue.wi.gov) (i.e., My Tax Account, TeleFile, e-file transmission).

If you are engaged in business at more than one location, you must file one consolidated sales and use tax return. Include information and totals of all your business locations on this return. You must use the accrual method of accounting to report your sales, unless the Department of Revenue has determined that this method would cause you undue hardship and has given you written permission to use another method.

### Sales and Use Taxes

Your sales of tangible personal property and services that are subject to the 5% state sales or use tax are also subject to the 0.5% county and/or 0.1% or 0.5% stadium sales or use tax if the sale takes place in a county that imposes a county tax (taxable county) or in a stadium district. If sales of property and services are exempt from the 5% state tax, they are also exempt from the county and stadium district taxes.

Failure to report use tax is the most common error made on sales and use tax returns and the leading cause of tax, interest and penalty assessments in audits. You owe use tax on your total purchase price of taxable personal property or taxable services that you used, stored or consumed in Wisconsin, upon which you have not previously paid Wisconsin sale or use tax. Following are some examples of transactions that would cause you to owe use tax:

- You bought property without paying sales tax from a seller outside Wisconsin. You would have paid sales tax if you bought the property from a Wisconsin seller.

- You bought property without paying sales tax for resale (to sell to others) or for a nontaxable use. You then used the property in a taxable manner.
- You bought the property without paying sales tax and later gave the property away free to your customers.
- You bought office furniture, equipment or computers without paying sales tax.
- You bought tools on which you did not pay sales tax.

Wisconsin sales and use tax law provides a credit for sales or use taxes that are properly due and paid to another state or local unit of government on property or services purchased outside Wisconsin and subsequently stored, used or consumed in Wisconsin.

**The following examples include various situations businesses may encounter with respect to sales and use taxes:**

**Facts:** Company A, located in Wisconsin, purchases office equipment for \$10,000 from a supplier in State B. Company A takes possession of the equipment in State B. Company A is properly charged B's 4% state sales tax (\$400) and State B's 0.5% local sales tax (\$50). Company A brings the equipment into Wisconsin for use in the following locations.

**Example 1:** Company A brings the equipment into Wisconsin for use in a county which does not impose the county sales and use tax, nor is the county a part of a special district (baseball or football stadium). Company A can determine the Wisconsin state use tax as follows:

1. Purchase price		\$10,000
2. 5% Wisconsin use tax (\$10,000 X 0.05)	\$500	
3. Less 4.5% use tax paid to State B (\$10,000 X 0.045)	<u>450</u>	
4. Net use tax due to Wisconsin	\$ 50	
5. Measure of tax (\$50/0.05 tax rate)		\$ 1,000

Company A should include the \$1,000 on line 21a.

**Example 2:** Company A brings the equipment into Wisconsin for use in a county which imposes the 0.5% county sales and use tax, but is not a part of the baseball stadium district. Company A can determine the Wisconsin state and county use tax as follows:

1. Purchase price		\$10,000
2. 5.5% Wisconsin use tax (\$10,000 X 0.055)	\$550	
3. Less 4.5% use tax paid to State B (\$10,000 X 0.045)	<u>450</u>	
4. Net use tax due to Wisconsin	\$100	
5. Measure of tax (\$100/0.055 tax rate)		\$ 1,818.18

Company A should include the \$1,818.18 on line 21a and line 22c.

**Example 3:** Company brings the equipment into Wisconsin for use in a county which imposes the 0.5% county sales and use tax, and is part of the baseball stadium district (Milwaukee, Ozaukee and Washington counties). Company A can determine the Wisconsin state, county and baseball stadium use tax as follows:

1. Purchase price		\$10,000
2. 5.6% Wisconsin use tax (\$10,000 X 0.056)	\$560	
3. Less 4.5% use tax paid to State B (\$10,000 X 0.045)	<u>450</u>	
4. Net use tax due to Wisconsin	\$110	
5. Measure of tax (\$110/0.056 tax rate)		\$ 1,964.29

Company A should include the \$1,964.29 on line 21a, line 22c and line 28a.

## **Manufacturing Real Estate, Manufacturing Personal Property and Personal Property Tax Returns**

Manufacturing clients' returns are due March 1 with the state of Wisconsin. Non-manufacturing clients' returns are due April 1 with their respective local assessors. Failure to file during the time provided will result in the assessor estimating the value of your property from other information in their possession and adding a penalty on to the assessed value. Being classified as a manufacturer generally results in a significant portion of your assets being exempt from personal property taxes.

In order for establishments to be initially classified as manufacturing for the first time for a specific assessment year, the Wisconsin Department of Revenue Manufacturing Assessment Section must have been contacted in writing on or before March 1 requesting manufacturing classification, and the department must have granted manufacturing classification for that year.

## **Annual Report**

C Corporations, S corporations and LLCs are required to file an annual report with the Department of Financial Institutions. The filing of the Articles of Incorporation or Articles of Organization will trigger the mailing of the annual report to the registered agent at the registered office on record with the Department. The information provided on the annual report keeps the status of the corporation or LLC current with the Department. This information is available to the public. The annual report can be filed on the paper form that you receive in the mail or complete online. It is important to keep the registered agent and registered address information current. In the event of a change of agent or address, simply file Form 13.

The annual report is due at the end of the calendar quarter of formation. For example, if you were formed in January, February or March, the report is due March 31.

### **U.S. Corporation Income Tax (Federal Form 1120)**

Form 1120 is used to report the income, gains, losses, deductions and credits, and to figure the income tax liability of a corporation. Domestic corporations, whether or not they have taxable income, must file Form 1120 by the 15th day of the 3rd calendar month following the corporation's year end (extensions of time to file are available).

### **U.S. Income Tax Return for an S Corporations (Federal Form 1120S)**

Form 1120S is used to report the income, gains, losses, deductions and credits of a domestic corporation that has elected to be taxed as an S Corporation. Certain corporations may elect to be taxed as an S Corporation by filing Form 2553, "Election by a Small Business Corporation." An S Corporation must file Form 1120S by the 15th day of the 3rd calendar month following the S Corporation's year end (extensions of time to file are available). S Corporations must also provide Form K-1, "Shareholder's Share of Income, Deductions, Credits, etc." to each shareholder reporting their pro rata share of the S Corporation's income, deductions, credits, etc.

### **U.S. Return of Partnership Income (Federal Form 1065)**

Form 1065 is an information return used to report the income, deductions, gains, losses, etc. from the operation of a partnership. Every partnership and limited liability company treated as a partnership that engages in a trade or business or has income from sources in the United States must file Form 1065. Generally, a partnership must file Form 1065 by the 15th day of the 4th calendar month following the partnership's year end. No tax is due with this return. Instead, a partnership "passes through" any profits, losses or credits to its partners and the partners must include the partnership items on their tax returns. Partnerships must also provide Form K-1, "Partner's Share of Income, Deductions, Credits, etc." to each partner reporting their pro rata share of the partnership's income, deductions, credits, etc.

### **Profit or Loss from Business - Sole Proprietorship (Federal Schedule C)**

The net income or loss of a sole proprietorship is reported as part of the income tax return of the business owner (Federal Form 1040 and Wisconsin Form 1). The income and expenses of the business are reported on Schedule C, "Profit or Loss from Business," and are taxable to the owner. Schedule C must be filed with your Federal Form 1040 by April 15th (extensions of time to file are available).

### **Limited Liability Company (LLC)**

The taxation of an LLC is determined via "check-the-box regulations" which allow an LLC to elect to be taxed as a partnership, corporation or S corporation. In most cases, an LLC will elect to be taxed as a partnership and be required to file Federal Form 1065. A single member limited liability company (SMLLC), including an LLC owned by a husband and wife, is generally treated as a "disregarded entity" for tax purposes. As such, the income, deductions, credits, etc. of the SMLLC are reported directly on the owner's appropriate tax return. For example, an SMLLC owned by an individual would generally be taxed as a sole proprietorship and be reported on Schedule C (for a trade or business) or Schedule E (for rental property) included in the owner's Federal Form 1040.

### **Limited Liability Partnership (LLP)**

An LLP is taxed as a partnership and is required to file Federal Form 1065. Refer to information provided above.

### **Self-Employment Tax (Federal Schedule SE)**

Self-employment tax is similar to FICA taxes (Social Security and Medicare) withheld from an employee's wages. The tax is imposed on an individual's net earnings from self-employment, i.e., income from a sole proprietorship or a partner's distributive share (whether or not distributed) from any trade or business carried on by a partnership of which the taxpayer is a member. This includes managing members of LLCs as well as other LLC members based on their degree of involvement with the LLC. (A complete discussion of self-employment tax as it relates to LLC members is beyond the scope of this booklet.) Schedule SE must be filed with your Federal Form 1040 by April 15th (extensions of time to file are available).

### **Wisconsin Corporate Franchise or Income Tax Return (Wisconsin Form 4, 5 and 5S)**

All corporations organized for profit under Wisconsin law, foreign corporations doing business in Wisconsin (whether licensed or not) or LLCs treated as corporations for federal income tax purposes must file a Wisconsin Form 4, 5 or 5S. The Wisconsin return must be filed by the 15th day of the 3rd calendar month after the corporation's year end (extensions of time to file are available).

#### **Which Form to File**

- **Form 4:** Corporations (other than federal S corporations) that are reporting under apportionment or separate accounting methods.
- **Form 5:** Corporations (other than federal S corporations) whose entire business income is attributable to Wisconsin.
- **Form 5S:** Corporations that have elected to be taxed as S corporations for federal purposes.

### **Wisconsin Partnership Return (Wisconsin Form 3)**

Every partnership and LLC treated as a partnership doing business in Wisconsin, performing personal or professional services in Wisconsin or receiving income from real or tangible personal property located in Wisconsin (regardless of the amount) must file Wisconsin Form 3.

### **Wisconsin Income Tax Return (Wisconsin Form 1)**

The net income or loss of a sole proprietorship (including an SMLLC treated as sole proprietorship) is reported as part of the income tax return of the business owner. Wisconsin Form 1 must be filed by April 15th (extensions of time to file are available).

### **Wisconsin Recycling Surcharge**

All taxpayers engaged in a trade or business (including sole proprietorships, corporations and partnership) with gross receipts of \$4,000,000 or more are subject to the Wisconsin Recycling Surcharge. The recycling surcharge is based upon the net business income and is a minimum of \$25 and maximum of \$9,800. Sole proprietorships compute the recycling surcharge on Schedule RS and report the tax due on Form 1. Partnerships and limited liability companies treated as partnership report the recycling surcharge on Form 3. Corporations report the recycling surcharge directly on Form 4, 5 or 5S.

## Estimated Tax Payments / Federal

### Estimated Tax for C Corporations (Federal Form 1120-W)

Generally, a corporation must make estimated tax payments if the net tax for the taxable year is \$500 or more. Form 1120-W is a worksheet that helps taxpayers determine what, if anything, they need to pay in estimated tax for the current year. A corporation that does not make required estimated payments when due may be subject to an underpayment penalty. Estimated tax payments are due by the 15th day of the 4th, 6th, 9th and 12th month of the tax year.

### Estimated Tax for S Corporations

S Corporations are generally not subject to federal income tax. However, S Corporations may be subject to certain corporate level taxes including the tax on built-in gains, tax on excess net passive income and business credit recapture. If an S Corporation will have a corporate level tax of \$500 or more, the estimated tax payment requirements discussed above for corporations will apply.

### Required Payment or Refund under Section 7519 (Federal Form 8752)

If an S Corporation or partnership elects a fiscal year other than the calendar year, the entity is required to file Federal Form 8752 annually and maintain a deposit with the Internal Revenue Service. The deposit represents “tax” on the amount of income deferred in the current year. The amount of the required deposit will increase or decrease from year to year depending upon the amount of income deferred each year. The amount due is calculated at the highest individuals tax rate plus 1%. Form 8752 is due with the required payment on May 15th of the following tax year. In the event the amount of the required deposit decreases or the entity converts to a calendar year, the excess amount on deposit will be refunded.

### Estimated Tax for Individuals

Individual filers must make estimated tax payments if they expect to owe at least \$1,000 for the current year after subtracting withholding and credits, and the total amount of withholding and credits is expected to be less than the smaller of:

- 90% of the tax shown on the current year return, or
- 100% of the tax shown on the prior year return (110% for high income taxpayers)

If you are a partner of a partnership, a shareholder of an S Corporation, or a member of an LLC treated as a partnership or S Corporation, you must factor your estimated pro rata share of income, deductions and credits from such entity into the computation of your estimated tax payments.

A penalty may apply if you do not pay the minimum required estimated tax by the required due date. A penalty may apply even if you have an overpayment on your tax return.

Estimated taxes are due in four equal installments on the 15th day of the 4th, 6th and 9th month of the current year and 1st month of the following year.

### **Wisconsin Corporation Estimated Tax Voucher (Wisconsin Form 4-ES)**

Wisconsin corporations filing Forms 4, 5 and 5S are required to make estimated tax and surcharge payments if the net tax (including the recycling surcharge) for the year is \$500 or more. A corporation that does not make required estimated payments when due may be subject to an underpayment penalty. Estimated tax payments are due by the 15th day of the 4th, 6th, 9th and 12th month of the tax year.

### **Wisconsin Partnership Estimated Tax Voucher (Wisconsin Form 3-ES)**

Partnerships and LLCs treated as partnership are required to make estimated surcharge payments if the recycling surcharge for the taxable year is expected to be \$200 or more. No estimated payments are required if the prior year covered 12 months and the surcharge was \$0. A partnership or LLC that does not make required estimated payments when due may be subject to an underpayment penalty. Estimated tax payments are due by the 15th day of the 4th, 6th and 9th month of the tax year and the 1st month of the following calendar year.

### **Wisconsin Estimated Tax Voucher (Wisconsin Form 1-ES)**

Individual filers must make estimated tax payments (including recycling surcharge) if they expect to owe at least \$200 for the current year after subtracting withholding and credits, and the total amount of withholding and credits is expected to be less than the smaller of:

- 90% of the tax shown on the current year return or
- 100% of the tax shown on the prior year return

If you are a partner of a partnership, a shareholder of an S Corporation or a member of an LLC treated as a partnership or S Corporation, you must factor your estimated pro rata share of income, deductions and credits from such entity into the computation of your estimated tax payments.

A penalty may apply if you do not pay the minimum required estimated tax by the required due date. A penalty may apply even if you have an overpayment on your tax return.

Estimated taxes are due in four equal installments on the 15th day of the 4th, 6th and 9th month of the current year and 1st month of the following year.

## Income Tax Depositing / Federal

### Corporate Income Tax Depositing

Effective January 1, 2011, all corporations must use electronic funds transfers to make all federal tax deposits (including corporate income, payroll, excise and estimated taxes). Electronic funds transfers are generally made using the Electronic Federal Tax Payment System (EFTPS). There is no fee to use EFTPS. Other options are available for those entities that do not wish to utilize EFTPS.

Entities needing to make a federal tax deposit must first register with EFTPS at [www.eftps.gov](http://www.eftps.gov). Once registered, taxpayers are able to log on and initiate tax payments. When taxpayers initiate a payment, they identify the type of tax being deposited, the tax period covered by the deposit, the amount of the deposit and the date they want the deposit made. Deposits can be scheduled well in advance of the actual payment date. However, deposits must be initiated by 8 p.m. Eastern time the day before the due date for the payment to be processed on time.

### Individual Income Tax Depositing

Individual estimated tax deposits are made with Federal Form 1040-ES voucher and a manual check payable to the U.S. Treasury. The voucher along with payment must be mailed and postmarked by the due date. Alternatively, individuals may make payments through EFTPS, direct electronic funds withdrawals and credit and debit cards. See [www.irs.gov/e-pay](http://www.irs.gov/e-pay) for these options.

## Income Tax Depositing / Wisconsin

### Corporation Estimated Tax and Surcharge Depositing (Wisconsin Form 4-ES)

Corporations filing Form 4 or 5 and S Corporations filing Form 5S make estimated tax payments using Wisconsin Form 4-ES, "Wisconsin Corporation Estimated Tax Voucher." Complete the appropriate voucher and mail it with the payment by the due date.

### Partnership Estimated Surcharge Voucher Depositing (Wisconsin Form 3-ES)

Partnerships and LLCs treated as partnership make estimated tax payments using Wisconsin Form 3-ES – Wisconsin Partnership Estimated Recycling Surcharge Voucher. Complete the appropriate voucher and mail it with the payment by the due date.

### Wisconsin's "My Tax Account"

As an alternative to filing Wisconsin Form 4-ES or 3-ES, corporations, partnerships and LLCs may make estimated tax deposits electronically through Wisconsin's My Tax Account service. This is a free service that allows businesses to review account status, file certain business tax returns, make payments and tax deposits and view payment history. For more information or to register to use My Tax Account, visit [www.revenue.wi.gov](http://www.revenue.wi.gov) and click on My Tax Account.

### Individual Estimated Tax and Surcharge Depositing (Wisconsin Form 1-ES)

Individuals make estimated tax payments using Wisconsin Form 1-ES. Complete the appropriate voucher and mail it with the payment by the due date. Alternatively, Wisconsin also accepts estimated tax payments made by electronic funds transfer and credit cards.

# Accounting and Tax Considerations

## Chart of Accounts

A chart of accounts is a list of accounts used by a business to define each class of items for which cash or cash equivalents are spent or received. It is used to organize finances of the entity and to segregate expenditures, revenue, assets and liabilities in order to give interested parties a better understanding of the financial health of the entity.

Each account is typically assigned a unique name and number by which it can be identified. Some software for small businesses do not require account numbers. Businesses typically will assign account numbers to each account based on its account type. A chart of accounts can be very basic or very involved depending on the number of locations you have, the divisions within your business and the structure of your company. It is recommended that you leave a gap between your account numbers so that you are able to add accounts in the future.

## Balance Sheet Accounts

- **Asset Accounts (Account number begins with “1”):** Includes accounts such as Cash, Bank Accounts, Accounts Receivable, Prepaid Expenses, Inventory, Land, Buildings, Vehicles, Equipment, Investments and Accumulated Depreciation.
- **Liability Accounts (Account number begins with “2”):** Includes accounts such as Accounts Payable, Credit Cards, Income Taxes Payable, Payroll Tax Liabilities, Bank Loans, Sales Tax Payable and Accrued Expenses.
- **Stockholders’ Equity (Account number begins with “3”):** Includes accounts such as Common Stock, Retained Earnings and Owner’s Draws

## Profit & Loss Accounts

- **Revenue Accounts (Account number begins with “4”):** Includes accounts such as Sales Revenue, Sales Returns & Allowances and Sales Discounts
- **Cost of Goods Sold Accounts (Account number begins with “5”):** Includes accounts such as Purchases, Purchase Returns and Allowances and all expenses related directly to delivering your service or producing your product.
- **Expense Accounts (Account number begins with “5”):** Includes Advertising, Bank Fees, Depreciation Expense, Wage Expense, Payroll Tax Expense, Rent Expense, Office Expense, Utilities Expense and all overhead expenses.

## How to Read Financial Statements

In order to help you read your financial statements, the following is a checklist that you might utilize on a monthly basis.

- Determine net profit or loss and how this compares with your budget.
- Compare each item of income and expense for the month with the same month from the prior year. It would also be beneficial to compare the current year-to-date figures with the prior year-to-date figures. Some items such as administrative salaries might be compared on an actual basis; other items should be compared on a percentage basis.
- Check out any items of income or expense that have changed substantially or vary greatly from the budgeted figures and determine why by either asking your accountant or checking your records. You may want to circle or highlight these items and note your findings.
- Determine if there are any seasonal fluctuations that would materially change the statements, such as holidays or the weather.
- Determine any trends. You may want to graph your income and expenses in order to help you determine these trends.
- Determine if you are making enough profit to pay all your bills.
- Adjust any net profit for any expense not properly stated such as reasonable salary compensation for a working owner or a reasonable rental factor if the building is owned and not leased.
- If material or labor costs are higher, determine if it is due to increased usage or increased prices.
- Determine that all balances on the Balance Sheet are accurate.
  - Ensure that bank reconciliations have been done monthly and that your ledger balance is reconciled to the bank balance.
  - Determine that the accounts receivable amount listed on the Balance Sheet is correct. Determine if there are any accounts that should be written off as bad debts.
  - If an inventory has been taken, consider adjusting the financial statements for any large variance in stock.
  - Determine that an entry has been made to record monthly depreciation expense. Ensure that all items that should be capitalized are properly recorded.
  - Determine that the accounts payable amount listed on the Balance Sheet is correct.
  - Ensure that all credit card charges and credits have been properly recorded and that the balance matches the statement that you received.
  - Ensure that all payroll tax liabilities are accurately stated.
  - Ensure that all bank debt payments are properly broken out between interest and principal and that the Balance Sheet amounts match to any loan balances shown on your bank statements.
  - Ensure that all expenses incurred but not paid as of the Balance Sheet date are properly recorded. For example, if rent for the month of May is not paid until June, make sure that this is either shown in your payables or as an accrued expense.
  - Ensure that Retained Earnings rolls forward correctly from the prior year (Prior Year Retained Earnings +/- Prior Year Net Income/Loss – Prior Year Shareholder Draws = Current Year Retained Earnings)
  - Ensure that any changes to Common Stock are properly reflected on the Balance Sheet.
  - Ensure that all Shareholder Draws are properly classified to the Shareholder Draws account in the Equity Section of the Balance Sheet.

## Cash Disbursements Procedures

Improper procedures for paying bills could create problems for daily business management or Internal Revenue Service audits. Following are a few simple suggestions to help you.

Every check should have some written document to support it – an invoice, petty cash voucher, payroll summary, check request, etc. If such support is not available for some good reason, a memo should be written stating what the check is for.

Each of these supporting documents should be approved, by signature or initials, by you or someone you have authorized to do so. The signature should indicate that the goods or services have been received, that the terms and price are correct and that no error has been made in computing the amount to be paid. It is especially important to see that cash discounts, when offered, are correctly computed and deducted.

When each check is written, the supporting documentation should be marked “Paid” and the date and check number shown. If the checks are prepared for your signature by an employee, you should see the supporting documentation before you sign the check. If you do not use voucher (multiple copy) checks, it is generally recommended that an inexpensive “Paid” stamp be purchased which has a space in the stamp imprint to enter the date and check number. This stamp should be made with red ink. If you do use multiple copy checks, the check voucher should be stapled to the supporting documentation after it has been paid.

After payment has been made, this supporting material should be filed in a paid bills file. The paid bills file should be kept in alphabetical order and should encompass each accounting year (fiscal or calendar). That is, a new file should be started at the beginning of each calendar or fiscal year.

It is recommended that paid bills be kept for seven years.

## Travel and Entertainment Deductions

The deductibility of employee business expenses has been subject to significant changes over the past few years. In addition, this is a favorite target area of the Internal Revenue Service when conducting audits.

### What is Entertainment?

Entertainment includes any activity generally considered amusement, recreation or sport, whether or not it might also be characterized as public relations or promotion.

Generally, entertainment includes entertaining guests at sporting events, restaurants, country clubs, night clubs and festivals. It also includes hunting, fishing, vacation and similar trips.

### When is Entertainment Deductible?

To be deductible, entertainment expenses must be both ordinary and necessary. To qualify as ordinary, an expense must be common and accepted in your field of business. To qualify as necessary, an expense must be helpful and appropriate for your business.

You must also be able to show that the entertainment meets at least one of the two following tests:

#### Directly related test

All of the following requirements apply. You must:

1. Have a business purpose as the main reason for the entertainment,
2. Engage in business with your guest during the entertainment, and
3. Have more than a general expectation of getting income or some other specific business benefit at some future time.

#### Associated test

The entertainment must be associated with your business and directly precede or follow a substantial business discussion.

## What written records are required for travel and entertainment?

Documentary evidence (receipts, paid bills or similar items that establish the amount, date, place and essential character of an expense) is required for all away-from-home lodging, as well as for any travel or meal expense of \$75 or more (with the exception of transportation costs where documentary evidence is not readily available). In addition, written records (such as trip sheets, logs or diaries prepared at or near the time of the expenditure) are required, showing the information detailed below.

### Overnight business travel

Keep the following records for each overnight business trip:

1. Time and date of departure, date of return and the number of days spent on business
2. Origin, destination and (where appropriate) locality of travel
3. Business purpose of the trip
4. Documentary evidence (as noted above) of actual expense, to the extent you do not use a per diem or the standard mileage rate to establish the deductible amount.

### Auto expenses

Keep the following records for each business use of vehicle:

1. Date
2. Origin and destination
3. Business purpose
4. Number of business miles

In addition to the number of business miles, keep a record of your odometer readings as of January 1 and December 31. If you use actual expenses (instead of the standard mileage rate), keep records and receipts verifying the amount, date and nature of all vehicle expenses. In either case, business parking and tolls are also deductible—keep a record of the dates and amounts.

### Business entertainment

Keep the following records for each entertainment activity:

1. Amount and description of each separate expenditure
2. Date and place of the entertainment or meal
3. Business purpose, including a description of the business benefit expected and the nature of business discussions with the person or persons entertained
4. Business relationship to the person or persons entertained (name, title, occupation or other designation sufficient to establish the business relationship)
5. Your presence (or the presence of your employee or representative) during the event

### Business gifts

Keep the following records for each business gift (limited to \$25 per recipient per year):

1. Cost and description of the gift
2. Date on which the gift was made
3. Business reason for the gift (or benefit expected)
4. Business relationship (name, title, occupation or other designation sufficient to establish the business relationship)

### Per Diem

The regular per diem method provides rates for lodging and for meals and incidental expenses in hundreds of key cities and other specified locations (available in IRS Publication 1542 or at [www.gsa.gov](http://www.gsa.gov)). For locations without specifically assigned rates, \$77 is the standard rate for lodging and \$46 for meals and incidentals for travel in the continental U.S. from 10/1/10 through 9/30/11, or (by election) for calendar year 2011.

Per diems for lodging are not available for self-employed persons, or for reimbursing 10% or more related-party

employees. Self-employed persons, employees and employers who reimburse their employees can, if they wish, use a per diem (other than a high-low per diem) for meals and actual costs for lodging.

You may use a per diem for a worker's lodging only if you use a per diem for that person's meals.

## Record Retention Requirements

Although keeping records as long as possible provides a sense of security, today's high rents, which put a premium on storage facilities, combined with burgeoning paperwork, make this increasingly impractical for many firms. You must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code or the Wisconsin Statutes. Generally, this means you must keep the records that support a particular item of income or deduction on a return until the period of limitations for that return runs out. For federal income tax purposes, this is three years from the due date of the return or the date filed, whichever is later (four years for Wisconsin income tax purposes). However, in the case of a material misstatement of income, the period of limitations is six years for federal and Wisconsin income tax purposes. Be aware that other agencies may have other requirements.

A schedule should be developed so that at the end of a specific retention period, particular records are destroyed. Only in this way can files remain manageable. We have developed such a schedule for your reference and use. It should be emphasized that the retention list is only a guide. Various special regulations and statutory requirements as well as specific needs should be considered before records are discarded.

	Retention Period
Accounts payable ledgers and schedules .....	7 years
Accounts receivable ledgers and schedules.....	7 years
Audit reports of accountants .....	Permanently
Bank reconciliations .....	7 years
Capital stock records.....	Permanently
Cash books .....	Permanently
Checks, canceled (but see exception below).....	7 years
Checks, cancelled (for important payment, i.e., taxes, purchases of property, special contracts, etc. - should be filed with the papers pertaining to the transaction) .....	Permanently
Contracts and leases (expired).....	7 years
Correspondence (general) .....	4 years
Correspondence (legal and important matters only) .....	Permanently
Deeds, mortgages and bills of sale.....	Permanently
Duplicate deposit slips .....	4 years
Employee personnel records (after termination).....	Permanently
Employment applications .....	Permanently
Expenses analyses and expense distribution schedules.....	7 years
Financial statements .....	Permanently
General ledgers.....	Permanently
Insurance policies (expired).....	10 years
Insurance records, current accident reports, claims, policies, etc. ....	Permanently
Inventories of products, materials and supplies .....	7 years
Invoices to customers .....	7 years
Invoices from vendors.....	7 years
Journals .....	Permanently

## Retention Period

Minute books of directors and stockholders, including by-laws and charter.....	Permanently
Notes receivable ledgers and schedules .....	7 years
Payroll records and summaries, including payments to pensioners .....	Permanently
Petty cash vouchers .....	4 years
Property appraisals by outside appraisers .....	Permanently
Property records - including costs and depreciation schedules .....	Permanently
Receiving sheets.....	3 years
Sales records .....	7 years
Tax returns and other documents relating to determination of income tax liability.....	Permanently
Voucher register and schedules.....	7 years
Voucher for payments to vendors, employees, etc. ....	7 years

## Employee vs. Independent Contractor

Trying to determine whether you are dealing with an employee or an independent contractor can be confusing. Even the courts often find that the traditional rule of thumb is not enough. Other factors need to be considered.

Under the common law test, a worker is an employee if the person for whom he/she works has the right to direct and control him/her in the way he/she works, both as to the final results and as to the details of when, where and how the work is to be done. The employer need not actually exercise control; it is sufficient that he/she has the right to do so.

The factors or elements that show control are listed below. Any single fact or a small group of facts is not conclusive evidence of the presence or absence of control. These common law factors are not always present in every case. Some factors do not apply to certain occupations. The weight to be given each factor is not always constant. The degree of importance of each factor may vary depending on the occupation. Therefore, in each case, you will have two things to consider:

- (1) whether the factor exists; and
- (2) the reason for, or importance of, its existence or nonexistence.

- 1. Working Requirements:** If a person is required to comply with instructions involving where and when to perform a job, he/she can be construed to be an employee.
- 2. Training:** If members of the business instruct an individual how to perform certain work or adopt certain methods, he/she can be construed to be an employee.
- 3. Integration of Services:** If the services provided by an individual are an integral part of the employer's business and are subject to direction and control, he/she can be construed to be an employee.
- 4. Hiring, Supervising and Payment:** If a worker is contracted to perform a task for the company and has the ability to hire, supervise and pay other workers, he/she is to be considered an independent contractor.
- 5. Right to Terminate Service:** An independent contractor cannot be dismissed as long as he/she is performing the desired work.
- 6. Set Hours:** If a person is obligated to be at the place of business during a set time frame, he/she can be construed to be an employee.
- 7. Payment by Hour, Week or Month:** Independent contractors are normally paid by the job, whereas an employee is paid consistently over time.
- 8. Continuing Relationship:** If a person performs similar tasks at regular intervals, he/she can be construed to be an employee.

- 9. Working Tools and Equipment:** A person who has substantially all of his/her own tools is more likely to be considered an independent contractor.
- 10. Place of Business:** A person consistently performing work from the employer's place of business can be construed to be an employee.
- 11. Services Available to Public:** If a worker can hold himself/herself out to the public (by advertising, holding a business license, etc.) he/she can be construed to be an independent contractor.
- 12. Realization of Profit or Loss:** If a person can profit or take a loss on the work performed, he/she can be construed to be an independent contractor.
- 13. Business and Travel Expense:** If business and travel expenses are paid by the employer, he/she can be construed to be an employee.
- 14. Reports:** If a worker is required to submit reports on a regular basis, he/she can be construed to be an employee.
- 15. Services Rendered Personally:** The employer who is not only looking for the results of a person's work but also the method is considered to be hiring an employee.
- 16. Right to Discontinue a Relationship:** If an employer can discontinue a working relationship without incurring liability, the worker can be construed to be an employee.
- 17. Work Pattern:** If a worker is required to follow a set of orders or patterns and not have his/her own work schedule, he/she can be construed to be an employee.
- 18. Outside Services for Other Businesses:** A worker who performs similar or larger jobs for businesses other than the employer is considered to be an independent contractor.
- 19. Full Time:** If a person devotes substantially all of his/her time to one business, he/she can be construed to be an employee.
- 20. Facilities:** If a substantial amount of money is spent on a worker's own facilities, that person can be construed to be an independent contractor.

**Exhibit I:**  
**Comparison of Business Entities**

# Comparison of Business Entities

Applicable Factor	C Corporation	S Corporation	Sole Proprietor	Partnership/LLP	LLC
<b>Formation</b>					
Method	Articles of Incorporation	Articles of Incorporation	None	Partnership Agreement	Articles of Organization filed in state recognizing LLCs
Owner Eligibility					
• Number of Owners	No Limit	100	One	Two or more for general partnership; one or more general and one or more limited for limited partnership	No Limit
• Type of Owners	No Limitation	Individuals, estates, certain trusts and certain tax-exempt organizations	Individual	No Limitation	No Limitation
• Affiliate Limits	No Limitation	Can own up to 100% of the stock of a C Corporation and own 100% of the stock of a qualified sub-s subsidiary. No limitation.	No Limitation	No Limitation	No Limitation
Capital Structure					
• Equity	No Limitations (multiple classes permitted)	Only one class of stock	No stock	No Limitations (multiple classes)	No Limitations
• Debt	No specific limits on debts/equity ratio	Safe-harbor for debt	No specific limits	No specific limits	No specific limits
Status Determination					
• Election by Entity	No election requirements	Required election	No election requirements	No election requirement but state law filing	No election requirement
• Owner Consents	None required	Consent required	None required	None required	None required
Liability (check applicable state laws)	Limited to shareholder's capital contributions	Limited to shareholder's capital contributions	Unlimited	General partners jointly and severally liable. Limited partners are generally limited to capital contributions.	Limited to member's capital contributions

# Comparison of Business Entities

Applicable Factor	C Corporation	S Corporation	Sole Proprietor	Partnership/LLP	LLC
<b>Operational Phase</b>					
Tax Year	Any year permitted (limit for personal service corporation)	Generally calendar year	Generally calendar year	Generally calendar year	Generally calendar year
Tax on Income	Corporate level	Owner level except QSST, where paid by beneficiary	Individual level	Owner level	Member level
Elections	Corporate level	Corporate level	Individual level	Partnership level	Entity level
Allocation of Income/Deductions	Not permitted (except through multiple equity structure)	Not permitted (except through multiple equity structure)	n/a	Permitted if substantial economic effect	Permitted if substantial economic effect
Character of Income/Deductions	No flow-through to shareholders	Flow-through to shareholders	Flow-through to individual	Flow-through to partners	Flow-through to members
Net Operating Losses	No flow-through to shareholders	Flow-through to shareholders (limited to basis)	Flow-through to individual	Flow-through to partners (limited to basis)	Flow-through to members (limited to basis)
Net Capital Losses	No flow-through, but five year carryforward	Flow-through to shareholders	Flow-through to individual	Flow-through to partners	Flow-through to members
Effect of Statutory Limitations	Imposed at corporate level	Imposed at shareholder level	Imposed at individual level	Imposed at partner level	Imposed at member level
<b>Owner Compensation Arrangements</b>					
Fringe Benefits	Shareholder-officers qualify for benefits	Shareholder-officers qualify for benefits (medical premiums for greater than 2% shareholders treated like partnership guaranteed payments)	Generally subject to limits applicable to individuals	Limited participation for partners	Limited participation for members
Retirement Benefits	Shareholder-officers included in qualified plans	Certain limits on shareholder-officers	Generally subject to limits applicable to individuals	Certain limits applicable to partners	Certain limits applicable to members
Reasonable Compensation Limits	Applicable to shareholder-officers	Applicable to shareholder-officers	n/a	Applicable where capital is a material factor	Applicable where capital is a material factor

# Comparison of Business Entities

Applicable Factor	C Corporation	S Corporation	Sole Proprietor	Partnership/LLP	LLC
<b>Transactions with Owners</b>					
Distribution of Cash	Dividends to extent of earnings and profits	Dividends, generally no effect until the accumulated adjustment account (AAA) fully recovered (beware transition rules for former C corps)	No effect	No effect except in calculation of basis	No effect except in calculation of basis
Distribution of Property	Dividend treatment; gain recognition to entity	Gain recognition to entity	No effect	No gain or loss to entity	No gain or loss to entity
Purchase of Owner's Interest					
• Partial Interest	Probable dividend treatment	Tax-free, but gain for proceeds in excess of basis	Treated as sale of each asset	Capital gain treatment, except ordinary income for ordinary income assets	Capital gain treatment, except ordinary income for ordinary income assets
• Entire Interest	Capital gain treatment with exceptions	Capital gain treatment after basis recovered	Cannot sell entity interest; sale of business is viewed as a sale of each asset	Capital gain treatment, except ordinary income for ordinary income assets and certain §736 payments	Capital gain treatment, except ordinary income for ordinary income assets and certain §736 payments
Property Sales to Entity by Owner	Possible dividend treatment or contributions to capital	Any excess value treated as distribution or contribution	n/a	Any excess value treated as distribution or contribution	Any excess value treated as distribution or contribution
Property Sales to Owner by Entity	Possible dividend treatment or contributions to capital	Any excess value treated as distribution or contribution	n/a	Any excess value treated as distribution or contribution	Any excess value treated as distribution or contribution
<b>Termination of Entity or Owner Interest</b>					
Sale of Interest by Owner to Third Person	Capital gain; no effect on basis of corporation's assets	Capital gain; no effect on basis of corporation's assets	Cannot sell entity interest; sale of business is viewed as a sale of each asset	Capital gain subject to §751 ordinary income categorization	Capital gain subject to §751 ordinary income categorization

# Comparison of Business Entities

Applicable Factor	C Corporation	S Corporation	Sole Proprietor	Partnership/LLP	LLC
<b>Termination of Entity or Owner Interest, continued</b>					
Death of Owner	Estate continues as shareholder; FMV at date of death is basis for shares; no effect on basis of corporation's assets	Estate continues as shareholder; FMV at date of death is basis for shares; no effect on basis of corporation's assets	Estate takes over business	Estate as partner subject to agreement, FMV at date of death basis for interest	Estate as member subject to agreement, FMV at date of death is basis for interest
Liquidation Distributions					
• Effect to Distributor	Gain recognition if appreciated property distributed Capital gain on excess value received over basis	Gain recognition if appreciated property distributed Capital gain on excess value received over basis	n/a	No gain recognition on asset distributions	No gain recognition on asset distributions
• Effect to Recipient	Tax-free to shareholders if qualifying under reorganization provisions (§354 and §368)	Tax-free to shareholders if qualifying under reorganization provisions (§354 and §368)	n/a	Substituted basis in partnership interest	Substituted basis in assets equal to basis in LLC interest
Reorganization	Tax-free to shareholders if qualifying under reorganization provisions (§354 and §368)	Tax-free to shareholders if qualifying under reorganization provisions (§354 and §368)	n/a	No taxability on merger of partnerships	No taxability on merger of LLC
Carryover of Tax Attributes	Carryover of tax attributes to successor entity if tax-free reorganization	Carryover of tax attributes to successor entity if tax-free reorganization	n/a	n/a	n/a

**Exhibit II:**

**Federal Form SS-4:  
Application for Employer Identification Number**

# Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

OMB No. 1545-0003

EIN

▶ See separate instructions for each line. ▶ Keep a copy for your records.

<b>Type or print clearly.</b>	<b>1</b> Legal name of entity (or individual) for whom the EIN is being requested		
	<b>2</b> Trade name of business (if different from name on line 1)	<b>3</b> Executor, administrator, trustee, "care of" name	
	<b>4a</b> Mailing address (room, apt., suite no. and street, or P.O. box)	<b>5a</b> Street address (if different) (Do not enter a P.O. box.)	
	<b>4b</b> City, state, and ZIP code (if foreign, see instructions)	<b>5b</b> City, state, and ZIP code (if foreign, see instructions)	
	<b>6</b> County and state where principal business is located		
	<b>7a</b> Name of responsible party	<b>7b</b> SSN, ITIN, or EIN	
<b>8a</b> Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>8b</b> If 8a is "Yes," enter the number of LLC members ▶		
<b>8c</b> If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>9a Type of entity</b> (check only one box). <b>Caution.</b> If 8a is "Yes," see the instructions for the correct box to check.			
<input type="checkbox"/> Sole proprietor (SSN) _____	<input type="checkbox"/> Estate (SSN of decedent) _____	<input type="checkbox"/> Partnership	<input type="checkbox"/> Plan administrator (TIN) _____
<input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____	<input type="checkbox"/> Trust (TIN of grantor) _____	<input type="checkbox"/> Personal service corporation	<input type="checkbox"/> National Guard <input type="checkbox"/> State/local government
<input type="checkbox"/> Church or church-controlled organization	<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military	<input type="checkbox"/> Other nonprofit organization (specify) ▶ _____	<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises
<input type="checkbox"/> Other (specify) ▶ _____	Group Exemption Number (GEN) if any ▶ _____		
<b>9b</b> If a corporation, name the state or foreign country (if applicable) where incorporated	State	Foreign country	
<b>10 Reason for applying</b> (check only one box)			<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____
<input type="checkbox"/> Started new business (specify type) ▶ _____	<input type="checkbox"/> Changed type of organization (specify new type) ▶ _____	<input type="checkbox"/> Purchased going business	<input type="checkbox"/> Created a trust (specify type) ▶ _____
<input type="checkbox"/> Hired employees (Check the box and see line 13.)	<input type="checkbox"/> Created a pension plan (specify type) ▶ _____	<input type="checkbox"/> Compliance with IRS withholding regulations	
<input type="checkbox"/> Other (specify) ▶ _____			
<b>11</b> Date business started or acquired (month, day, year). See instructions.	<b>12</b> Closing month of accounting year		
<b>13</b> Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.	<b>14</b> If you expect your employment tax liability to be \$1,000 or less in a full calendar year <b>and</b> want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>		
Agricultural	Household	Other	
<b>15</b> First date wages or annuities were paid (month, day, year). <b>Note.</b> If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) . . . . . ▶			
<b>16</b> Check <b>one</b> box that best describes the principal activity of your business.	<input type="checkbox"/> Health care & social assistance	<input type="checkbox"/> Wholesale-agent/broker	
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing	<input type="checkbox"/> Accommodation & food service	<input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail	
<input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance	<input type="checkbox"/> Other (specify) _____		
<b>17</b> Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.			
<b>18</b> Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," write previous EIN here ▶ _____			
Complete this section <b>only</b> if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.			
<b>Third Party Designee</b>	Designee's name	Designee's telephone number (include area code) ( )	
	Address and ZIP code	Designee's fax number (include area code) ( )	
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.	Applicant's telephone number (include area code) ( )		
Name and title (type or print clearly) ▶	Applicant's fax number (include area code) ( )		
Signature ▶	Date ▶		

## Do I Need an EIN?

File Form SS-4 if the applicant entity does not already have an EIN but is required to show an EIN on any return, statement, or other document.<sup>1</sup> See also the separate instructions for each line on Form SS-4.

IF the applicant...	AND...	THEN...
Started a new business	Does not currently have (nor expect to have) employees	Complete lines 1, 2, 4a–8a, 8b–c (if applicable), 9a, 9b (if applicable), and 10–14 and 16–18.
Hired (or will hire) employees, including household employees	Does not already have an EIN	Complete lines 1, 2, 4a–6, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10–18.
Opened a bank account	Needs an EIN for banking purposes only	Complete lines 1–5b, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Changed type of organization	Either the legal character of the organization or its ownership changed (for example, you incorporate a sole proprietorship or form a partnership) <sup>2</sup>	Complete lines 1–18 (as applicable).
Purchased a going business <sup>3</sup>	Does not already have an EIN	Complete lines 1–18 (as applicable).
Created a trust	The trust is other than a grantor trust or an IRA trust <sup>4</sup>	Complete lines 1–18 (as applicable).
Created a pension plan as a plan administrator <sup>5</sup>	Needs an EIN for reporting purposes	Complete lines 1, 3, 4a–5b, 9a, 10, and 18.
Is a foreign person needing an EIN to comply with IRS withholding regulations	Needs an EIN to complete a Form W-8 (other than Form W-8ECI), avoid withholding on portfolio assets, or claim tax treaty benefits <sup>6</sup>	Complete lines 1–5b, 7a–b (SSN or ITIN optional), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is administering an estate	Needs an EIN to report estate income on Form 1041	Complete lines 1–6, 9a, 10–12, 13–17 (if applicable), and 18.
Is a withholding agent for taxes on non-wage income paid to an alien (i.e., individual, corporation, or partnership, etc.)	Is an agent, broker, fiduciary, manager, tenant, or spouse who is required to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	Complete lines 1, 2, 3 (if applicable), 4a–5b, 7a–b (if applicable), 8a, 8b–c (if applicable), 9a, 9b (if applicable), 10, and 18.
Is a state or local agency	Serves as a tax reporting agent for public assistance recipients under Rev. Proc. 80-4, 1980-1 C.B. 581 <sup>7</sup>	Complete lines 1, 2, 4a–5b, 9a, 10, and 18.
Is a single-member LLC	Needs an EIN to file Form 8832, Classification Election, for filing employment tax returns and excise tax returns, or for state reporting purposes <sup>8</sup>	Complete lines 1–18 (as applicable).
Is an S corporation	Needs an EIN to file Form 2553, Election by a Small Business Corporation <sup>9</sup>	Complete lines 1–18 (as applicable).

<sup>1</sup> For example, a sole proprietorship or self-employed farmer who establishes a qualified retirement plan, or is required to file excise, employment, alcohol, tobacco, or firearms returns, must have an EIN. A partnership, corporation, REMIC (real estate mortgage investment conduit), nonprofit organization (church, club, etc.), or farmers' cooperative must use an EIN for any tax-related purpose even if the entity does not have employees.

<sup>2</sup> However, do not apply for a new EIN if the existing entity only (a) changed its business name, (b) elected on Form 8832 to change the way it is taxed (or is covered by the default rules), or (c) terminated its partnership status because at least 50% of the total interests in partnership capital and profits were sold or exchanged within a 12-month period. The EIN of the terminated partnership should continue to be used. See Regulations section 301.6109-1(d)(2)(iii).

<sup>3</sup> Do not use the EIN of the prior business unless you became the "owner" of a corporation by acquiring its stock.

<sup>4</sup> However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the Instructions for Form 1041.

<sup>5</sup> A plan administrator is the person or group of persons specified as the administrator by the instrument under which the plan is operated.

<sup>6</sup> Entities applying to be a Qualified Intermediary (QI) need a QI-EIN even if they already have an EIN. See Rev. Proc. 2000-12.

<sup>7</sup> See also *Household employer* on page 4 of the instructions. **Note.** State or local agencies may need an EIN for other reasons, for example, hired employees.

<sup>8</sup> See *Disregarded entities* on page 4 of the instructions for details on completing Form SS-4 for an LLC.

<sup>9</sup> An existing corporation that is electing or revoking S corporation status should use its previously-assigned EIN.

**Exhibit III:**

**Wisconsin Form BTR-101:  
Application for Business Tax Registration**

# Application for Business Tax Registration

Allow 15 business days for processing and mailing of your registration certificate.

Wisconsin Department of Revenue  
 PO Box 8902, Madison WI 53708-8902  
 (608) 266-2776, TDD (608) 267-1049  
 FAX (608) 264-6884

Complete form using **BLACK** or **BLUE INK**.

► **Part A Reason for Registration** (check the box that applies)

- New Business
- Registering Additional Tax Types . . . . . BTR Tax Account # \_\_\_\_\_
- Additional Business Locations → NOTE: If you are currently registered and have no changes to Part C, please complete Schedule 1 only.

► **Part B Type of Registration** (check the box for each tax type you are applying for)

Regardless of the number of tax types you are requesting, there is only <b>one \$20 BTR fee due</b> .	Is this tax type subject to the BTR Fee? (See "Exceptions to the BTR fee" on page 1 of the general instructions.)	Parts of this application that must be completed.
<input type="checkbox"/> Wisconsin employer identification number	Yes	Parts C, D, F, G, & H
<input type="checkbox"/> Seller's permit <input type="checkbox"/> Local exposition tax (sales in Milwaukee County only)	Yes	Parts C, D, E, G & H
<input type="checkbox"/> Consumer's use tax certificate	No	Parts C, D, E, G, & H
<input type="checkbox"/> Use tax certificate	Yes	Parts C, D, E, G, & H
<input type="checkbox"/> Dry Cleaning Facility	No	Parts C, D, G, & H

► **Part C Business Information**

1 Type of Ownership (check one)

- Sole Proprietorship
- Partnership. Indicate type →  General     Limited     Limited liability partnership (LLP)
- S Corporation     C Corporation → Date of Incorporation \_\_\_/\_\_\_/\_\_\_ → State of Incorporation \_\_\_\_\_  
(mo/day/yr)
- Limited liability company (LLC). Date registered \_\_\_/\_\_\_/\_\_\_ → State of Registration \_\_\_\_\_  
  - Taxed as a corporation     Taxed as a partnership
  - Disregarded as an entity separate from its owner (single member LLC only)
- Nonprofit organization
- Governmental unit (check appropriate box)
  - Federal     WI state agency     Local     County
  - Other state agency \_\_\_\_\_ (list)     Tribal     Other (describe) \_\_\_\_\_
- Other (describe) \_\_\_\_\_

<b>2</b> Legal name (sole proprietors enter your last name, first, MI)	<b>3</b> Federal employer identification # (FEIN)	<b>4</b> Social security number (required for sole proprietorship)
--	---	--

**5** Mailing address (street or PO Box - include apartment, suite, or lot number)

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City \_\_\_\_\_ State \_\_\_\_\_ Zip code \_\_\_\_\_ County \_\_\_\_\_

<b>6</b> Contact person	Telephone number	FAX number
	(    )	(    )

Legal name (sole proprietors enter your last name, first, MI)

► **Part D Business Location Information** – Complete a Schedule 1 for each additional business location.

1 Trade name of business

Business address (cannot be a PO Box)

City

State

Zip code

County

2 Enter Business Code (NAICS) \_\_\_\_\_ (see instructions)

**Specialty Taxes and Fees (refer to pages 3 – 5 of the instructions)**

3 **Local Exposition Tax** If you will be making sales in municipalities located wholly or partially in Milwaukee County, including any part of the Village of Bayside or the City of Milwaukee, indicate if you will be making taxable sales of any of the following:

- Food and beverages
- Automobile rentals
- Lodging
- Lodging within the City of Milwaukee

Date first taxable sales will be made \_\_\_\_ / \_\_\_\_ / \_\_\_\_

4  Yes  No Is this location primarily engaged in the short term rental of vehicles without drivers? If Yes, Beginning Date

5  Yes  No Do you provide limousine service? If Yes, Beginning Date → \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mo/day/yr)

6  Yes  No Do you sell tangible personal property or provide taxable services subject to the premier resort area tax? If Yes, indicate where:  Lake Delton  Wisconsin Dells  City of Bayfield  Eagle River

7  Yes  No Is this location a dry cleaning facility? If Yes, Beginning Date → \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mo/day/yr)

8  Yes  No Do you sell dry cleaning products? If Yes, Beginning Date → \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mo/day/yr)

**Note:** If you have answered yes to any of the above, you will receive additional information regarding those registrations.

► **Part E Sales/Use Tax (Enter date first sales or purchases will be made \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mo/day/yr))**

1 Estimated monthly sales, leases, or rentals subject to Wisconsin sales or use taxes. (Information will be used to determine initial filing frequency.)

- \$1 - \$450/month (annual)
- \$451 - \$3,600/month (quarterly)
- \$3,601 - \$21,500/month (monthly)
- over \$21,500/month (early-monthly)

Estimated monthly purchases subject to Wisconsin use tax. (Information will be used to determine initial filing frequency.)

- \$1 - \$450/month (annual)
- \$451 - \$3,600/month (quarterly)
- \$3,601 - \$21,500/month (monthly)
- over \$21,500/month (early-monthly)

2  Yes  No Will business be operated all 12 months? If **No**, check boxes for months of operation:  Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

3 If your income year is other than the year ending December 31, please indicate your fiscal year ending date. \_\_\_\_\_

4  Non-profit organization Indicate the date(s) of your taxable event. From: \_\_\_\_\_ To: \_\_\_\_\_

► **Part F Withholding Tax (Enter date of first employee payroll \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mo/day/yr))**

1 Check box if you are (see instructions):

- An out-of-state employer with no other tax connection to Wisconsin,
- An agricultural employer with farm labor only, or
- A household employer with domestic employees only.

If you have checked one of the above boxes and you are only applying for a Wisconsin employer identification number, the BTR fee is not due with this application. However, if you are also applying for another tax type covered by the BTR provisions, the fee is still due.

2 Estimated amount of Wisconsin income tax to be withheld each month from employees. (Information will be used to determine initial filing frequency.)

- \$1 - \$25/month (annual)
- \$26 - \$199/month (quarterly)
- \$200 - \$1,666/month (monthly)
- over \$1,666/month (semi-monthly)

3  Yes  No Will business be operated all 12 months? If **No**, check boxes for months of operation:  Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

4 If your withholding tax reports are prepared by a payroll service, complete the following:

Name	EIN	Phone number	
	—	( )	
Address	City	State	Zip code

Legal name (sole proprietors enter your last name, first, MI)

**► Part G Ownership Disclosure** List all owners, partners, corporate officers or members  
*(If more space is needed, please attach additional pages.)*

► Name	Title		Social security number / FEIN (if owner is a business)	
Home address	City	State	Zip code	County
Home telephone ( )	If you are a partner, check type <input type="checkbox"/> Limited <input type="checkbox"/> General Partner			

► Name	Title		Social security number / FEIN (if owner is a business)	
Home address	City	State	Zip code	County
Home telephone ( )	If you are a partner, check type <input type="checkbox"/> Limited <input type="checkbox"/> General Partner			

► Name	Title		Social security number / FEIN (if owner is a business)	
Home address	City	State	Zip code	County
Home telephone ( )	If you are a partner, check type <input type="checkbox"/> Limited <input type="checkbox"/> General Partner			

► Name	Title		Social security number / FEIN (if owner is a business)	
Home address	City	State	Zip code	County
Home telephone ( )	If you are a partner, check type <input type="checkbox"/> Limited <input type="checkbox"/> General Partner			

► Name	Title		Social security number / FEIN (if owner is a business)	
Home address	City	State	Zip code	County
Home telephone ( )	If you are a partner, check type <input type="checkbox"/> Limited <input type="checkbox"/> General Partner			

**► Part H Financial Information**

Name and address of financial institution through which you will maintain your business checking account.

Name		Account #		
Street Address	City	State	Zip code	

*I declare under penalties of law that I have examined this information and to the best of my knowledge and belief, it is true, correct, and complete.*

Name of person who prepared this application <i>(please print)</i>	Title	Date
Signature	Business telephone number ( )	Business FAX number ( )

## Schedule 1 – Additional Business Locations for Seller’s Permits

(attach additional pages for each separate location)

Legal name (sole proprietors enter your last name, first, MI)	Federal employer identification # (FEIN)	Social security number (required for sole proprietorship)
---	--	---

<b>1</b> Trade name of business	Acct. #
---------------------------------	---------

Business location (street address – cannot be a PO Box)

City	State	Zip code	County
------	-------	----------	--------

**2** Enter Business Code (NAICS) \_\_\_\_\_ (see instructions)

**Specialty Taxes and Fees (refer to pages 3 – 5 of the instructions):**

**3 Local Exposition Tax** If you will be making sales in municipalities located wholly or partially in Milwaukee County, including any part of the Village of Bayside or the City of Milwaukee, indicate if you will be making taxable sales of any of the following:

- Food and beverages     
  Automobile rentals     
  Lodging     
  Lodging within the City of Milwaukee

Date first taxable sales will be made       /      /        
(mo/day/yr)

**4**  Yes  No Is this location primarily engaged in the short term rental of vehicles without drivers? If Yes, Beginning Date

**5**  Yes  No Do you provide limousine service? If Yes, Beginning Date →       /      /       ↘       /      /        
(mo/day/yr) (mo/day/yr)

**6**  Yes  No Do you sell tangible personal property or provide taxable services subject to the premier resort area tax? If Yes, indicate where:  Lake Delton  Wisconsin Dells  City of Bayfield  Eagle River

**7**  Yes  No Is this location a dry cleaning facility? If Yes, Beginning Date →       /      /        
(mo/day/yr)

**8**  Yes  No Do you sell dry cleaning products? If Yes, Beginning Date →       /      /        
(mo/day/yr)

**Note:** If you have answered yes to any of the above, you will receive additional information regarding those registrations.

**Sales and Use Tax: (Enter date first sales will be made       /      /       )**  
(mo/day/yr)

**9** Estimated monthly sales, leases, or rentals subject to Wisconsin sales. (Information may be used to determine filing frequency.)

- \$1 - \$450/month (annual)     
  \$451 - \$3,600/month (quarterly)     
  \$3,601 - \$21,500/month (monthly)     
  over \$21,500/month (early-monthly)

**10**  Yes  No Will business be operated all 12 months? If **No**, check boxes for months of operation:

- Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

**11**  Non-profit organization Indicate the date(s) of your taxable event. From: \_\_\_\_\_ To: \_\_\_\_\_

*I declare under penalties of law that I have examined this information and to the best of my knowledge and belief, it is true, correct, and complete.*

Name of person who prepared this application (please print)	Title	Date
Signature	Business telephone number (      )	Business FAX number (      )

**Exhibit IV:**  
**What, When and Where to File**

# Addresses – paper forms

(Non-Wisconsin businesses, see appropriate forms for filing addresses)

<u>Form(s)</u>	<u>Due date(s)</u>	<u>If no payment is due</u>	<u>If payment is due with the return</u>
<b>Wage statements – different e-file rules apply for Wisconsin. See the next page.</b>			
<b>FEDERAL</b> W-3 and Copy A of W-2	Feb. 28	SOCIAL SECURITY ADMINISTRATION DATA OPERATIONS CENTER WILKES-BARRE PA 18769-0001 (if mailing certified, use ZIP code 18769-0002)	Not applicable
<b>WISCONSIN</b> Cover letter <sup>††</sup> and Copy 1 of W-2	Jan. 31	WISCONSIN DEPT OF REVENUE PO BOX 8920 MADISON WI 53708-8920	Refund or tax due: WISCONSIN DEPT OF REVENUE PO BOX 8981 MADISON WI 53708-8981
<b>EMPLOYEE</b> Copies B, C, & 2	Jan. 31	N/A	N/A
<b>Employer's withholding tax returns</b>			
<b>FEDERAL</b> 941	End of month after calendar quarter	DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CINCINNATI OH 45999-0005	INTERNAL REVENUE SERVICE PO BOX 804522 CINCINNATI OH 45280-4522
943	Jan. 31	DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CINCINNATI OH 45999-0008	INTERNAL REVENUE SERVICE PO BOX 804523 CINCINNATI OH 45280-4523
944	Jan. 31	DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CINCINNATI OH 45999-0044	INTERNAL REVENUE SERVICE PO BOX 804522 CINCINNATI OH 45280-4522
<b>WISCONSIN</b> WT-6	Varies, depending on your reporting period	WISCONSIN DEPT OF REVENUE BOX 930931 MILWAUKEE WI 53293-0931	WISCONSIN DEPT OF REVENUE BOX 930931 MILWAUKEE WI 53293-0931
<b>Other withholding tax returns</b>			
<b>FEDERAL</b> 945	Jan. 31	DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CINCINNATI OH 45999-0042	INTERNAL REVENUE SERVICE PO BOX 804524 CINCINNATI OH 45280-4524
<b>Unemployment tax returns</b>			
<b>FEDERAL</b> 940	Jan. 31	DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CINCINNATI OH 45999-0046	INTERNAL REVENUE SERVICE PO BOX 804521 CINCINNATI OH 45280-4521
<b>WISCONSIN</b> UCT-101 applicable wage report	Received by end of month after calendar quarter	DEPT OF WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE PO BOX 7945 MADISON WI 53707-7945	<i>With payment or if paying by EFT:</i> DEPT OF WORKFORCE DEVELOPMENT DIVISION OF UNEMPLOYMENT INSURANCE PO BOX 78960 MILWAUKEE WI 53278-0960
<b>Information returns – different e-file rules apply for Wisconsin. See the next page.</b>			
<b>FEDERAL</b> 1096 and 1099, 1098, or 5498	Visit <a href="http://www.irs.gov">www.irs.gov</a>	DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE CENTER KANSAS CITY MO 64999	Not applicable
<b>WISCONSIN</b> 9b (or state copy 1099) <sup>††</sup>	Visit <a href="http://revenue.wi.gov">http://revenue.wi.gov</a>	WISCONSIN DEPT OF REVENUE PO BOX 8905 MADISON WI 53708-8905	Not applicable

<sup>††</sup> Send 1099Rs with state withholding and a cover letter (same as Copy 1 of Form W-2).

Note: • See federal and state instructions for alternate addresses if not using the U.S. Postal Service.  
• Use mailing labels provided by federal and state taxing authorities whenever possible.

# Addresses – electronic filing

(Non-Wisconsin businesses, see appropriate forms for filing addresses)

**Note:** If you file 50 or more Wisconsin copies of Forms W-2 or 1099, you must file electronically with the Wisconsin Department of Revenue (WDOR). If you file 250 or more federal copies of Forms W-2, 1099, 1098, and 5498, you must file electronically with the SSA or IRS. These thresholds apply separately to each type of form.

<u>Form(s)</u>	<u>Due date</u>	<u>Where to file</u>
<b>Wage statements</b>		
<b>FEDERAL</b>		
W-2	March 31	<a href="http://www.ssa.gov/bso/bsowelcome.htm">http://www.ssa.gov/bso/bsowelcome.htm</a>
<b>WISCONSIN</b>		
W-2	January 31	<a href="http://www.revenue.wi.gov/html/with.html">www.revenue.wi.gov/html/with.html</a> Click on "W-2, 1099, W-2G & 3K-1 File Transmission."
WT-7	January 31	<a href="http://revenue.wi.gov">http://revenue.wi.gov</a> (click "Login" under "My Tax Account"), or Telefile 608-261-5340 or 414-227-3895
With the Wisconsin mandate to file Form WT-7 electronically and the new Wisconsin requirement to file 50 or more Forms W-2 electronically (see "Note" above), there are fewer options for paper filing.		
<b>Employer's withholding tax returns</b>		
<b>FEDERAL</b>		
941	End of month after calendar quarter	} For a listing of approved IRS e-file for business providers: <a href="http://www.irs.gov/efile/article/0,,id=118516,00.html">http://www.irs.gov/efile/article/0,,id=118516,00.html</a>
943	January 31	
944	January 31	
945	January 31	
<b>WISCONSIN</b>		
WT-6	Varies	<a href="http://revenue.wi.gov">http://revenue.wi.gov</a> (click "Login" under "My Tax Account"), or Telefile 608-261-5340 or 414-227-3895 No WT-6 is necessary if payment is made using EFT-ACH credit
<b>Information returns</b>		
<b>FEDERAL</b>		
1099,1098, or W-2G	March 31	<a href="https://fire.irs.gov/">https://fire.irs.gov/</a>
<b>WISCONSIN</b>		
9b or state copy of 1099-MISC or 1099-R	February 28; March 15 for corporations reporting rents or royalties	} <a href="http://www.revenue.wi.gov/html/with.html">www.revenue.wi.gov/html/with.html</a> Click on "W-2, 1099, W-2G, & 3K-1 File Transmission."
<b>Unemployment tax returns</b>		
<b>FEDERAL</b>		
940	January 31	For a listing of approved IRS e-file for business providers: <a href="http://www.irs.gov/efile/article/0,,id=118516,00.html">http://www.irs.gov/efile/article/0,,id=118516,00.html</a>
<b>WISCONSIN</b>		
UCT-101 Applicable wage report	Received by the end of the month after the calendar quarter	<a href="http://dwd.wisconsin.gov/uitax/">http://dwd.wisconsin.gov/uitax/</a> Click on "File tax and wage reports."

**Note:** Wisconsin requires electronic reporting when you have 25 or more employees in a calendar quarter.