
Wisconsin Legislative Council

ACT MEMO



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2021 Wisconsin Act 262
[2021 Senate Bill 794]

Pass-Through Entity Audits

BACKGROUND

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

2021 WISCONSIN ACT 262

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

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

Effective date: April 17, 2022

DWS:ksm