

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
100154	Individual Income Tax 1099-G (Certain Government Payments) and 1099-INT (Interest) - Common Questions

State of Wisconsin
Department of Revenue

Individual Income Tax 1099-G (Certain Government Payments) and 1099-INT (Interest)

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.

1. I received a Form 1099-G from the Wisconsin Department of Revenue. Why did I receive this form?
2. Why would I have to report my refund as income?
3. I did show an overpayment on my 2018 Wisconsin return, but I had the money applied as a credit to 2019. Since I didn't receive a refund check, do I still have to report this amount as income?
4. I claimed a Wisconsin tax refund for 2018, but the Department of Revenue applied the money to a bill for another year. Do I still have to report this as income?
5. I received a refund check for \$400, but a different amount was reported as income to the Internal Revenue Service on Form 1099-G. Is this a mistake?
6. I received a penalty of \$500 for the early withdrawal of a retirement plan. This resulted in an amount due of \$300 on my 2018 income return. Why did I receive a 1099-G?
7. I filed my 2018 return late. As a result of being charged a late filing fee and interest of \$50, I had to pay \$5. Why did I receive a Form 1099-G?
8. After I filed my 2018 Wisconsin return, I realized I had made a mistake. I filed an amended 2018 return in June 2019. How did you figure the amount to be reported to the IRS?
9. The Form 1099-G says the refund was issued for 2015. Why should I have to report that now?
10. Why did I receive a Form 1099-INT from the Department of Revenue?
11. In 2019, I received \$50 of interest from the Department of Revenue on a refund of 2015 taxes. I didn't receive a Form 1099-INT for this

interest. Am I still required to report this interest as income?

12. Can I view my Form 1099-G online?
13. Can I agree to go paperless and no longer receive a paper Form 1099-G?
14. Will I receive an email from the Wisconsin Department of Revenue?

1. **I received a Form 1099-G from the Wisconsin Department of Revenue. Why did I receive this form?**

The Internal Revenue Service (IRS) requires government agencies to report certain payments made during the year because these payments may be taxable income for the recipients. The Department of Revenue must report on Form 1099-G any refund or overpayment credit amount issued during 2018 to anyone who claimed state income tax payments as an itemized deduction on the federal income tax return for the year to which the refund or credit applies.

The department's records show that we issued you a refund or overpayment credit during 2019 for the tax year shown in Box 1 on Form 1099-G and that you may have claimed itemized deductions on your federal income tax return for that year. Therefore, you may be required to report the refund or credit as income on your 2018 federal income tax return.

2. **Why would I have to report my refund as income?**

In computing itemized deductions on your federal income tax return, you are allowed to deduct state income taxes paid during the year. Most people deduct the amount of state income tax withheld, as shown on Form W-2, plus any Wisconsin estimated tax payments made during the year. Since this deduction reduces federal taxable income, if any part of the state tax deducted on the federal return is later refunded, that amount may have to be reported as taxable income for the year in which the refund is issued. Use the State and Local Income Tax Refund Worksheet in the federal Form 1040 instructions to determine whether your Wisconsin tax refund must be reported as taxable income on your federal return.

Note: Since Wisconsin does not allow a deduction for state income taxes paid, **the refund should not be included** in Wisconsin taxable income.

Example: Assume you deducted \$5,000 in state income tax on your 2018 federal return, based on the Wisconsin income tax withheld from your wages. When you filed your Wisconsin return, you found that you were entitled to a refund of \$500, which was issued on April 29, 2019. This means that you paid only \$4,500 in state income taxes, rather than the \$5,000 you claimed. Therefore, you must report the difference of \$500 (the amount of your refund) as income on your federal return for 2018. You should not report the \$500 as income on your 2019 Wisconsin return.

3. **I did show an overpayment on my 2018 Wisconsin return, but I had the money applied as a credit to 2019. Since I didn't receive a refund check, do I still have to report this amount as income?**

A refund and a credit are different types of overpayments. The department must include any overpayment allowed on your 2018 return, whether issued as a refund or as a credit, on Form 1099-G. As a result, you are subject to the same federal reporting requirements as if

you had received a refund check.

4. I claimed a Wisconsin tax refund for 2018, but the Department of Revenue applied the money to a bill for another year. Do I still have to report this as income?

Wisconsin law requires the department to apply refunds or credits to certain outstanding bills. The application of funds doesn't change the fact that you claimed an overpayment for the year on your Wisconsin income tax return. Even though you didn't actually receive a check, you had an overpayment and you are subject to the same federal reporting requirements as if you had received a refund check.

5. I received a refund check for \$400, but a different amount was reported as income to the Internal Revenue Service (IRS) on Form 1099-G. Is this a mistake?

Your Form 1099-G explains how the amount of refund to be reported to the IRS was computed.

The following items may **increase** the refund amount that you are required to report as income on your federal return:

- Donations you made on your tax return
- Sales and use tax due on out-of-state purchases
- Retirement plan and other penalties
- Amounts applied to next year's estimated tax
- Late filing fees
- Interest charged
- Penalties imposed

The following items may **decrease** the refund amount that you are required to report as income on your federal return:

- Earned Income credit
- Homestead credit
- Farmland preservation credit; schedules FC and FC-A
- Interest earned and paid as part of the refund check
- Amounts paid on current returns
- Veterans property tax credit

Example 1: Assume that you paid \$50 of sales and use tax on out-of-state purchases and donated \$75 to the Endangered Resources Fund (ERF). You received a refund check for \$400. The amount reportable as income on your federal return is \$525. This would be explained on Form 1099-G as follows:

The amount of refund in Box 1 was computed as follows:

Refund requested	\$ 400
Sales and Use Tax	+ 50
Endangered Resources Donation	+ <u>75</u>

**The amount of refund in
Box 1 was computed as
follows:**

State Income	\$ 525
Tax Refund	

Example 2: Assume that you received homestead credit of \$228 and requested that \$150 of your overpayment be applied to next year's estimated tax. You received a refund check for \$400. The amount reportable as income on your federal return is \$322. This would be explained on Form 1099-G as follows:

**The amount of refund in
Box 1 was computed as
follows:**

Refund Requested	\$ 400
Homestead credit	- 228
Applied Next Year's Estimated Tax	<u>+ 150</u>
State Income Tax Refund	\$ 322

6. I received a penalty of \$500 for the early withdrawal of funds from a retirement plan. This resulted in an amount due of \$300 on my 2018 income return. Why did I receive a 1099-G?

As explained in Answer 5 above, penalties on retirement plans may increase the amount to be reported as income. The Department of Revenue is required to report \$200 of income to the Internal Revenue Service on Form 1099-G, which is computed as follows:

Retirement Plan Penalty	\$ 500
Amount Paid	<u>- 300</u>
State Income Tax Refund	\$ 200

7. I filed my 2018 return late. As a result of being charged a late filing fee of \$50, I had to pay \$5. Why did I receive a Form 1099-G?

As explained in Answer 5 above, late filing fees (LFF) may increase the amount to be reported as income. Amounts paid on current returns may decrease the refund amount. The Department of Revenue is required to report \$45 of income to the Internal Revenue Service on Form 1099-G, which is computed as follows:

Late Filing Fee	\$ 50
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Amount Paid	<u>- 5</u>
State Income Tax Refund	\$ 45

8. **After I filed my 2018 Wisconsin return, I realized I had made a mistake. I filed an amended 2018 return in June 2019. How did you figure the amount to be reported to the Internal Revenue Service?**

Example 1:

Refund Requested	\$ 500
Refund Previously Requested	<u>+ 110</u>
State Income Tax Refund	\$ 610

Example 2:

Refund Requested	\$ 500
Amount Paid	<u>- 110</u>
State Income Tax Refund	\$ 390

9. **The Form 1099-G says the refund was issued for 2015. Why should I have to report that now?**

Our records show that a refund for 2015 was issued on your account during 2019 and that you claimed itemized deductions for 2015. Since the refund was issued in 2019, the income would be reported on your 2019 federal income tax return. You may have received the refund as a result of filing an amended Wisconsin return for 2015 or of resolving a claim or dispute related to your 2015 return during 2019.

10. **Why did I receive a Form 1099-INT from the Department of Revenue?**

The IRS requires the Department of Revenue to report on Form 1099-INT interest of \$600 or more that was paid on refunds issued during 2019.

You are required to report the interest as taxable income on your federal and Wisconsin income tax returns. Include the interest with the other interest income you report on your tax return.

11. **In 2019, I received \$50 of interest from the Department of Revenue on a refund of 2015 taxes. I didn't receive a Form 1099-INT for this interest. Am I still required to report this interest as income?**

Yes, the interest you received on a Wisconsin refund is taxable whether or not you received a Form 1099-INT from the department.

12. **Can I view my Form 1099-G online?**

Yes. To view your [Form 1099-G online](#), you will need your last name, social security number (SSN)/individual tax identification number (ITIN) and zip code.

13. Can I agree to go paperless and no longer receive a paper Form 1099-G?

Yes. To sign up to [go paperless](#), you will need your last name, social security number (SSN)/individual tax identification number (ITIN) and zip code.

14. Will I receive an email from the Wisconsin Department of Revenue (WDOR)?

Yes. You will receive an email from the WDOR **if** you give your email address to the department and ask to receive notification when your Form 1099-G is available online. Note: Your email address is confidential and will not be sold by the WDOR.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of October 28, 2019: Sections 71.01, 71.93 and 71.935, Wis. Stats., and 26 U.S. Code § 6050E.

Laws enacted and in effect after October 28, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to October 28, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

FOR QUESTIONS OR COMMENTS CONTACT:

MS 5-77

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