

**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
100209	Individual Income Tax State and Municipal Bond Interest - Common Questions

State of Wisconsin
Department of Revenue

Individual Income Tax State and Municipal Bond 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. Is interest I earn on state and municipal bond obligations subject to Wisconsin income tax?
2. I have an obligation issued by a state other than Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?
3. I have an obligation issued by a political subdivision (county, city, village, etc.) of a state other than Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?
4. I have an obligation issued by the State of Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?
5. I have an obligation issued by a political subdivision of Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?
6. Washington, D.C., is not a state or a political subdivision of any state. Is interest earned on obligations issued by Washington, D.C., subject to Wisconsin income tax?
7. Puerto Rico, Guam, the Northern Mariana Islands, American Samoa, and the Virgin Islands are not states or political subdivisions of any state. Is interest earned on obligations issued by Puerto Rico, Guam, the Northern Mariana Islands, American Samoa, and the Virgin Islands subject to Wisconsin income tax?
8. Where can I find more information about the income tax status of interest and dividends received from government and other securities?

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1. **Is interest I earn on state and municipal bond obligations subject to Wisconsin income tax?**

Generally, interest earned on state and municipal obligations is subject to Wisconsin income tax and should be included as an addition to federal adjusted gross income on your Wisconsin income tax return. However, interest earned on specific state and municipal obligations is exempt from Wisconsin and federal income tax.

Interest earned on the following state and municipal obligations is exempt from both Wisconsin and federal income tax:

- Public housing authority and community development authority bonds issued by municipalities located in Wisconsin.
- Wisconsin Housing Finance Authority bonds.
- Wisconsin municipal redevelopment authority bonds.
- Wisconsin Housing and Economic Development Authority (WHEDA) bonds issued on or after December 11, 2003, to fund multifamily affordable housing or elderly housing projects.
- WHEDA bonds issued before January 29, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds.
- Public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest is exempt from federal taxation for a reason other than or in addition to section 103 of the Internal Revenue Code (IRC).
- Local exposition district bonds.
- Wisconsin professional baseball park district bonds.
- Local cultural arts district bonds.
- Wisconsin professional football stadium district bonds.
- Wisconsin Aerospace Authority bonds.
- Bonds issued on or after October 27, 2007 by the Wisconsin Health and Educational Facilities Authority (WHEFA) to fund acquisition of information technology hardware or software (Wisconsin exemption effective for taxable years beginning on or after January 1, 2009).
- Conduit revenue bonds issued by a commission created under sec. 66.0304, Wis. Stats., and any of the following applies:
 - a. The bonds are used to fund multifamily affordable housing or elderly housing projects in Wisconsin and WHEDA has the authority to issue its bonds or notes for the project being funded.
 - b. The bonds are used by a health facility to fund the acquisition of information technology hardware or software and WHEFA has the authority to issue its bonds or notes for the project being funded.
 - c. The bonds are issued to fund a redevelopment project or a housing project in Wisconsin and the authority exists for bonds or notes to be issued by a housing authority, redevelopment authority, or community development authority. **Note:** For information on what conduit revenue bonds have been issued and if the interest from the bond is exempt from Wisconsin tax, visit our website at revenue.wi.gov/Pages/FAQS/psc-conduit.aspx
- WHEDA bonds or notes if the bonds or notes are issued to provide loans to a public affairs network under sec. 234.75, Wis. Stats.
- WHEFA bonds or notes if the bonds or notes are issued for the benefit of a person who is eligible to receive the proceeds of bonds or notes from another entity for the same purpose for which the bonds or notes are issued under sec. 231.03 (6), Wis. Stats., and the interest income received from the other bonds or notes is exempt from taxation under subchapter 1 of Chapter 71, Wis. Stats.
- Bonds or notes issued by a sponsoring municipality borrowing to assist a local exposition district created under subch. 11 of ch. 229.
- WHEDA bonds issued under sec. 234.65, Wis. Stats., to fund an economic development loan to finance construction, renovation or development of property that would be exempt under sec. 70.11 (36), Wis. Stats.

- Virgin Island Housing Authority bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation for a reason other than or in addition to section 103 of the IRC.
- District of Columbia general obligation bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation for a reason other than or in addition to section 103 of the IRC.
- Stripped general obligation bond certificates attributable to certain District of Columbia general obligation bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation under section 1286 of the IRC and D.C. Code Ann. 47-332
- The Wisconsin Health and Educational Facilities Authority under sec. 231.03(6), Wis. Stats., if the bonds or notes are issued in an amount totaling \$35,000,000 or less, and to the extent interest income received is not otherwise exempt from Wisconsin taxation

2. I have an obligation issued by a state other than Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?

Residents of Wisconsin are taxed on interest from obligations issued by another state, except for public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest is exempt from federal taxation for a reason other than or in addition to section 103 of the IRC.

3. I have an obligation issued by a political subdivision (county, city, village, etc.) of a state other than Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?

Residents of Wisconsin are taxed on interest from obligations issued by a political subdivision of another state, except for public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest is exempt from federal taxation for a reason other than or in addition to section 103 of the IRC.

4. I have an obligation issued by the State of Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?

Generally, the interest is taxable by Wisconsin except for interest from the following securities:

- WHEDA bonds issued on or prior to January 28, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds issued by WHEDA.
- Wisconsin Housing Finance Authority bonds.
- Bonds and notes issued on or after December 11, 2003, by WHEDA for multi-family affordable housing and elderly housing projects.
- WHEDA bonds or notes if the bonds or notes are issued to provide loans to a public affairs network under sec. 234.75, Wis. Stats.
- WHEFA bonds or notes if the bonds or notes are issued for the benefit of a person who is eligible to receive the proceeds of bonds or notes from another entity for the same purpose for which the bonds or notes are issued and the interest income received from the other bonds or notes is exempt from taxation under subchapter 1 of Chapter 71, Wis. Stats.
- WHEDA bonds issued to fund an economic development loan to finance construction, renovation, or development of property that would be exempt under sec. 70.11 (36), Wis. Stats.
- Bonds or notes issued by the Wisconsin Aerospace Authority.
- WHEFA bonds or notes issued under sec. 231.03 (6), Wis. Stats., on or after October 27, 2007, if the proceeds from the bonds or notes that are issued are used by a health facility to fund the acquisition of information technology hardware or software.

5. I have an obligation issued by a political subdivision of Wisconsin. How do I know if the interest I earn on this obligation is subject to Wisconsin income tax?

Generally, the interest is taxable by Wisconsin except for interest from the following securities:

- Public housing authority bonds issued by municipalities located in Wisconsin
- Redevelopment authority bonds issued by municipalities located in Wisconsin
- Bonds or notes issued by a sponsoring municipality borrowing to assist a local exposition district created under subch. 11 of ch. 229

6. Washington, D.C., is not a state or a political subdivision of any state. Is interest earned on obligations issued by Washington, D.C., subject to Wisconsin income tax?

Generally, interest from obligations of Washington, D.C., is subject to Wisconsin income tax except for the following:

- District of Columbia general obligation bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation for a reason other than or in addition to section 103 of the IRC.
- Stripped general obligation bond certificates attributable to certain District of Columbia general obligation bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation under section 1286 of the IRC and D.C. Code Ann. 47-332.

7. Puerto Rico, Guam, the Northern Mariana Islands, American Samoa, and the Virgin Islands are not states or political subdivisions of any state. Is interest earned on obligations issued by the Governments of Puerto Rico, Guam, Northern Mariana Islands, the Virgin Islands and, for bonds issued after October 16, 2004, American Samoa subject to Wisconsin income tax?

No. Federal law prohibits any state from imposing an income tax on interest from any obligation issued by the Governments of:

- Puerto Rico – 48 U.S.C. § 745
- Guam – 48 U.S.C. § 1423a
- Northern Mariana Islands – 48 U.S.C. § 1801 and § 607 (a) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands
- American Samoa (bonds issued after October 16, 2004) – 48 U.S.C. § 1670
- Virgin Islands – 48 U.S.C. § 1574 (b) (ii) (A)

8. Where can I find more information about the income tax status of interest and dividends received from government and other securities?

More information can be found at Wisconsin Administrative Code sec. Tax 3.095.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 1, 2019: Sections 71.05 and 71.26, Wis. Stats., sec. Tax 3.095, Wis. Adm. Code, 48 U. S. Code § 1801, and Section 607 of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America.

Laws enacted and in effect after November 1, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to November 1, 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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