

**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.

<b>Document Number</b>	<b>Document Title</b>
<b>100221</b>	Individual Income Tax Working in Another State - Common Questions

State of Wisconsin  
Department of Revenue

## Individual Income Tax Working in Another State

**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 am a resident of Wisconsin. Do I have to include the income I earned in another state on my Wisconsin tax return?
2. What is reciprocity, and which states have reciprocity with Wisconsin?

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**1. I am a resident of Wisconsin. Do I have to include the income I earned in another state on my Wisconsin tax return?**

Yes. All income received by a Wisconsin resident is reportable to Wisconsin regardless of where it is earned. Wisconsin allows a credit for the net income tax you pay to other states on income that is taxed by both Wisconsin and the other state. In order for an individual, estate, or trust to claim this credit, you must:

- File an income tax return with the other state to determine the amount of net tax *paid* to that state
- File Wisconsin Form 1 or Form 2
- Attach a copy of the other state's income tax return
- Attach Wisconsin [Schedule OS](#), Credit for Net Tax Paid to Another State
- Attach your Form W-2 (wage statement) or other withholding statement from the other state

**Caution:** You may not claim a credit for net tax paid to another state if the tax was paid to the other state by a tax-option (S) corporation, partnership, or limited liability company electing to pay tax at the entity level either on a corporate, partnership, or a composite return filed on behalf of Wisconsin resident shareholders or partners.

Effective for taxable years beginning on or after January 1, 2017, a new limitation applies to the credit. The credit cannot exceed the lesser of:

- Your Wisconsin net tax liability
- The amount of tax paid to the other state
- The amount of Wisconsin tax paid on the income subject to tax in the other state

**Note:** The third limitation does not apply to income that is taxed by Minnesota, Illinois, Iowa, or Michigan.

See the [Schedule OS](#) or Wisconsin [Publication 125](#), *Credit for Tax Paid to Another State*, for further details. For additional information on the election to pay tax at the entity level for tax-option (S) corporations, see the [Pass-Through Entity-Level Tax: Tax-Option \(S\) Corporation Determining Income and Computing Tax Common Questions](#).

## 2. What is reciprocity, and which states have reciprocity with Wisconsin?

Wisconsin currently has reciprocity agreements with four states: Illinois, Indiana, Kentucky, and Michigan. These agreements provide that residents of these states working in Wisconsin will be taxed on income earned as an employee by their home state and not by Wisconsin. Conversely, Wisconsin will tax Wisconsin residents working in one of these states and the other state will not tax the income earned as an employee by Wisconsin residents who are employed in that state. Reciprocity applies **only** to income earned as an employee. Income earned as an employee generally includes salaries, wages, commissions, and fees. Reciprocity does not apply to other types of income, such as gains on the sale of property, rental income, and lottery winnings. For more information on Wisconsin's reciprocity agreements, see [Publication 121](#), *Reciprocity*.

## Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 11, 2019: Sections 71.03, 71.04, 71.05 and 71.07, Wis. Stats., and secs. Tax 2.02 and 2.955, Wis. Adm. Code.

Laws enacted and in effect after November 11, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to November 11, 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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