

**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
100207	Section 179 and Depreciation Adjustments for Wisconsin - Common Questions

State of Wisconsin
Department of Revenue

Section 179 and Depreciation Adjustments for Wisconsin

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. What is the maximum section 179 expense deduction allowable?
2. Since Wisconsin does not allow the deduction for the federal bonus depreciation, my Wisconsin income is higher than my federal income. I have a section 179 expense deduction carryover that I could not use on my federal return. Can I use this section 179 expense deduction carryover to offset the additional income I am reporting for Wisconsin?
3. Since Wisconsin does not allow the deduction for the federal bonus depreciation, my Wisconsin income is higher than my federal income. Can I recompute my deduction for charitable contributions on my Wisconsin return?
4. How has the section 179 expense deduction changed for farming?

1. **What is the maximum section 179 expense deduction allowable?**

Generally, under section 179 tax provisions, persons may elect to deduct the cost of certain property used in a trade or business in the year placed in service instead of claiming depreciation.

For taxable years beginning prior to January 1, 2014, Wisconsin did not adopt the federal changes to the section 179 expense deduction. The amount that may be expensed was limited to \$25,000 and the phase-out threshold was \$200,000. For taxable years beginning on or after January 1, 2014, the allowable section 179 expense deduction is the same for federal and Wisconsin tax purposes.

2. **Since Wisconsin does not allow the deduction for the federal bonus depreciation, my Wisconsin income is higher than my federal income. I have a section 179 expense deduction carryover that I could not use on my federal return. Can I use this section 179 expense deduction carryover to offset the additional income I am reporting for Wisconsin?**

No. The depreciation difference is a modification to federal taxable income required by secs. 71.26(3)(y) and 71.98(3) and (4), Wis. Stats. Wisconsin law does not provide a modification to recompute your section 179 expense deduction in this situation. Therefore, your Wisconsin section 179 expense deduction is limited to the amount allowable in computing your federal taxable income.

3. Since Wisconsin does not allow the deduction for the federal bonus depreciation, my Wisconsin income is higher than my federal income. Can I recompute my deduction for charitable contributions on my Wisconsin return?

No. The depreciation difference is a modification to federal taxable income required by secs. 71.26(3)(y) and 71.98(3) and (4), Wis. Stats. Wisconsin law does not provide a modification to recompute your deduction for charitable contributions in this situation. Therefore, your Wisconsin deduction for charitable contributions is limited to the amount allowable in computing your federal taxable income.

4. How has the section 179 expense deduction changed for farming?

An exception to the \$25,000 limitation was provided for property placed in service during 2008 and 2009 for persons who were actively engaged in farming. However, this exception no longer applies.

For Wisconsin tax purposes, for taxable years beginning after December 31, 2010, and before January 1, 2014, persons who are actively engaged in farming are limited to the section 179 expense deduction of \$25,000. The phase-out threshold is \$200,000. For taxable years beginning on or after January 1, 2014, the section 179 expense deduction is the same for federal and Wisconsin tax purposes.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of December 20, 2019: Sections 71.01, 71.26 and 71.98, Wis. Stats.

Laws enacted and in effect after December 20, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to December 20, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

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