

**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 documents 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
P121	Publication 121, <i>Reciprocity</i>



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.](#)

Reciprocity

Includes information for:

- Wisconsin residents who work in:
 - Illinois
 - Indiana
 - Kentucky
 - Michigan
- Residents of the above states who work in Wisconsin

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IMPORTANT CHANGES

Use this publication in preparing your 2019 tax return. There are no substantive differences between the 2018 and 2019 versions of this publication

1. INTRODUCTION

Individuals who are employed outside their state of domicile (often referred to as legal residence) may be subject to the income tax laws of two states, that is, their state of domicile and the state in which they are employed.

Two methods exist to prevent the same income from being subject to tax by more than one state. These methods are:

- Reciprocity
- Credit for tax paid to another state

This publication discusses reciprocity and its effect on residents and nonresidents of Wisconsin. Information on the credit for tax paid to another state can be found in [Publication 125](#), *Credit for Tax Paid to Another State*.

2. WHAT IS RECIPROCITY?

Wisconsin has reciprocity agreements with four states: Illinois, Indiana, Kentucky, and Michigan. As a result of these agreements:

- Wisconsin generally will not tax the salaries, wages, commissions, fees, etc. earned by employees who are domiciled in Illinois, Indiana, Kentucky, or Michigan who are employed in Wisconsin (see Part 3 for **Exceptions**)
- Illinois, Indiana, Kentucky, and Michigan generally will not tax the salaries, wages, commissions, fees, etc. of individuals who are domiciled in Wisconsin and who are employed in these states (see Part 3 for **Exceptions**)

Caution: Income subject to reciprocity may mean something different in each state. See Part 3 for further information.

Example: An individual is domiciled in Wisconsin. He commutes daily to his job in Illinois. Because his wages are subject to reciprocity, the individual does not have to file an Illinois income tax return to report the income earned in Illinois. He must include the income earned in Illinois on his Wisconsin income tax return.

3. WHAT INCOME IS SUBJECT TO RECIPROCITY?

Reciprocity applies only to income earned as an employee. It does not apply to other types of income, such as gains on the sale of property, rental income, lottery winnings, self-employment income, income from pass-through entities, etc.

The reciprocity agreements with the four states specify the type of income that is subject to reciprocity. Following are descriptions of the income subject to the reciprocity agreement with each of the four states.

A. Illinois

Reciprocity with Illinois is limited to wages, salaries, commissions, and any other remuneration paid to employees for services. It does not apply to income from self-employment.

Example: An individual, who is domiciled in Illinois, is self-employed as an accountant. She commutes daily to her office located in Wisconsin. All self-employment income is earned in Wisconsin. Because reciprocity does not apply to income from self-employment, the individual must file a Wisconsin income tax return to report the self-employment income.

Exception: Reciprocity also does not apply to:

- Income earned in Wisconsin by an individual who is domiciled in Illinois, but not a resident for Illinois income tax purposes. An individual who is absent from Illinois for other than temporary or transitory purposes is generally not considered a resident for Illinois income tax purposes.
- Income earned in Illinois by an individual who is domiciled in Wisconsin if the individual is considered a resident of Illinois for income tax purposes. An individual who is in Illinois for other than temporary or transitory purposes is generally considered a resident for Illinois income tax purposes.

Individuals who have questions about whether they are considered Illinois residents for income tax purposes should contact the Illinois Department of Revenue by phone at 1-800-732-8866 or by email via their website at revenue.illinois.gov.

B. Indiana

Reciprocity with Indiana is limited to wages, salaries, tips, and commissions received as an employee.

Exception: Reciprocity does not apply to income earned in Indiana by an individual who is domiciled in Wisconsin if the individual is considered a resident of Indiana. Individuals domiciled in Wisconsin who have questions about whether they are considered residents of Indiana for income tax purposes should contact the Indiana Department of Revenue by phone at (317) 232-2240 or by email via their website at in.gov/dor.

Note: Individuals who earn income that is not taxable to the State of Indiana because of the reciprocity agreement may still be subject to an Indiana county income tax on that income.

C. Kentucky

Reciprocity with Kentucky is limited to wages, salaries, and commissions received as an employee.

Exception: Reciprocity does not apply to income earned in Kentucky by an individual who is domiciled in Wisconsin if the individual is considered a resident of Kentucky for income tax purposes. An individual is considered a resident of Kentucky if he or she lives in Kentucky for more than 183 days during the taxable year. Individuals domiciled in Wisconsin who have questions about whether they are considered residents of Kentucky for income tax purposes should contact the Kentucky Department of Revenue by phone at (502) 564-4581 or by email via their website at revenue.ky.gov.

D. Michigan

Reciprocity with Michigan is limited to compensation for wages, salaries, and commissions received as an employee.

Individuals domiciled in Wisconsin who have questions as to whether reciprocity applies or if income is subject to Michigan tax should contact the Michigan Department of Treasury by phone at (517) 636-4486 or by email via their website at michigan.gov/treasury.

4. PROCEDURES FOR NONRESIDENTS OF WISCONSIN**A. How to Prevent Withholding**

Individuals domiciled in Illinois, Indiana, Kentucky, or Michigan and employed in Wisconsin should file [Form W-220, Nonresident Employee's Withholding Reciprocity Declaration](#), with their Wisconsin employers to stop the withholding of Wisconsin income tax from their wages subject to reciprocity. This exemption from withholding will remain in effect as long as the individual is subject to reciprocity.

B. Filing a Wisconsin Income Tax Return

A nonresident or part-year resident of Wisconsin must file a Wisconsin income tax return if his or her gross income from Wisconsin sources is \$2,000 or more. Gross income does not include income that is not taxable to Wisconsin because of reciprocity.

Therefore, if you are domiciled in Illinois, Indiana, Kentucky, or Michigan for the taxable year and your only income from Wisconsin sources is income that is subject to reciprocity, you are not required to file a Wisconsin income tax return for such taxable year. However, if Wisconsin income tax was withheld from your wages, you must file a Wisconsin return (Form 1NPR) to get a refund of the withheld tax.

5. PROCEDURES FOR WISCONSIN RESIDENTS**A. Filing a Wisconsin Income Tax Return**

If, while you are domiciled in Wisconsin, you earn income that is subject to reciprocity, you must report such income on your Wisconsin income tax return (Form 1 for a full-year Wisconsin resident or Form 1NPR for a part-year resident or nonresident).

Individuals domiciled in Wisconsin who earn income in another state that is subject to reciprocity (that is, the income is not taxable by that state) may not claim a credit on their Wisconsin income tax returns for tax paid to the other state on that income.

If you earn income in Illinois, Indiana, Kentucky, or Michigan and it is taxable by that state, you may claim a credit on your Wisconsin income tax return for net income tax paid to that state.

Note: You may not claim credit for other taxes paid such as city tax or county tax, unless those taxes are paid directly to the state.

B. Other State's Income Tax Return

You are not required to report income subject to reciprocity on a tax return for the reciprocal state (that is, Illinois, Indiana, Kentucky, or Michigan). Therefore, if your only income from a reciprocal state is income that is subject to reciprocity, you are not required to file an income tax return with such reciprocal state. (**Exception:** You must file an Indiana income tax return if the income is subject to an Indiana county tax.) However, if your employer withheld income tax for such reciprocal state from your wages, you will have to file an income tax return with that state to obtain a refund of tax withheld.

C. Withholding and Estimated Tax Payments

You may request your employer to stop withholding income tax for the reciprocal state. Contact your employer or the reciprocal state's department of revenue to obtain the required form.

You may also request your employer to withhold Wisconsin income tax from your wages. However, an employer outside Wisconsin may not be required to withhold Wisconsin tax. If your employer does not withhold Wisconsin income tax, you may be required to make estimated tax payments.

Estimated tax payments are generally required if you expect your Wisconsin income tax return to show a balance due of \$500 or more. You may be charged underpayment interest if the required estimated tax payments are not made.

6. ADDITIONAL INFORMATION

If you have additional questions or need copies of Wisconsin forms or publications, you may visit any Wisconsin Department of Revenue office or call or email:

Visit our website . . . revenue.wi.gov

Email . . . DORIncome@wisconsin.gov

Write . . .
Mail Stop 5-77
Wisconsin Department of Revenue
P.O. Box 8949
Madison, WI 53708-8949

Telephone . . . (608) 266-2486

Applicable Laws and Rules

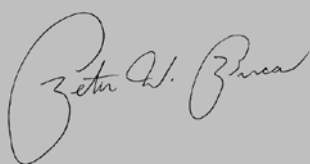
This document provides statements or interpretations of the following laws and regulations in effect as of January 30, 2020: Chapter 71, Wis. Stats., and sec. Tax 2.02, Wis. Adm. Code

Laws enacted and in effect after January 30, 2020, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to January 30, 2020, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

Certification Statement

As the Secretary of the Wisconsin Department of Revenue (DOR), I have reviewed this guidance document or proposed guidance document and I certify that it complies with secs. 227.10 and 227.11, Wis. Stats.. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is not explicitly required or explicitly permitted by a statute or rule that has been lawfully promulgated. I further certify that the guidance document or proposed guidance document contains no standard, requirement, or threshold that is more restrictive than a standard, requirement, or threshold contained in the Wisconsin Statutes.

DEPARTMENT OF REVENUE



Peter Barca
Secretary of Revenue