Wisconsin Legislative Council ACT MEMO



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2021 Wisconsin Act 2 [2021 Assembly Bill 3]

Tax Treatment of Tax-Option Corporations

2021 WISCONSIN ACT 2

For taxable years beginning after December 31, 2019, 2021 Wisconsin Act 2 makes several changes to the income tax treatment of tax-option corporations that elect to pay tax at the entity level. These changes include:

- Exclusion of 30 percent of gains realized from the sale of assets held for more than a year and the sale of assets acquired from a decedent.
- Exclusion of 60 percent of gains realized from the sale of farm assets held for more than a year and the sale of farm assets acquired from a decedent.
- Limitation of the deduction of net capital losses such that net capital loss of up to \$500 may be offset against other income and losses in excess of \$500 may be carried forward to the next taxable year and offset again up to the \$500 limit.
- Disallowance of the exception from the general requirement to pay interest on underpayment of estimated taxes for such corporations with Wisconsin net income of less than \$250,000.
- Computation of quarterly estimated tax payments using the standards applicable to taxpayers with net income of less than \$250,000, regardless of the corporation's actual net income.

Effective date: February 20, 2021

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