

Instructions for 2012 Form 4M: Wisconsin Combined Group Member-Level Data

Purpose of Form 4M

In a combined return, a combined group must complete one Form 4M for **each** member of the group, including the designated agent under whose name the combined return is filed. Form 4M serves the following purposes:

- Determines the member's share of the group's tax liability, including tax attributable to separate entity items.
- Computes the member's economic development surcharge liability.
- Tracks the use of the member's Wisconsin net business losses and credits.
- Allows the member's research credits to be shared with other members of the group.
- Reports information needed to validate estimated payments.

If a combined group has a corporation in its commonly controlled group that is not in the combined group, the combined group may choose to report that company's separate entity items on a Form 4N, *Wisconsin Nonapportionable and Separately Apportioned Income*, filed with the combined return. If the combined group is including a nonmember corporation's Form 4N in the combined return, it must complete a Form 4M for that company also.

Line-by-Line Instructions

Complete Form 4M for each member after you have completed lines 1 through 9 of the combined Form 4 and the applicable supporting schedules.

CAUTION: You must complete Form 4M for each member before you complete lines 10 through 48 of the combined Form 4.

These instructions are presented in the order the lines appear on Form 4M:

Header Information

On the first line, enter the name and federal employer identification number (FEIN) of the combined group's designated agent. On the second line, enter the

name and FEIN of the corporation to which the Form 4M applies, even if it is also the designated agent. Then enter the corporation's address information.

Specific instructions for items C through K2 follow. Throughout these instructions, the "corporation" means the company to which the Form 4M applies.

■ **Item C. Business Activity (NAICS) Code** – Enter the corporation's principal business activity code, based on the North American Industry Classification System (NAICS), from the federal return, or go to census.gov/eos/www/naics/ to find the NAICS code.

■ **Item D. State and Year of Incorporation** – Enter the 2-letter postal abbreviation for the state (or name of the foreign country) under whose laws the corporation is organized and the year of incorporation.

■ **Item E. Member's Taxable Year End** – Enter the month and day of the corporation's most recently ended taxable year, as determined for federal income tax purposes. If the corporation and the combined group have the same taxable year end, enter the month and day of the last day included in this return.

■ **Item F. Period Included in This Return** – Enter the beginning and ending dates of the corporation's taxable year included in the combined return, even if they are the same beginning and ending dates as the combined group's taxable year. Note that if a combined group member uses a different taxable year than the group itself, that member's taxable year may be converted to the combined group's taxable year in one of two ways:

1. Preparing a separate income statement for the member for the months included in the combined group's taxable year.
2. Using the amounts for the member's taxable year that ends during the combined group's taxable year.

The designated agent must use the same method for all combined group members that have differing taxable years, and the same method must be used each year.

If the corporation joined or left the combined group during the year, the beginning or ending date, or both, shown in item F will be different than the beginning and ending dates of the combined group's taxable year.

■ **Item G. Indicator for Nonunitary in Another State** – Check the box if the corporation is excluded from a combined (“unitary”) return in another state because it is not considered engaged in a unitary business in that state.

If you check the box, attach a statement to identify the state for which the corporation is excluded from the combined return and explain why that state does not consider the corporation to be part of the combined group’s unitary business.

NOTE: Skip item G if the group made the controlled group election or if the corporation is a nonmember corporation filing Form 4N with the combined return.

■ **Item H. Multiple Factor Apportionment Indicator** – Check the box if the corporation computed its apportionment factors using Form 4A-2, *Wisconsin Apportionment Data for Multiple Factor Formulas*. This would be the case if the corporation is an air carrier, motor carrier, railroad or sleeping car company, pipeline company, or telecommunications company.

■ **Item I. Multiple Return Indicator** – If the corporation was included in another Wisconsin return for any part of the period indicated in item F (other than a previously filed combined return for the same combined group), check the box and enter the FEIN under which that other return was filed. If that other return was for another combined group, enter the FEIN of that group’s designated agent. If that other return is a separate return filed by the corporation, enter the corporation’s FEIN.

In general, there are two instances in which you would check item I:

1. If the corporation is simultaneously part of more than one unitary business, or
2. Has separate entity items it chooses to report on a separate return rather than on Form 4N.

■ **Item J. Insurance Company and Tax Exempt Corporation Indicators** – Check the appropriate box if the corporation is an insurance company or a tax exempt corporation.

NOTE: If the corporation is an insurance company, it may be required to file Schedule 4I to make adjustments specific to insurance companies. See the Schedule 4I instructions for details.

■ **Item K1, Numbers 1 and 2. First Return or Final Return** – Check item K1, number 1 if this is the first year that the corporation is filing a Wisconsin return

because it wasn’t in existence or didn’t do business in Wisconsin in prior years. Check item K1, number 2 if the corporation ceased to exist or withdrew from Wisconsin during the year, and provide a copy of the plan of liquidation and federal Form 966 if the corporation liquidated.

■ **Item K1, Numbers 3 and 4. Joined or Left Group During Year** – Check item K1, number 3 if this is the first year that the corporation is part of the combined group. Check item K1, number 4 if the corporation left the combined group during the year.

■ **Item K1, Numbers 5 and 6. Short Period** – If the period included in this return is less than a full year, check the appropriate box to indicate whether the short period is due to a change in the corporation’s accounting period or a stock purchase or sale.

■ **Item K2. Uncertain Tax Positions and Reportable Transaction Disclosure-** Check yes if Schedule UTP or Form 8886 was filed with the Internal Revenue Service and include a copy of the schedule with your Wisconsin tax return.

Part I: Member’s Share of Form 4 Items

In general, Part I of Form 4M is similar to a partner’s Schedule K-1 in a partnership. Most of lines L1 through Z begin with a reference to a line on Form 4. For example, Line L1 of a corporation’s Form 4M corresponds to line 9 of the combined group’s Form 4.

IMPORTANT: Throughout Part I, except for lines L2 and T, the sum of each of lines L1 through Z for all corporations in the combined return must equal the amount on the corresponding line of Form 4.

■ **Line L1. Member’s Share of Combined Unitary Income** – This is the member’s share of the group’s combined unitary income apportioned to Wisconsin, before net business loss carryforwards. Multiply the group’s total combined unitary income from Form 4, line 7 by the member’s Wisconsin percentage from Form 4A, Part II, column c, and enter the result on Line L1. This is the member’s share of the amount on Form 4, line 9.

If the combined group is engaged in business only in Wisconsin (a “100% Wisconsin” group), special instructions apply:

Line L1 for “100% Wisconsin” Groups. Since a 100% Wisconsin group does not use apportionment, the amount on each member’s line L1 should be its total income or loss from the unitary business, deter-

mined in a specific basis for that corporation. However, the corporation must make the adjustments prescribed in s. Tax 2.61(8), Wisconsin Administrative Code, to reflect the corporation's status as a combined group member.

For example, under s. Tax 2.61(8)(a), Wisconsin Administrative Code, intercompany transactions (except those to which Treas. Reg. §1.1502-13 already applies) for expenses paid, accrued, or incurred by one member of the combined group to another, are disregarded so that they neither increase nor decrease a member's portion of the combined unitary income.

For more information on how to determine the net capital gains, stock basis, and earnings and profits of a corporation that is a member of a 100% Wisconsin group, see s. Tax 2.61(8), Wisconsin Administrative Code.

After you make the adjustments prescribed in s. Tax 2.61(8), if there are some members with net income from the unitary business and others with net losses from the unitary business, do not make any adjustments on line L1 to offset the losses against the incomes. Those adjustments will be accounted for on line L2.

■ Line L2. Adjustment for Current Year Loss Offset – In general, complete this line only if the combined group is a 100% Wisconsin group and there are some members with net income from the unitary business and others with net loss from the unitary business, as computed on line L1.

For combined groups that are not 100% Wisconsin groups and use the apportionment method to compute income, if a member has a negative apportionment factor which results in negative apportionable income on line L1, the member is required to enter the amount from line L1 on line L2 as a positive value to offset the negative value on line L1.

NOTE: Skip line L2 if all members have a positive amount on line L1 or if all members have a negative amount on line L1.

A member's positive amount (income) on Line L1 must be offset by other members' negative amounts (losses) on Line L1. Line L2 is used to account for these offsets for purposes of computing the member's gross tax and accounting for net business losses.

The computation of the amount on line L2 depends on whether the combined unitary income reported on

line 7 of Form 4 is a positive amount (income) or a negative amount (loss).

If combined unitary income is positive, compute the total of the members' negative amounts reported on line L1, and allocate that total to the members with positive amounts on line L1 in proportion to those positive amounts. If combined unitary income is negative, compute the total of the members' positive amounts reported on line L1, and allocate that total to the members with negative amounts on line L1 in proportion to those negative amounts.

If you are computing offset amounts, you must use the allocation method described above. On line L2, you will report the adjustments to each member's amount on line L1 as necessary to reflect the offset.

The following examples illustrate how to determine the adjustment amounts to enter on line L2:

Example 1: Combined Group ABCD consists of Member A, Member B, Member C, and Member D. The members' amounts on line L1 are as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line L1	10,000	30,000	-15,000	-10,000

As a whole, Group ABCD has combined unitary income of \$15,000 (= \$10,000 + \$30,000 - \$15,000 - \$10,000), which is reported on line 7 of Form 4. This amount consists of a total of \$40,000 of income from Members A and B and a total of -\$25,000 of loss from Members C and D. The loss amount from Members C and D is allocated to Members A and B on a pro rata basis in proportion to their income amounts on line L1. Thus, the amount of loss allocated to Member A is -\$6,250 (= \$10,000/\$40,000 x -\$25,000) and the amount allocated to Member B is -\$18,750 (= \$30,000/\$40,000 x -\$25,000)

Therefore, the amounts reported by each member on lines L1 and L2 of Form 4M are as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line L1	10,000	30,000	-15,000	-10,000
Line L2	-6,250	-18,750	15,000	10,000
	\$3,750	\$11,250	\$0	\$0

Note that after the allocation, C and D have \$0 of the combined unitary income and A and B have the entire \$15,000 the group's combined unitary income.

Example 2: Assume the same facts as Example 1, except that Member A reports \$15,000 on line L1 and Member B reports \$5,000 on line L1, so the amounts are as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line L1	15,000	5,000	-15,000	-10,000

As a whole, Group ABCD has combined unitary income (loss) of -\$5,000 (= \$15,000 + \$5,000 - \$15,000 - \$10,000), which is reported on line 7 of Form 4. This amount consists of a total of \$20,000 of income from Members A and B and a total of -\$25,000 of loss from Members C and D. The income amount from Members A and B is allocated to Members C and D on a pro rata basis in proportion to their loss amounts on line L1. Thus, the amount of income allocated to Member C is \$12,000 (= -\$15,000/-25,000 x \$20,000) and the amount allocated to Member D is \$8,000 (= -\$10,000/-25,000 x \$20,000).

Therefore, the amounts reported by each member on lines L1 and L2 of Form 4M are as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line L1	15,000	5,000	-15,000	-10,000
Line L2	-15,000	-5,000	12,000	8,000
	\$0	\$0	-\$3,000	-\$2,000

Note that after the allocation, A and B have \$0 of the combined unitary loss and C and D have the tire -\$5,000 of the group's combined unitary loss.

■ **Line M. Nonapportionable and Separately Apportioned Income** – If the corporation has net income or loss that it could not include in combined unitary income, complete Form 4N to determine the Wisconsin amount (if any) of that income. On line M, enter the amount from Form 4N, line 14.

■ **Line N. Net Capital Loss Adjustment** – If the combined group reported a net capital gain on line 23 of Form 4R, *Federal Taxable Income Reconciliation for Wisconsin Combined Groups*, and the corporation has non-sharable capital loss carryovers or a current year net capital loss from Form 4N, complete Form 4CL to determine the amount of additional capital loss allowable to the corporation. On line N, enter the amount from the corporation's Form 4CL, Part I, line 9e. See the Form 4CL instructions for details.

■ **Line O. Loss Adjustment for Insurance Companies** – If the corporation is an insurance company and the sum of lines L1 through M minus line N is a negative amount, you may need to reduce the loss amount by the dividends received deduction. See the Schedule 4I instructions for details. If the corporation has an amount on Schedule 4I, line 24, enter that amount on line O.

■ **Line P. Net Business Loss Carryforward** – If the sum of lines L1 through M minus line N is a positive amount and the corporation has a net business loss carryforward, see the instructions for Part II. Enter the amount from line 15 of Part II.

■ **Line Q. Gross Tax** – For corporations other than insurance companies, the gross tax on line Q is computed as follows:

	Share of combined unitary income (= line L1 + L2)
+	Income from separate entity items (line M)
-	Net capital loss adjustment (line N)
-	Net business loss carryforward (line P)
<hr/>	
	Wisconsin net income
x	7.9% (0.079)
<hr/>	
=	Gross tax (line Q) (Cannot be less than zero)

Line Q Computation for Insurance Companies.

For insurance companies, the gross tax on line Q is generally the lesser of the amount computed for regular corporations, as shown above, or 2% of its gross premiums. An insurance company completes Schedule 4I, Part IV to determine its gross tax. For an insurance company, the amount to enter on Form 4M, line Q is the lesser of the amounts on Schedule 4I, line 26 or Schedule 4I, line 29.

If the 2% of gross premiums computation applies, the corporation will include an adjustment on Form 4, line 20 to reduce the tax liability on the combined return. This adjustment is computed on Schedule 4I, line 30. See the Schedule 4I instructions for further details.

■ **Line R. Nonrefundable Credits** – If the corporation has nonrefundable credits to use against its gross tax, or research credits eligible to be shared with the other combined group members, see the instructions for Part III. Enter the amount from line 5 of Part III.

■ **Line S. Economic Development Surcharge** – The economic development surcharge is computed separately for each member based on the activity reported on Form 4M. If one member of the combined group has nexus with Wisconsin, all members of the combined group are considered to have nexus with Wisconsin for purposes of the economic development surcharge. However, only members that have "gross receipts from all activities" of \$4 million or more during the taxable year are subject to the economic development surcharge.

Gross Receipts for Purposes of Economic Development Surcharge. For purposes of the gross receipts threshold, "gross receipts from all activities" means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

The gross receipts you use for purposes of applying the \$4 million threshold are the same gross receipts you will report later on Form 4M, line W. The taxable year you use to determine this amount is the period included in the combined return, as you previously identified in item F.

Computation of Surcharge. If the corporation's gross receipts from all activities are \$4 million or more, multiply the gross tax on line Q by 3% and enter the result on line S, except if the result is less than \$25, enter \$25, and if the result is greater than \$9,800, enter \$9,800.

If the corporation is simultaneously included in more than one return (for example, if the corporation is a member of another combined group), the economic development surcharge can apply only once for the corporation's entire gross tax for its taxable year.

For more information about the economic development surcharge, refer to Publication 400, *Wisconsin's Economic Development Surcharge*, which is available on the Department's web site at revenue.wi.gov/html/taxpubs.html#business. Also, for additional information and examples relating to the economic development surcharge for combined group members, see s. Tax 2.82(5) and (6), Wisconsin Administrative Code.

■ **Line T. Estimated Payment Indicator** – If the corporation is not the designated agent and made estimated payments on its own behalf or has a carryover of a previous year's overpayment, you may apply those amounts to the combined return if you complete Part IV. See the instructions for Part IV and check the box next to the letter "T" if Part IV applies.

CAUTION: If you are applying payments or carryovers of overpayments from corporations that are not the designated agent, the Department will not be able to apply these payments unless you check the box on line T and complete Part IV.

■ **Line U. Wisconsin Tax Withheld** – Enter the corporation's Wisconsin tax withheld from pass-through entities, as reported on Wisconsin Schedules 3K-1 or 2K-1. You must include a copy of the Schedule 3K-1 or 2K-1 with the combined return. Also enter the amount of Wisconsin tax withheld from lottery prizes. If this is an amended return, enter the Wisconsin tax withheld reported on the original Form 4M, unless the amount you originally reported was incorrect.

■ **Line V. Refundable Credits** – This is where you report the corporation's refundable credits. In the spaces to the left of line V, enter the 2-digit code corresponding to each refundable credit from the

table below, and the amount of credit for each code you listed. (Enter the credit code on the line that looks like "□□.") Then enter the total refundable credits on line V.

Most credits must be computed on a Department-prescribed schedule. The table indicates the schedule that must be used to compute the credit and the line number of that schedule that shows the total available credit. You must submit the applicable credit schedule(s) with the combined return.

Codes for Refundable Credits

Credit	Code	Schedule	Line
Beginning farmer and farm asset owner credit	59	FL	6
Dairy cooperatives credit	50	DM	14
Dairy manufacturing facility investment credit	51	DM	13
Enterprise zone jobs credit	52	EC	3
Farmland preservation credit	53	FC FC-A	18 13
Film production company investment credit	54	FP	6
Film production services credit	55	FP	3
Food processing and warehouse investment credit	56	FW	7
Jobs tax credit	60	JT	9
Meat processing facility investment credit	57	MP	7
Woody biomass harvesting and processing credit	58	WB	5

Any refundable credits in excess of the combined group's tax liability will be refunded to the designated agent.

NOTE: Combined groups are not required to file Schedule CR to summarize their credits. The credit codes on Form 4M replace Schedule CR.

For information on how to qualify for credits, see Publication 123, *Business Tax Incentives* (available on the Department of Revenue's web site at revenue.wi.gov/html/taxpubs.html#business). The instructions to each credit schedule may also provide helpful

information. You may find these schedules and their instructions on the Department's web site at revenue.wi.gov/html/formpub.html.

■ **Line W. Total Company Gross Receipts** – Enter the corporation's total "gross receipts from all activities." This means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.

■ **Line X. Total Company Assets** – Enter the corporation's total company assets as reported on the federal return. If the federal return is a consolidated return, enter the total company assets for this corporation as reported for purposes of the consolidated return.

■ **Line Y1. Wisconsin Property** – Enter the total amount of the corporation's real and tangible property located in Wisconsin. Include the following types of property:

- Land
- Buildings
- Furniture and Fixtures
- Transportation equipment
- Machinery and other equipment
- Inventories

Include only property that is owned by the corporation; you do not need to include property you are renting.

■ **Line Y2. Wisconsin Payroll** – Enter the total amount of the company's payroll located in Wisconsin. Include only amounts attributable to employees of the corporation. In the computation of payroll located in Wisconsin, include individuals that satisfy one or more of the following:

- The individual's service is performed entirely in Wisconsin.
- The individual's service is performed in and outside Wisconsin, but the service performed outside Wisconsin is incidental to the individual's service in Wisconsin.
- A portion of the individual's service is performed in Wisconsin and the base of operations of the individual is in Wisconsin.
- A portion of the individual's service is performed in Wisconsin and, if there is no base of operations, the place from which the individual's service is directed or controlled is in Wisconsin.

- A portion of the individual's service is performed in Wisconsin and neither the base of operations of the individual nor the place from which the service is directed or controlled is in any state in which some part of the service is performed, but the individual's residence is in Wisconsin.

■ **Line Z. Total Sales, Receipts, or Premiums** – Enter the corporation's apportionment factor denominator from Form 4A, Part I, column c. If this is a 100% Wisconsin group, you may skip line Z.

Part II: Net Business Loss Carryforward

If the corporation will be using any net business loss carryforwards in this return, you **must** complete Part II to ensure that non-shareable loss carryforwards and shareable loss carryforwards are calculated correctly.

■ **Part II, Lines 1 through 5. Amounts Entered from Part I** – Copy the amounts from Part I, line L1 (plus the amount on line L2, if any), line M, and line N as instructed. The amount you compute on line 5 represents the corporation's Wisconsin net income before any net business loss carryforwards.

■ **Part II, Line 6. Available Non-shareable Net Business Loss Carryforward** – In general, you should enter the amount from Form 4BL, Part II, line 30, column (i). However, if you choose to use less than the total allowable amount of non-shareable net business loss carryforward, enter the amount that you will use. For example, the member may choose to use less nonshareable net business loss carryforward on line 6 so that the member can use a credit that may be expiring. See the Tax Releases in [Wisconsin Tax Bulletin](#) issues 138 (April 2004) and 139 (July 2004) for more details on using carryforwards of net business losses and credits. You may access the *Wisconsin Tax Bulletin* on the Department's web site at revenue.wi.gov/ise/wtb/index.html.

■ **Part II, Line 7. Non-shareable Net Business Loss Carryforward Used** – This amount represents the nonshareable net business loss carryforward that you have chosen for offsetting your own income.

■ **Part II, Line 9. Available Shareable Net Business Loss Carryforward** – In general, you should enter the amount from Form 4BL, Part II, line 30, column (j). However, if you choose to use less than the total allowable amount of shareable net business loss carryforward, enter the amount that you will use.

■ **Part II, Line 10. Shareable Net Business Loss Carryforward Used** – This is the amount of shareable net business loss carryforward used to offset your own income. This does not include any amounts that are being shared with other combined group members. The amount of shareable net business loss carryforward being shared with other combined group members is reported on line 13.

■ **Part II, Line 11. Remaining Shareable Net Business Loss Carryforward** – This is the amount of shareable net business loss carryforward eligible to be shared with other members of the combined group to offset their remaining current year combined unitary income. The remaining shareable net business loss carryforward amounts for each combined group member shall be aggregated in order to calculate lines 13 and 14 of Form 4M, Part II. A combined group member may elect not to share any of its remaining shareable net business loss carryforward with the other members of the combined group.

■ **Part II, Line 12. Remaining Income** – This is the amount of your remaining income that has not been offset by your non-shareable net business loss carryforward or your shareable net business loss carryforward. The remaining income amounts for each combined group member shall be aggregated in order to calculate lines 13 and 14 of Form 4M, Part II.

Net business loss carryforwards may not be shared with any combined group member whose remaining income on line 12 is zero or less.

■ **Part II, Line 13. Shareable Net Business Loss Carryforward Amount Being Shared With Other Members**— Enter the amount of the shareable net business loss that you are sharing with other combined group members. See the examples for the calculation. The sum of all Form 4M, Part II, line 13 amounts should equal the sum of all Form 4M, Part II, line 14 amounts.

The combined group member's Form 4BL, Part II, column (f) should include the amount that you are sharing with other combined group members since this amount of shareable net business loss is being used up.

■ **Part II, Line 14. Shareable Net Business Loss Carryforward Amount Being Shared With This Member** – Enter the amount of the shareable net business loss that is being shared with this combined group member. See the examples for the calculation. The sum of all Form 4M, Part II, line 13 amounts should equal the sum of all Form 4M, Part II, line 14 amounts.

The following examples illustrate how to determine the shareable net business loss carryforward amounts being shared with other members of the combined group:

Example 1: Combined Group ABCD consists of Member A, Member B, Member C, and Member D. The combined group members' remaining shareable net business loss carryforward amounts and remaining income amounts for 2012 are as follows:

Form 4M Part II	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line 11	24,000	16,000	0	0
Line 12	0	0	20,000	5,000

Member A and Member B have no remaining income and have offset all of their own income with their own non-shareable and shareable net business loss carryforward amounts. Member C and Member D still have remaining income after using their own non-shareable and shareable net business loss carryforward amounts.

The amount of shareable net business loss carryforwards being shared between the combined group members are as follows:

Form 4M Part II	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line 13	15,000	10,000		
Line 14			20,000	5,000

Line 13 calculation: Member A calculates \$15,000 for line 13 ($(\$24,000/\$40,000) \times \$25,000$ aggregate remaining income amount) and Member B calculates \$10,000 for line 13 ($(\$16,000/\$40,000) \times \$25,000$ aggregate remaining income amount).

The shareable net business loss carryforward amounts being shared with other combined group members must be calculated on a prorated basis. The prorated basis is your own remaining shareable net business loss amount divided by the aggregate remaining shareable net business loss amount. This amount is then multiplied by the **lesser** of the aggregate shareable net business loss carryforward amount **or** the aggregate remaining income amount.

After the aggregate shareable net business loss is shared with the other combined group members, the remaining aggregate shareable net business loss is \$15,000 ($\$40,000 - \$25,000$). The remaining shareable net business loss amounts remain an attribute of the corporation that originally incurred the loss. At the end of 2012, Member A would have a \$9,000 ($\$24,000 - \$15,000$) shareable net business loss carryforward and Member B would have a \$6,000 ($\$16,000 - \$10,000$) shareable net business loss carryforward.

Line 14 calculation: Member C calculates \$20,000 for line 14 ($(\$20,000/\$25,000) \times \$25,000$ aggregate remaining income amount) and Member D calculates \$5,000 for line 14 ($(\$5,000/\$25,000) \times \$25,000$ aggregate remaining income amount).

The amount of shareable net business loss carryforward being used by each member must be calculated on a prorated basis. The prorated basis is your own remaining income amount divided by the aggregate remaining income amount. This amount is then multiplied by the **lesser** of the aggregate shareable net business loss carryforward amount **or** the aggregate remaining income amount.

Since Member C and Member D only have \$25,000 of aggregate remaining income and \$40,000 of aggregate remaining shareable net business loss carryforward is available, all of the income of Member C and Member D has been offset.

Example 2: Combined Group ABCD consists of Member A, Member B, Member C, and Member D. The combined group members' remaining shareable net business loss carryforward amounts and remaining income amounts for 2012 are as follows:

Form 4M Part II	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line 11	24,000	16,000	0	0
Line 12	0	0	27,000	20,000

Member A and Member B have no remaining income and have offset all of their own income with their own non-shareable and shareable net business loss carryforward amounts. Member C and Member D still have remaining income after using their own non-shareable and shareable net business loss carryforward amounts.

The amount of shareable net business loss carryforwards being shared between the combined group members are as follows:

Form 4M Part II	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Line 13	24,000	16,000		
Line 14			22,979	17,021

Line 13 calculation: Member A calculates \$24,000 for line 13 ($(\$24,000/\$40,000) \times \$40,000$ aggregate shareable net business loss amount) and Member B calculates \$16,000 for line 13 ($(\$16,000/\$40,000) \times \$40,000$ aggregate shareable net business loss amount).

The shareable net business loss carryforward amounts being shared with other combined group members must be calculated on a prorated basis. The prorated basis is your own remaining shareable

net business loss amount divided by the aggregate remaining shareable net business loss amount. This amount is then multiplied by the **lesser** of the aggregate shareable net business loss carryforward amount **or** the aggregate remaining income amount.

After the aggregate shareable net business loss is shared with the other combined group members, the remaining aggregate shareable net business loss is \$0 ($\$40,000 - \$40,000$). The remaining shareable net business loss amounts remain an attribute of the corporation that originally incurred the loss. At the end of 2012, Member A would have \$0 ($\$24,000 - \$24,000$) and Member B would have \$0 ($\$16,000 - \$16,000$) shareable net business loss carryforwards.

Line 14 calculation: Member C calculates \$22,979 for line 14 ($(\$27,000/\$47,000) \times \$40,000$ aggregate shareable net business loss amount) and Member D calculates \$17,021 for line 14 ($(\$20,000/\$47,000) \times \$40,000$ aggregate shareable net business loss amount).

The amount of shareable net business loss carryforward being used by each member must be calculated on a prorated basis. The prorated basis is your own remaining income amount divided by the aggregate remaining income amount. This amount is then multiplied by the **lesser** of the aggregate shareable net business loss carryforward amount **or** the aggregate remaining income amount.

For tax year 2012, Member C would have taxable income of \$4,021 ($\$27,000 - \$22,979$) and Member D would have taxable income of \$2,979 ($\$20,000 - \$17,021$).

■ **Part II, Line 15. Remaining Income** –This is the amount of your remaining income that has not been offset by your nonshareable net business loss carryforward, your shareable net business loss carryforward, or shareable net business loss carryforwards from other members. The remaining income amounts for each combined group member shall be aggregated in order to calculate lines 16 and 17 of Form 4M, Part II.

■ **Part II, Line 16. Pre-2009 Net Business Loss Carryforward Amount Being Shared With Other Members** – If a combined group member has unused net business loss carryforwards incurred in taxable years beginning before January 1, 2009, the pre-2009 net business loss carryforwards not used by the member prior to the taxable year beginning on or after January 1, 2012, it may be shared up to five percent per year with other combined group members in taxable years beginning on or after January 1, 2012, and before January 1, 2032.

A pre-2009 net business loss carryforward is a corporation's total net business loss carryforward as of the beginning of its first taxable year that begins after December 31, 2008, and that has not been used by the corporation in any taxable year beginning before January 1, 2012.

Step 1: Determine the member's pre-2009 net business loss carryforward.

- Line A Net business loss carryforward after the last tax return has been filed for the taxable year beginning in 2008 (2009 Form 4BL, line 30(f)). A. _____
- Line B Net business loss carryforward used on return(s) for taxable year(s) beginning in 2009 (2009 Form 4M, Part II, line 7). B. _____
- Line C Net business loss carryforward used on return(s) for taxable year(s) beginning in 2010 (2010 Form 4M, Part II, line 7). C. _____
- Line D Net business loss carryforward used on return(s) for taxable year(s) beginning in 2011 (2011 Form 4M, Part II, line 7). D. _____
- Line E Add lines B through D. E. _____
- Line F Member's pre-2009 net business loss carryforward available at the beginning of the first taxable year beginning in 2012. Line A less line E. F. _____

Step 2: Determine the maximum amount in each year for this member that can be converted from nonshareable to shareable and be shared with other members in that taxable year.

- Line G Enter the amount from line F. G. _____
- Line H Maximum percentage allowed to be shared per taxable year (5%) H. 0.05
- Line I Multiply line G by line H. Round to the dollar. I. _____
- Line J Enter the taxable year's beginning date from Form 4, top of form. J. _____
- Line K Enter the taxable year's ending date from Form 4, top of form. K. _____
- Line L Number of days between dates on lines J and K. Do not enter more than 365 days. For example, the number of days between February 14 and February 19 is 5 days. L. _____
- Line M Tentative maximum amounts that this member may share with other Members for this taxable year. Multiply line I by (line L divided by 365). Round to the dollar. M. _____
- Line N Enter the amount of nonshareable net business loss that the member is using from its Form 4M, Part II, line 7. N. _____
- Line O Maximum amount that this member may share with other members for this taxable year.

Subtract line N from line F.

- If the difference is greater to or equal to line M, enter the amount from line M and go to line P.
- If the difference is greater than zero but less than line M, enter the difference and go to line P.
- If the difference is zero or less, enter zero and stop. There are no remaining nonshareable net business loss carryforwards available.

O. _____

Line P Does the member choose to share less than the maximum amount allowed to be shared this year from line O? If yes, enter that amount here. This amount must be between zero and the amount on line O. If no, enter the amount from line O. P. _____

Step 3: Allocate to other members. Using the allocation method shown in the instructions for line 14, Examples 1 and 2, allocate the amounts (line P) being shared with other members. After this allocation has been made, enter the member's amount shared with other members on Form 4M, Part II, line 16.

The sum of all Form 4M, Part II, line 16 amounts should equal the sum of all Form 4M, Part II, line 17 amounts.

The member's Form 4M, Part II, column (f) should include the amount that the member is sharing with other members since this amount is being used up.

Step 4: Compute carryforward, if any. If the member did not use the maximum amount (line O) to offset the income of other members, the remainder may be added to that portion of pre-2009 net business loss carryforward that may offset the income of all other members in a subsequent year until the pre-2009 net business loss carryforward is completely used or expired. Pre-2009 net business loss carryforwards may not be used in any taxable year that begins on or after January 1, 2032.

Line Q Enter the amount from line O. Q. _____
 Line R Enter the amount from Form 4M, Part II, line 16. R. _____
 Line S Subtract line R from line Q. This amount may be carried forward. S. _____

The member's Form 4BL, Part II, column (f) should include the amount that the member is converting to the new class of pre-2009 shareable net business loss carryforward. In addition, this amount will be added to the member's Form 4BL, Part II, column (k) for the subsequent taxable year.

Part II, Line 17. Pre-2009 Net Business Loss Carryforward Amount Being Shared With This Member – Enter the amount of pre-2009 net business loss carryforward being shared with the combined group member. See the instructions for line 14, Examples 1 and 2, for the allocation method.

The sum of all Form 4M, Part II, line 16 amounts should equal the sum of all Form 4M, Part II, line 17 amounts.

Part III: Nonrefundable Credits

If the corporation is using nonrefundable credits, you **must** complete Part III to ensure that sharable credits and non-sharable credits are properly accounted for.

■ **Part III, Line 1. Summary of Available Nonrefundable Credits** – In the spaces to the left of line 1, enter the 2-digit code corresponding to each available credit from the table below, and the amount of available credit for each code you listed. (Enter the credit code on the line that looks like “.”) Then enter the total available nonrefundable credits on line 1.

Most credits must be computed on a Department-prescribed schedule. The table indicates the schedule that must be used to compute the credit and the line number of that schedule that shows the total available credit. You must submit the applicable credit schedule(s) with the combined return.

NOTE: Combined groups are not required to file Schedule CR to summarize their credits. The credit codes on Form 4M replace Schedule CR.

Codes for Nonrefundable Credits

Credit	Code	Schedule	Line
Biodiesel fuel production credit	18	BC	6
Community development finance credit	01	None	None
Community rehabilitation program credit	02	CM	7
Dairy and livestock farm investment credit	03	DI	9
Development zones credit	04	DC	7, 15, 23
Development zones day care credit carryforward	05	None	None
Development zones environmental remediation credit carryforward	06	None	None

Credit	Code	Schedule	Line
Development zones jobs credit carryforward	07	None	None
Development zones location credit carryforward	08	None	None
Development zones research credit carryforward	09	None	None
Development zones sales tax credit carryforward	10	None	None
Early stage seed investment credit	11	VC	12
Economic development credit	12	ED	5
Electronic medical records credit	32	EM	3
Ethanol and biodiesel fuel pump credit	13	EB	7
Film production company investment credit certified under 2008 law	14	FP	8
Film production services certified under 2008 law – nonrefundable portion	15	FP	7
Health insurance risk-sharing plan assessments credit	16	HI	6
Internet equipment credit carryforward	17	None	None
Manufacturer’s sales tax credit carryforward	19	MS	3
Manufacturing investment credit	20	MI	6
Postsecondary education credit	21	PE	7
Research expense credit	22	R	30

Credit	Code	Schedule	Line
Research expense credit for activities related to certain energy efficient products	23	R-2	29
Research expense credit for activities related to internal combustion engines	24	R-1	29
Research facilities credit	25	R	34
Research facilities credit for activities related to certain energy efficient products	26	R-2	33
Research facilities credit for activities related to internal combustion engines	27	R-1	33
Super research and development credit	28	R	44
Supplement to the federal historic rehabilitation credit	29	HR	7
Technology zone credit	30	TC	8
Veteran employment credit	33	VE	8
Water consumption credit	31	WC	10

If you are claiming more than one credit, you must claim the credits in a specific order. The order in which you may claim the credits is per sec. 71.30(3), Wis. Stats.

For information on how to qualify for credits, see Publication 123, *Business Tax Incentives* (available on the Department of Revenue's web site at revenue.wi.gov/html/taxpubs.html#business). The instructions to each credit schedule may also provide helpful information. You may find these schedules and their

instructions on the Department's web site at revenue.wi.gov/html/formpub.html.

■ **Part III, Line 2. Gross Tax** – Enter the gross tax from Part I, line Q as instructed.

■ **Part III, Line 3. Credit Used by Member** – If you want the corporation to use as much of its available nonrefundable credits as possible for the taxable year, enter the lesser of line 1 or 2. If you choose to use less than the total allowable amount of nonrefundable credits, enter the amount that you will use.

See the Tax Releases in *Wisconsin Tax Bulletin* issues 138 (April 2004) and 139 (July 2004) for more details on using carryforwards of credits and net business losses. You may access the *Wisconsin Tax Bulletin* on the Department of Revenue's web site at revenue.wi.gov/ise/wtb/index.html.

■ **Part III, Line 4. Sharing of Research Credits** – If the available credits on line 1 include one or more research credits, and those credits are still available after the corporation accounts for the credits used on line 3, the corporation may choose to share the remaining research credits with the other combined group members.

Complete Form 4CS, *Sharing of Research Credits for Combined Group Members*, to determine the amount that may be shared. Enter the shared amount on line 4. "Research credits" include:

- Research expense credits (Schedules R, R-1, and R-2)
- Research facilities credits (Schedules R, R-1, and R-2)
- Development zones research credit carryforward

See the Form 4CS instructions for further details on sharing research credits.

CAUTION: The amount of credit available for carryforward to 2013 must be reduced by the total amount on line 5.

Part IV: Member-Level Payment Data

Generally, the designated agent must make estimated payments on behalf of the entire group. Section Tax 2.66, Wisconsin Administrative Code, provides three exceptions under which members are allowed to make their own estimated payments:

- For the first taxable year for which a combined group files a combined return,

- For the first taxable year for which a corporation is a member of a combined group, or
- If the payments relate to separate entity items.

Corporations that made their own estimated payments, or have carryovers of previous overpayments, complete Part IV to apply those amounts to the combined return.

NOTE: You do not need to complete Part IV on the designated agent's Form 4M.

■ **Part IV, Line 1. Overpayment from Previously Filed Returns** – If the corporation had an overpayment on its 2011 return (or a previous year's return) and chose to credit the amount to 2012 estimated tax, enter the total overpayment credit on line 1.

■ **Part IV, Line 2. Estimated Payments Made on Separate Entity Basis** – If the corporation made estimated payments on its own behalf for the period included in the combined return, enter the date and amount of each payment made and enter the total of those payments on line 2. Do not enter any payment amounts that have already been applied or refunded.

■ **Part IV, Line 3. Total to Include on Form 4, Line 29** – The sum of each applicable member's amount on Part IV, line 3, plus the designated agent's estimated payments and overpayment credits (not required to be reported on Form 4M), should equal the estimated payments reported on Form 4, line 29.

Additional Information and Assistance

Web Resources. The Department of Revenue has a web page dedicated to combined reporting issues located at revenue.wi.gov/comb rept/index.html

Contact Information. If you cannot find the answer to your question in the resources available on the Department of Revenue's web page, contact the Department using any of the following methods:

- E-mail your question to corp@revenue.wi.gov

- Call (608) 266-2772
(Telephone help is also available using TTY equipment. Call the Wisconsin Telecommunications Relay System at 711 or, if no answer, (800) 947-3529. These numbers are to be used only when calling with TTY equipment.)
- Send a fax to (608) 267-0834
- Write to the Audit Bureau, Wisconsin Department of Revenue, Mail Stop 5-144, PO Box 8906, Madison, WI 53708-8906