# 2022 Wisconsin Schedule I Instructions

## General Instructions

**Introduction** – The computation of taxable income on the 2022 Wisconsin income tax return is based on the Internal Revenue Code (IRC) enacted as of December 31, 2020, with the following exceptions:

- Certain provisions enacted into federal law prior to December 31, 2020, do not apply for Wisconsin
- Only certain provisions enacted into federal law after December 31, 2020, apply for Wisconsin

For example, Wisconsin law has not adopted the federal bonus depreciation provisions for certain business assets or the exclusion from gross income for income from discharge of indebtedness on a qualified principal residence. These differences are a result of Wisconsin adopting a definition of "Internal Revenue Code" that is different than what is in effect for federal income tax purposes. This is also referred to as Wisconsin's definition of the IRC.

As a result, certain income and deduction items may be different for Wisconsin and federal purposes. These differences must be adjusted on Schedule I and are described beginning on the next page.

**Who Must File** – If the computation of your federal adjusted gross income (FAGI) or itemized deductions reflects any of the differences in Wisconsin and federal law for 2022, you must complete this schedule and attach it to your Wisconsin income tax return, Form 1 or Form 1NPR.

Schedule I adjustments made in a prior year may require a Schedule I adjustment in 2022. For example, if you claimed federal bonus depreciation on your 2021 return, you must recompute depreciation using the Wisconsin depreciable basis of the asset. The difference between the amount of bonus depreciation claimed on your federal return and the amount of depreciation allowed for Wisconsin purposes must be adjusted on Schedule I for 2021. An additional adjustment on Schedule I is required each year until the asset is fully depreciated for federal and Wisconsin purposes.

An adjustment may also be required on Schedule I to adjust for differences in the amount of gain or loss reportable from sales or dispositions of assets during 2022. *Example:* The following adjustments are required on Schedule I:

- If the Wisconsin adjusted basis of the asset differs from the federal adjusted basis due to Wisconsin's definition of the IRC, an adjustment is required to report the difference in gain or loss
- An adjustment is required when gain from the sale of certain small business stock is taxable for Wisconsin but not for federal tax purposes

**Using a Different Federal Election for Wisconsin** – Various elections are available under the federal IRC. When an election is available under the IRC adopted for Wisconsin, a taxpayer may choose one election for federal tax purposes and a different election for Wisconsin. For example, a taxpayer may elect to claim different amounts of IRC sec. 179 expense for federal and Wisconsin tax purposes. For additional information, see Wisconsin Tax Bulletin 214.

**Exception:** A taxpayer must use the same method of accounting used for federal income tax purposes if that method is authorized under the IRC in effect for Wisconsin.

Either of the following two methods may be used to claim a different election for Wisconsin and federal tax purposes.

- Prepare a pro forma federal return based on the election chosen for Wisconsin. This pro forma return is to be attached to the Wisconsin Form 1 or Form 1NPR instead of the actual return filed for federal tax purposes.
- Make the election using Wisconsin Schedule I, *Adjustments to Convert 2022 Federal Adjusted Gross Income and Itemized Deductions to the Amounts Allowable for Wisconsin*.

*Example:* For federal tax purposes you claim the credit under sec. 45E of the IRC for 50 percent of the startup costs of a small employer pension plan. When claiming the credit, you must reduce your deduction for that portion of the startup costs equal to the credit. However, sec. 45E(e)(3) of the IRC, provides an election to not claim the credit. Because an election is available, you may elect to not claim the credit on your federal return and instead claim the deduction for the startup costs. Use either of the two methods listed above to make a different election for Wisconsin purposes.

Be sure to also adjust any other items on your federal return that are affected by the election. For example, if you claim a different election for sec. 179 expense for Wisconsin purposes, you must also make a Schedule I adjustment to account for any difference in depreciation expense computed for Wisconsin purposes.

**Schedule I Adjustment May Require Recomputing Federal Forms and Schedules for Wisconsin Purposes** – Any federal forms or schedules affected by Schedule I adjustments must be recomputed and attached to the Wisconsin return. Mark these recomputed federal forms or schedules "Revised for Wisconsin" at the top. For example, federal Form 8582, *Passive Activity Loss Limitations*, must be recomputed for Wisconsin purposes if there is a Schedule I adjustment for the difference in depreciation expense for federal and Wisconsin purposes that pertains to a passive activity.

**Partners, Beneficiaries of Estates and Trusts, and Shareholders of Tax-Option (S) Corporations** – Individuals that report their distributive share of income and deductions from Wisconsin returns of partnerships, estates and trusts, and tax-option (S) corporations may be required to use Schedule I to adjust for differences between Wisconsin and federal law computed on the entity's return. Such partners, beneficiaries, and shareholders should receive Schedule 2K-1, Schedule 3K-1, or Schedule 5K-1 from the entity which shows the adjustments between federal and Wisconsin income and the total amounts reportable for Wisconsin purposes.

**Caution:** If the partnership or tax-option (S) corporation made an election to be taxed at the entity level, differences in federal and Wisconsin law reported on Schedule 3K-1 or 5K-1 must be reported on Schedule I; however the entire amount of income, gain, loss, or deduction reportable for Wisconsin from these entities are removed on the individual's Wisconsin return as an addition or subtraction modification on line 29 or 31 of Schedule AD, *Additions to Income* (Form 1), line 29 or 31 of Schedule M (Form 1NPR), line 46 or 48 of Schedule SB, *Subtractions from Income* (Form 1), or line 30, 32, 80, or 82 of Schedule M (Form 1NPR).

**Note:** When adjusting income or expenses of an entity, additional items may also require adjustment. For example, adjusting depreciation allowed to a partnership would change the amount of income or loss from the entity. If the entity is subject to the passive activity limitations, federal Form 8582 would need to be recomputed for Wisconsin to substitute the Wisconsin partnership information for the amount determined on the federal Form 8582. Any difference in the amount of passive activity loss allowed for federal tax purposes and the amount allowed from the recomputed federal Form 8582 would also be a Schedule I adjustment. Any other federal schedules or forms affected by the Schedule I adjustment should also be recomputed (for example, federal Schedule E) and attached to the Wisconsin return. Mark these recomputed forms or schedules "Revised for Wisconsin."

## Part I - Line Instructions

Note An adjustment made on a line below may affect the computation of an adjustment amount on another line. For example, if an adjustment is made on line 1a to add to income the discharge of indebtedness on a principal residence (i.e., FAGI computed for Wisconsin purposes changes), the amount of social security includable in FAGI also changes. The additional social security includable in FAGI must be reported on one of the "other" lines (line 1h or 1i).

### Line 1

Enter any additions to income due to the difference between federal and Wisconsin law on the corresponding line for the adjustments below.

### Line 1a - Discharges of Indebtedness on Principle Residence

(a) Federal – Gross income does not include any amount which would be includable in gross income by reason of discharge of indebtedness if the indebtedness discharged is qualified principal residence indebtedness which is discharged before January 1, 2026, under sec. 108, IRC. (Section 114 of division EE of Public Law 116-260).

(b) Wisconsin – The exclusion from gross income for income from discharge of indebtedness does not apply for Wisconsin.

### Lines 1b and 2b - Depreciation

Complete these lines only if there is a difference in the amount of depreciation allowed for federal income tax purposes and for Wisconsin tax purposes based on the Wisconsin definition of the IRC. For example, you would have a difference in depreciation if you claimed the federal special 100 percent additional depreciation for assets placed in service in 2022.

In addition, if you had a depreciation difference on Schedule I for property placed in service on or after January 1, 2014, or the first day of your taxable year beginning in 2014, you will continue to have a difference in depreciation to report on Schedule I each year until the property is fully depreciated or until you sell or otherwise dispose of the property.

To adjust for any difference, you must first add back your federal depreciation by entering the federal amount on line 1b of Schedule I. You may then subtract the revised depreciation allowed for Wisconsin on line 2b. Complete a revised federal Form 4562, *Depreciation and Amortization*, and any accompanying forms and schedules. Mark these revised forms and schedules "Revised for Wisconsin."

Certain differences in the Wisconsin and federal definition of the IRC that apply for 2022 related to depreciation can be found on page 5 under **Other Differences Between Federal and Wisconsin Law**.

### Lines 1c, 1e, 2c, and 2e - Capital Gains and Losses from Line 7 of Federal Form 1040

Complete these lines only if there is a difference in the amount of capital gains or losses allowed for federal and Wisconsin income tax purposes based on the Wisconsin definition of the IRC.

Note If you sold or disposed of a depreciable or amortizable asset in tax year 2022 that was placed in service before January 1, 2014, no adjustment is required on Schedule I to account for a difference in federal gain or loss as a result of depreciation or amortization differences claimed on Schedule I in prior years. The Wisconsin basis of all depreciable or amortizable assets placed in service before January 1, 2014, is the same as the federal basis.

To properly report differences in gain or loss on your Wisconsin return, you must first remove all federal gain or loss included on line 7 of your federal Form 1040 or 1040-SR. If the amount on line 7 of federal Form 1040 or 1040-SR is a gain, fill in that amount on line 2e of Schedule I. If the amount on line 7 of federal Form 1040 or 1040-SR is a loss, fill in that amount as a positive number on line 1c of Schedule I.

Next, complete a revised federal Schedule D, federal Form 8949, and any accompanying forms and schedules. Mark these revised forms and schedules "Revised for Wisconsin."

If the revised forms show a capital gain on line 7 of federal Form 1040 or 1040-SR, fill in the revised gain on line 1e of Schedule I. If the revised forms show a capital loss on line 7 of federal Form 1040 or 1040-SR, fill in the revised loss on line 2c of Schedule I as a positive number.

Attach the revised federal Schedule D, federal Form 8949, and any accompanying forms and schedules with Form 1 or Form 1NPR.

**CAUTION** The amount on line 1e must also be included on Wisconsin Schedule WD, line 29a. The amount on line 2c must also be included on Wisconsin Schedule WD, line 29e.

Certain differences in the Wisconsin and federal definition of the IRC that apply for 2022 related to capital gains and losses can be found on page 5 under **Other Differences Between Federal and Wisconsin Law**.

### Lines 1d, 1f, 2d, and 2f - Ordinary Gains and Losses from Line 4 of Federal Schedule 1 (Form 1040)

Complete these lines only if there is a difference in the amount of ordinary gain or loss allowed for federal and Wisconsin income tax purposes based on the Wisconsin definition of the IRC.

To properly report such gain or loss on your Wisconsin return, you must first remove all ordinary gain or loss reported on line 4 of your federal Schedule 1 (Form 1040). This is done by filling in line 1d or 2f. If the amount on line 4 of federal Schedule 1 (Form 1040) is a gain, fill in that amount on line 2f of Schedule I. If the amount on line 4 of federal Schedule 1 (Form 1040) is a loss, fill in that amount as a positive number on line 1d of Schedule I.

Next, complete a revised federal Form 4797, federal Form 4684, and any accompanying forms and schedules. Mark these revised forms and schedules "Revised for Wisconsin."

If the revised forms show an ordinary gain for Wisconsin on line 4 of federal Schedule 1 (Form 1040), fill in the revised gain on line 1f. If the revised forms show an ordinary loss for Wisconsin, fill in the revised loss on line 2d as a positive number.

Include the revised federal Form 4797, federal Form 4684, and any accompanying forms and schedules with Form 1 or Form 1NPR.

## Line 1g - Certain Student Loan Forgiveness

(a) Federal – Certain student loans discharged under sec. 108(f)(5), IRC, after December 31, 2020, and before January 1, 2026, are not included in federal adjusted gross income. (Section 9675 of Public Law 117-2). Note: Public Law 117-2 repealed the exclusion for student loans discharged on account of death or total and permanent disability of the student.

(b) Wisconsin – Student loans discharged under IRC sec. 108(f)(5) after December 31, 2020, and before January 1, 2026, are included in federal adjusted gross income. Student loans discharged on account of death or total and permanent disability of the student are excluded from federal adjusted gross income.

In addition, certain student loans under sec. 108(f)(1), IRC, are excluded from federal adjusted gross income for both federal and Wisconsin purposes if the student loan was discharged according to a provision of the loan under which all or part of the indebtedness of the individual would be discharged if the individual worked for a certain period of time in certain professions for any of a broad class of employers. Student loans discharged under the Public Service Loan Forgiveness (PSLF) program may qualify for this exclusion.

## Lines 1h and i and 2g, h, and i - Other

These lines are used to report any other differences between the amounts allowed for federal and Wisconsin income tax purposes based on the Wisconsin definition of the IRC. They are also used to report other items that need to be adjusted because of adjustments made on other lines of Schedule I. For example, passive activity losses may have to be adjusted on these lines because of a depreciation adjustment made on lines 1b and 2b. Enter a description of the item being adjusted on the lines provided.

Enter adjustments for the difference between amounts allowed for federal and Wisconsin income tax purposes as follows:

- If the difference between the federal amount and the Wisconsin amount results in an increase in Wisconsin income, enter the amount of the difference as an addition to income on line 1h or i. Enter the amount as a positive number.
- If the difference between the federal amount and the Wisconsin amount results in a decrease in Wisconsin income, enter the amount of the difference as a subtraction from income on line 2g, h, or i. Enter the amount as a positive number.

Descriptions of certain differences in the Wisconsin and federal definition of the IRC that apply for 2022 can be found on page 5 under **Other Differences Between Federal and Wisconsin Law.**

## Line 1j

Add the amounts on lines 1a through 1i. Fill in the total on line 1j .

## Line 2

Enter, as a positive amount, any subtraction from income due to the difference between federal and Wisconsin law on the corresponding line for the adjustments listed below.

## Line 2a - Health Savings Accounts Adjustment

(a) Federal – Certain individuals may establish health savings accounts (HSAs) under sec. 223, IRC. A deduction is allowed for contributions to the account. Amounts contributed by an employer to an employee's account are excluded from the employee's gross income. (Section 307 of Public Law 109-432).

(b) Wisconsin – The federal provisions relating to HSAs apply for Wisconsin for 2011-2022. However, an adjustment may be required if you withdrew from the account in 2022, you had an HSA prior to 2011 for which you were not allowed a deduction for Wisconsin for contributions to that account, and you reported the earnings on the account as income on your Wisconsin return. If this is the case, complete the worksheet on the next page.

**2022 HSA Worksheet**

| | | |
|---|---|---|
| 1. Balance of HSA as of December 31, 2010, . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 1. | ____________ |
| 2. Amount contributed to HSA in 2022 which was added to federal adjusted gross income on line 1h or 1i . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 2. | ____________ |
| 3. Add lines 1 and 2 . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 3. | ____________ |
| 4. Amount distributed from the HSA in 2011-2021 (this is the amount from line 3 of the worksheet in the 2021 Schedule I Instructions . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 4. | ____________ |
| 5. Subtract line 4 from line 3 . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 5. | ____________ |
| 6. 2022 distributions from the HSA. Do not fill in more than the amount on line 5 . . . . . . . . . . . . | 6. | ____________ |
| 7. Subtract line 6 from line 5 . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 7. | ____________ |
| 8. Portion of the distribution on line 6 that was used for medical expenses. This amount can be used as an itemized deduction for medical expenses. See "Medical Expense Deduction" in Part II . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 8. | ____________ |
| 9. Portion of the distribution on line 6 that was <u>not</u> used for medical expenses and is included in federal income. This amount would be taxable for federal purposes but not for Wisconsin. Include on line 2a of Schedule I* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 9. | ____________ |

* This amount may also be subject to a federal penalty, but would not be subject to a Wisconsin penalty.

**Note**: An adjustment will be required each year until the amount shown on line 7 is zero. Distributions from HSAs are to be allocated first to the pre-2011 balance plus the amount contributed in 2022 which was included in federal adjusted gross income for Wisconsin.

### Line 2b - Wisconsin Depreciation

See the instructions for lines 1b and 2b on page 2.

### Line 2c - Wisconsin Capital Losses

See the instructions for lines 1c, 1e, 2c, and 2e on page 3.

### Line 2d - Wisconsin Ordinary Losses

See the instructions for lines 1d, 1f, 2d, and 2f on page 3.

### Line 2e - Federal Capital Gains

See instructions for lines 1c, 1e, 2c, and 2e on page 3.

### Line 2f - Federal Ordinary Gains

See the instructions for lines 1d, 1f, 2d, and 2f on page 3.

### Line 2g, h, and i

See the instructions for lines 1h and i and lines 2g, h, and i on page 4.

### Line 2j

Add lines 2a through 2i. Fill in the total on line 2j.

### Line 3

Complete line 3 as follows:

- If line 1j is greater than line 2j, subtract line 2j from line 1j and fill in the result as a positive number on line 3.
- If line 2j is greater than line 1j, subtract line 1j from line 2j and fill in the result as a negative number on line 3.

## Other Differences Between Federal and Wisconsin Law

Following are brief explanations of certain differences between federal and Wisconsin law.

The "Federal" explanation indicates how an item is to be treated for federal income tax purposes as of December 31, 2022. The "Wisconsin" explanation indicates how the item is to be treated for Wisconsin.

If you need additional information regarding these items, contact any Wisconsin Department of Revenue office.

1. **Federal Farm Loss Limitations**

   (a) Federal – The amount of farm losses that may be used to reduce other non-farming business income is limited under sec. 461, IRC, to the greater of $300,000 or the net farm income for the previous five years if the taxpayer receives any direct or counter-cyclical payments under Title I of the Food, Conservation, and Energy Act of 2008 or Commodity Credit Corporation loans. Any disallowed loss is treated as a deduction of the taxpayer attributable to farming business in the next taxable year. (Section 15351 of Public Law 110-246).

   (b) Wisconsin – This farm loss limitation does not apply for Wisconsin.

2. **Nonqualified Deferred Compensation from Certain Tax Indifferent Parties**

   (a) Federal – Nonqualified deferred compensation plans maintained by foreign corporations will generally become taxable, unless the compensation is deferred 12 months or less after the end of the year that the compensation vests under sec. 457A, IRC. The tax can also apply to partnerships with foreign partners. Deferred compensation will be taxable when the amount is determinable. (Section 801 of division C of Public Law 110-343).

   (b) Wisconsin – This provision does not apply for Wisconsin.

3. **Income Sourcing of Guarantees**

   (a) Federal – Amounts received for guarantees of indebtedness is U.S. source income if paid by a U.S. person or by a foreign person and the amount is connected with income which is effectively connected to the conduct of a trade or business in the U.S. under sec. 861, IRC. (Section 2122 of Public Law 111-240).

   (b) Wisconsin – This provision does not apply for Wisconsin.

4. **District of Columbia Investments**

   (a) Federal – Gross income does not include qualified capital gain from the sale or exchange of any DC Zone asset acquired after January 1, 1998, and before January 1, 2012, and held for more than five years under sec. 1400A(b), IRC. (Section 754 of Public Law 111-312).

   (b) Wisconsin – Capital gain from the sale or exchange of DC Zone assets is included in Wisconsin income.

5. **Depreciation of Race Horses (over 2 years old)**

   (a) Federal – A race horse placed in service after December 31, 2016, and which is more than 2 years old at the time placed in service by the purchaser, is treated as 3-year property under sec. 168, IRC (Section 165 of division Q of Public Law 114-113). In addition, race horses placed in service before January 1, 2022, are treated as three-year property. (Section 137 of division EE of Public Law 116-260).

   (b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

6. **Small Business Stock**

   (a) Federal – An exclusion is allowed, under sec. 1202, IRC, for the amount of gain from the sale or exchange of qualified small business stock held for more than five years. (Section 126 of division Q of Public Law 114-113).

   - 50% exclusion for stock acquired after August 10, 1993, and on or before February 17, 2009
   - 75% exclusion for stock acquired after February 17, 2009, and on or before September 27, 2010
   - 100% for stock acquired after September 27, 2010

(b) Wisconsin – Gain from the sale or exchange of qualified small business stock in 2022 that was held for more than five years is treated as follows:

- Gain from the sale of stock acquired **before** December 31, 2013, is included in income.
- 50% exclusion for stock acquired on or after January 1, 2014 (sec. 71.98(5), Wis. Stats.).

7. **Bonus Depreciation for Certain Business Assets**

(a) Federal – For property placed in service after September 27, 2017, 100% expensing is allowed for qualified property, qualified property with longer production periods, and plants bearing fruit and nuts under sec. 168, IRC. This percentage is phased down for property placed in service after December 31, 2022, and for property acquired before September 27, 2017. (Section 13201 of Public Law 115-97).

(b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

8. **Excess Business Loss Limitation**

(a) Federal – Excess business losses of a taxpayer determined under sec. 461(l), IRC, are not allowed. The disallowed loss is treated as a net operating loss carryover. (Section 11012 of Public Law 115-97). The excess business loss limitation is extended to taxable years beginning before January 1, 2027. (Section 9041 of Public Law 117-2).

(b) Wisconsin – The excess business loss limitation does not apply for Wisconsin.

9. **Film and Television Production and Live Theatrical Production**

(a) Federal – The definition of qualified property for purposes of the special depreciation (bonus depreciation) allowance, under sec. 168, IRC, includes film or television production and live theatrical production. (Section 13201 of Public Law 115-97).

(b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

10. **Accrual Method Income Recognition**

(a) Federal – Accrual method taxpayers must recognize income no later than the tax year in which the item is recognized as revenue on an applicable financial statement under sec. 451, IRC. (Section 13221 of Public Law 115-97).

(b) Wisconsin – This provision does not apply for Wisconsin.

11. **Business Interest Expense Deduction Limitation**

(a) Federal – The deduction for business interest expense is limited to the sum of business interest income, 30% of adjusted taxable income, and floor plan financing interest under sec. 163, IRC. Any amount disallowed is carried forward to the next taxable year. (Section 13301 of Public Law 115-97).

(b) Wisconsin – The business interest expense deduction limitation does not apply for Wisconsin.

12. **Entertainment, Amusement, and Recreation Expenses**

(a) Federal – No deduction is allowed for entertainment, amusement, or recreation expenses described under sec. 274, IRC. (Section 13304 of Public Law 115-97).

(b) Wisconsin – A deduction is allowed for entertainment, amusement, and recreation expense equal to 50% of the amount of qualified expenses.

13. **Meal Expenses**

(a) Federal –

- Section 274(n), IRC, provides that any deductible food and beverage expense is limited to 50% of such amount unless an exception applies.

- The 50% limitation on the deduction for food and beverage expenses under sec. 274(n), IRC, also applies to certain meals provided by an employer to an employee as a nontaxable de minimis fringe benefit described in IRC sec. 132(e). (Section 13304(b) of Public Law 115-97).

- The 50% limitation on the deduction for food and beverage expenses under sec. 274(n), IRC, does not apply to amounts paid or incurred before January 1, 2023, for food and beverages provided by a restaurant. (Section 210 of division EE of Public Law 116-260).

(b) Wisconsin –

- Wisconsin follows the 50% limitation under sec. 274(n), IRC, except as follows:
- The 50% limitation does not apply to certain meals provided by an employer to an employee as a nontaxable de minimis fringe benefit described in sec. 132(e), IRC. These meal expenses are 100% deductible for Wisconsin because the changes made by sec. 13304(b) of Public Law 115-97 have not been adopted.
- A 50% limitation still applies for amounts paid or incurred before January 1, 2023, for food and beverages provided by a restaurant. These meal expenses are 50% deductible for Wisconsin because the exception in sec. 274(n)(2)(D), IRC, made by sec. 210 of division EE of Public Law 116-260 has not been adopted.

**14. Federal Deposit Insurance Corporation Premiums Limitation**

(a) Federal – A limitation under sec. 162(r), IRC, applies to the deduction for premiums paid as the result of an assessment by the Federal Deposit Insurance Corporation. (Section 13531 of Public Law 115-97).

(b) Wisconsin – This limitation does not apply for Wisconsin.

**15. Deduction Limitation for Highly-Paid Employees**

(a) Federal –A publicly-held corporation may not deduct more than $1,000,000 of compensation paid to any covered employee for the performance of services as provided in sec. 162(m), IRC. The definition of a covered employee is expanded to include the principal executive officer and principal financial officer. (Section 13601 of Public Law 115-97). For taxable years beginning after December 31, 2026, the definition of a covered employee is expanded to include an employee that is among the 5 highest compensated employees for the taxable year. (Section 9708 of Public Law 117-2).

(b) Wisconsin – This modified definition of "covered employee" does not apply for Wisconsin.

**16. Global Intangible Low-Taxed Income Inclusion**

(a) Federal – A United States shareholder of a controlled foreign corporation must include in income its "global intangible low-taxed income" as provided in sec. 951A, IRC. (Section 14201 of Public Law 115-97).

(b) Wisconsin – This inclusion does not apply for Wisconsin.

**17. Definition of United States Shareholder**

(a) Federal – The definition of a United States shareholder in sec. 951(b), IRC, includes a United States person who owns at least 10% of the value of the shares of the foreign corporation. (Section 14214 of Public Law 115-97).

(b) Wisconsin – This change in definition does not apply for Wisconsin.

**18. Related Party Transactions**

(a) Federal – The deduction for any disqualified related-party amount paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity is disallowed under sec. 267A, IRC. (Section 14222 of Public Law 115-97).

(b) Wisconsin – This disallowance does not apply for Wisconsin.

**19. Unused Overall Domestic Loss**

(a) Federal – A taxpayer may elect to recapture a pre-2018 unused overall domestic loss for any applicable tax year by substituting a percentage greater than 50% under section 904(g), IRC. (Section 14304 of Public Law 115-97).

(b) Wisconsin – This recapture provision does not apply for Wisconsin.

**20. Domestic Production Activities Deduction**

(a) Federal – The repeal of the domestic production activities deduction under sec. 199A, IRC, does not apply to a qualified payment received by a patron from a specified agricultural or horticultural cooperative. (Section 101 of division T of Public Law 115-141).

(b) Wisconsin – This deduction does not apply for Wisconsin.

21. **Qualifying Small Power Production Facility**

(a) Federal – A 5-year recovery period applies for qualifying small power production facilities under sec. 168, IRC. (Section 302 of division U of Public Law 115-141).

(b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

22. **Motorsports Racing Track Facility**

(a) Federal – The seven-year cost recovery period under sec. 168, IRC, for motorsports entertainment complexes is extended through December 31, 2025. (Section 115 of division EE of Public Law 116-260).

(b) Wisconsin – This provision does not apply for Wisconsin. Depreciation is determined under the provisions of the IRC in effect on January 1, 2014.

23. **Film and Television Productions**

(a) Federal – For productions commencing before January 1, 2026, a taxpayer may elect under sec. 181, IRC, to treat the cost of any qualified film or television production as an expense which is not chargeable to a capital account. (Section 116 of division EE of Public Law 116- 260).

(b) Wisconsin – The federal expensing of a film or television production does not apply for Wisconsin.

24. **Empowerment Zone Tax Incentives**

(a) Federal – The empowerment zone tax incentives under sec. 1391, IRC, are extended through December 31, 2025. This includes a wage credit, increased section 179 expensing, expanded tax-exempt financing, elective rollover of capital gain from the sale or exchange of any qualified empowerment zone asset, and partial exclusion of capital gains on certain small business stock. (Section 118 of division EE of Public Law 116-260).

(b) Wisconsin – The extension for empowerment zone tax incentives does not apply for Wisconsin.

25. **Tax-Favored Withdrawal from Retirement Plans for Qualified Disaster Areas**

(a) Federal – Under sec. 72, IRC, for distributions on or after the first day of the incident period of a qualified disaster and before the date which is 180 days after December 20, 2019, qualified disaster victims may withdraw up to $100,000 from a qualified retirement plan without penalty. Taxpayers who are able to repay the distributions have three years to repay the funds to qualify for rollover treatment. Otherwise, they will be taxed on their distribution over three years. (Section 202 of division Q of Public Law 116-94).

(b) Wisconsin – This provision applies for Wisconsin purposes for taxable years beginning after December 31, 2020. However, for withdrawals occurring before this date, an adjustment may need to be made for distributions which are taxed over the three-year period for federal purposes.

26. **Tax-Favored Withdrawal from Retirement Plans for Qualified Disaster Areas**

(a) Federal – Under sec. 72, IRC, for distributions on or after the first day of the incident period of a qualified disaster and before June 25, 2021, qualified disaster victims may withdraw up to $100,000 from a qualified retirement plan without penalty. Taxpayers who are able to repay the distributions have three years to repay the funds to qualify for rollover treatment. Otherwise, they will be taxed on their distribution over three years. (Section 302 of division EE of Public Law 116-260).

(b) Wisconsin – This provision applies for Wisconsin purposes for taxable years beginning after December 31, 2020. However, for withdrawals occurring before this date, an adjustment may need to be made for distributions which are taxed over the three-year period for federal purposes.

27. **Restaurant Revitalization Grants**

(a) Federal – Restaurant revitalization grants received under section 5003 of Public Law 117-2 are not included in federal income. Taxpayers may deduct expenses paid with restaurant revitalization grant proceeds that would otherwise be deductible. (Section 9673 of Public Law 117-2).

(b) Wisconsin – Restaurant revitalization grant proceeds forgiven are included in Wisconsin income. Taxpayers may deduct expenses paid with restaurant revitalization grant proceeds that would otherwise be deductible.

**28. Tax-Exempt Interest (Qualified Broadband Projects)**

(a) Federal – The interest from qualified broadband projects exempt facility bonds is exempt from federal income tax under secs. 103 and 142, IRC. (Section 80401 of division H of Public Law 117-58).

(b) Wisconsin – The interest from qualified broadband projects exempt facility bonds is included in Wisconsin income.

**29. Tax-Exempt Interest (Qualified Carbon Dioxide Capture Facilities)29**(a) Federal – The interest from qualified carbon dioxide capture exempt facility bonds is exempt from federal income tax under secs. 103 and 142, IRC. (Section 80402 of division H of Public Law 117-58).

(b) Wisconsin – The interest from qualified carbon dioxide capture exempt facility bonds is included in Wisconsin income.

**30. Health Savings Accounts for High Deductible Health Plans**

(a) Federal – Under sec. 223, IRC, a health plan is treated as a high deductible health plan even if it fails to have a deductible for telehealth or other remote care services for months beginning after March 31, 2022, and before January 1, 2023. (Section 307 of division P of Public Law 117-103).

(b) Wisconsin – A health plan is not treated as a high deductible health plan if it fails to have a deductible for telehealth or other remote care services. Therefore, contributions to a health savings account for a plan not treated as a high deductible health plan for Wisconsin purposes are included in federal adjusted gross income and no deduction from federal adjusted gross income is allowed.

**31. Amortization of Research Expenses**

(a) Federal – Under sec. 174, IRC, research and experimental expenditures are required to be amortized over a 5-year period for research conducted in the United States. (Section 13206 of Public Law 115-97).

(b) Wisconsin – Research and experimental expenditures are not required to be amortized or a 5-year period and may be deducted in the year paid or incurred. Taxpayers may elect to amortize the expenses over a 5-year period if the election is made by the extended due date of the return.

## Part II Instructions

Whenever adjustments to FAGI have been made in Part I of Schedule I, itemized deductions which are computed using FAGI (for example, medical expenses and charitable contributions) may require adjustment. The deductible amounts of any such items used to compute the Wisconsin itemized deduction credit must be determined by using the FAGI computed on line 3 of Form 1 or line 31 of Form 1NPR.

Enter the amount for federal income tax purposes in Col. I and the amount determined under Wisconsin's definition of the IRC in Col. II. For example, if there is a difference in gifts to charity allowed for federal and Wisconsin purposes, enter the federal amount in Col. 1 and the Wisconsin amount in Col. 2 on line 1c. If the itemized deduction allowable for Wisconsin purposes is not listed on lines 1a through 1c, enter a brief description on lines 1d and 1e and enter the federal and Wisconsin amounts in Col. 1 and Col. 2.

The amounts in Col. II are used to compute your Wisconsin itemized deduction credit on Schedule 1 of Form 1 or Form 1NPR.

In addition to adjustments required as a result of differences in FAGI computed in Part 1 of Schedule I, adjustments may be required for the following itemized deduction differences between federal and Wisconsin law.

**1. Medical Expense Deduction**

(a) Federal – Any payment or distribution out of an HSA for qualified medical expenses shall not be treated as an expense paid for medical care for purposes of claiming an itemized deduction for medical and dental expenses under sec. 223, IRC. (Section 307 of Public Law 109-432).

(b) Wisconsin – Wisconsin follows the federal treatment of distributions from an HSA for 2011-2022. However, if a portion of your distribution was allocated to the balance in your HSA as of December 31, 2010, you may be able to treat all or part of the distribution as a medical expense. See the Worksheet for line 2a on page 4.

Amounts paid for medical expenses from a health savings account are allowed as an itemized deduction, if the amount is otherwise deductible, for purposes of Wisconsin's itemized deduction credit if the contribution is included in federal adjusted gross income for failure of the health plan to be treated as a high deductible health plan.

## Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 23, 2022: secs. 72, 103, 108, 142, 162, 163, 168, 181, 199A, 223, 267A, 274, 451, 457A, 461, 861, 904, 951, 951A, 1202, 1391, and 1400, IRC, and ch. 71, Wis. Stats.