

Consider tax traps and tax savings opportunities to minimize an unwelcome tax assessment and reduce overall state and local tax burden.



Avoiding tax traps in a down economy

BY JOSEPH A. PICKART, ESQ.



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As taxpayers focus on the impact that the distressed economy has on their businesses and personal lives, it is easy to overlook that the economic downturn has also detrimentally affected states and local municipalities. These governments’ budgets depend on a vibrant economy to generate tax revenues.

Audit risks

The resulting tax revenue shortfall has resulted in aggressive tax assessment, enforcement, and collection activities by state and local tax authorities. To minimize an unwelcome tax assessment and reduce their overall state and local tax burden, taxpayers should consider the following tax traps and often-overlooked tax savings opportunities.

Sales and use tax: Use tax compliance

Usually, businesses appropriately pay sales tax on taxable purchases of tangible personal property and/or taxable services

sold by Wisconsin vendors. However, sometimes these same businesses fail to self-assess use tax on their taxable purchases from out-of-state vendors. Use tax liability is an easy target for Wisconsin Department of Revenue (WDR) auditors, and a substantial underpayment of use tax may result in the imposition of a 25 percent negligence penalty. Accordingly, businesses should respond appropriately to implement use tax compliance guidelines.

Franchise, income tax and sales, use tax: Nexus issues

Businesses continue to reach new

customers in states other than Wisconsin. Depending on the nature and scope of contacts with those customers, these businesses may have tax collection and/or tax filing obligations in those states. This is true for both sales and use taxes, and franchise and income taxes. What may be more confusing is what may cause “nexus” for sales and use tax purposes may not for franchise and income tax purposes. As a result, businesses must appropriately identify the level of their activities and contacts in other states to determine whether they should be remitting taxes and/or filing tax returns in those states.

Property tax: Assessment and valuation tips

Taxpayers who receive their property tax bills in December frequently ask for assistance to address inflated property assessments (i.e., valuations). Typically, taxpayers who have not previously appealed their assessment within a proscribed time during the tax year are barred from obtaining relief with regard to their tax bills for that year. However, not all is lost. The months that follow (January through May) present taxpayers with a unique opportunity to work with municipal and WDR assessors to reduce their property tax burdens for the tax years that follow.

For example, for commercial properties, taxpayers historically may have been hesitant to provide income and expense information for different reasons, including concerns about confidentiality and a fear of the unknown, (i.e., how will the assessor use the information to increase the value of my property?) During a down economy, these same taxpayers may be best served by providing the assessor with the requested income and expense information, while emphasizing the economic conditions that specifically affected the property’s value, (e.g., the significant downward trend in travel has depressed the value of hotels and motels.)

Property tax: Real estate transfer fee returns

Family-owned businesses considering purchasing real property in 2011 and 2012

Read more:

Regarding Wisconsin property tax assessment process

http://www.whdlaw.com/Publications/RealDeal_Summer11.pdf

Regarding Provena Covenant in Illinois

<http://www.whdlaw.com/ArticleDetail.aspx?ID=835>

should pay attention to how the transfer fee return is completed, as assessors use information contained thereon as the basis for their assessments. This is particularly important where the real property is being transferred along with personal property and/or intangible property, or in a sale-leaseback finance arrangement.

Property tax: Exemption application deadline

Often, clients serve on non-profit boards as a way of contributing to their communities. Those who do should be aware of the Tuesday, March 1, 2012, deadline for filing for property tax exemption. Generally, an application must be filed for property that converted from non-exempt to exempt use in 2011 or was transferred to a new owner in that year. Missing the deadline means the property will be subject to taxation in 2012 even though it would otherwise qualify for exemption.

All state and local taxes: Plan ahead

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