

# 2025 Schedule AD Instructions

## Additions to Income

### Purpose of Schedule AD

Schedule AD is used to report differences between federal and Wisconsin income. These differences are called modifications and may affect the amount you report as an addition modification on line 4 of Form 1.

### Who Must File Schedule AD

Your federal income may include items that aren't deductible for Wisconsin, or it may not include items that are taxable for Wisconsin. You may have to add these items to your federal income to arrive at the correct Wisconsin income. Schedule AD must be filed by persons for whom the addition modifications described below apply.

### Other Schedules and Publications

These instructions will refer to other Wisconsin schedules that may be needed to compute and report an addition, along with publications that may contain additional information. The schedules and any related instructions can be found on the department's website at [revenue.wi.gov/Pages/Form/2025Individual.aspx](https://revenue.wi.gov/Pages/Form/2025Individual.aspx). The Wisconsin publications referenced are located at [revenue.wi.gov/Pages/HTML/taxpubs.aspx](https://revenue.wi.gov/Pages/HTML/taxpubs.aspx).

### Line Instructions

#### Line 1 – State and Municipal Interest

Fill in the amount of interest you received from state, municipal, and other bonds. This will generally be the amount shown as tax-exempt interest on line 2a of your federal Form 1040 or Form 1040-SR. If you were required for federal purposes to allocate expenses to this income, reduce the amount to be filled in by such expenses. Include a computation of how you arrived at the amount on line 1 if you reduced this amount by allocated expenses.

**Exception:** If you received interest income which is exempt for state and federal tax purposes, do not include this interest income on line 1. Interest income which is exempt for federal and Wisconsin tax purposes includes interest from:

- (1) Public housing authority or community development authority bonds issued by municipalities located in Wisconsin
- (2) Wisconsin municipal redevelopment authority bonds
- (3) Wisconsin Housing and Economic Development Authority bonds issued on or after January 1, 2004, to fund multifamily affordable housing or elderly housing projects
- (4) Wisconsin Housing and Economic Development Authority bonds issued before January 29, 1987, except business development revenue bonds, economic development revenue bonds, and CHAP housing revenue bonds
- (5) Public housing agency bonds issued before January 29, 1987, by agencies located outside Wisconsin where the interest therefrom qualifies for exemption from federal taxation for a reason other than or in addition to section 103 of the IRC
- (6) Local exposition district bonds
- (7) Wisconsin professional baseball park district bonds
- (8) Bonds issued by the Government of Puerto Rico, Guam, the Virgin Islands, or the Northern Mariana Islands, or, for bonds issued after October 16, 2004, the Government of American Samoa
- (9) Local cultural arts district bonds
- (10) Wisconsin professional football stadium bonds
- (11) Wisconsin Aerospace Authority bonds
- (12) Bonds issued on or after October 27, 2007, by the Wisconsin Health and Education Facilities Authority to fund acquisition of information technology hardware or software
- (13) Certain conduit revenue bonds issued by a commission created under sec. 66.0304, Wis. Stats. A listing of the conduit revenue bonds issued and the tax-exempt status is available on the department's website at: [revenue.wi.gov/Pages/ISE/Conduit-Revenue-Bonds.aspx](https://revenue.wi.gov/Pages/ISE/Conduit-Revenue-Bonds.aspx).
- (14) Wisconsin Housing and Economic Development Authority bonds or notes if the bonds or notes are issued to provide loans to a public affairs network under sec. 234.75, Wis. Stats.
- (15) The Wisconsin Health and Educational Facilities Authority if the bonds or notes are issued for the benefit of a person who is eligible to receive the proceeds of bonds or notes from another entity for the same purpose for which the bonds or notes are issued under sec. 231.03(6), Wis. Stats., and the interest income received from the other bonds or notes is exempt from Wisconsin taxation

- (16) A sponsoring municipality borrowing to assist a local exposition district created under subch. II of ch. 229, Wis. Stats.
- (17) WHEDA bonds issued under sec. 234.65, Wis. Stats., to fund an economic development loan to finance construction, renovation, or development of property that would be exempt under sec. 70.11(36), Wis. Stats.
- (18) The Wisconsin Health and Educational Facilities Authority under sec. 231.03(6), Wis. Stats., if the bonds or notes are issued in an amount totaling \$35,000,000 or less, and to the extent interest income received is not exempt from Wisconsin taxation.

Interest from these sources is exempt from Wisconsin income tax whether received by a direct owner of these securities or by a shareholder in a mutual fund which invests in these securities.

### Line 2 – Capital Gain/Loss Addition

If your federal adjusted gross income includes capital gains and/or losses from line 7 of federal Form 1040 or 1040-SR, you must complete Schedule WD. Schedule WD determines whether any capital gain/loss addition must be reported on line 2.

→ If the only amount reported on line 7 of federal Form 1040 or 1040-SR is a capital gain distribution from a mutual fund or real estate investment trust and you have no Wisconsin capital loss carryover, do not complete line 2. See the instructions for line 5 of [Schedule SB](#), *Subtractions from Income*.

**Note**

If you are a shareholder of a tax-option (S) corporation or partner of a partnership that elected to be taxed at the entity level, do not report the amount of capital gain or loss from Schedule 5K-1 or 3K-1 on Schedule WD. In addition, do not include the amount of capital gain or loss from the tax-option (S) corporation or partnership in the modification for line 29 or 31. These items have already been removed from Wisconsin income when you completed Schedule WD. See the Schedule WD instructions for more information.

### Line 3 – Nonqualified Distributions from Edvest and Tomorrow's Scholar College Savings Account

If you received a distribution from an Edvest or Tomorrow's Scholar college savings account and the entire distribution was not used for qualified higher education expenses, you may have to include all or a portion of the distribution in income. If you rolled over an amount from an Edvest or Tomorrow's Scholar college savings plan into another state's plan, you may also have to include all or a portion of the amount rolled over in Wisconsin income.

Amounts rolled over from an Edvest or Tomorrow's Scholar college savings account to an ABLE account of the designated beneficiary, or a member of the family of the designated beneficiary, are not required to be included in Wisconsin income. The amount rolled over cannot exceed your share of the combined annual limit for all contributions to an account for 2025. Any amount which exceeds \$19,000 may have to be included in Wisconsin income.

Amounts rolled over from an Edvest or Tomorrow's Scholar college savings account to a Roth IRA for the benefit of the beneficiary are not required to be included in Wisconsin income if they meet all the qualifications for age of the account, manner of rollover, and amount rolled over. Generally, the amount rolled over cannot exceed the beneficiary's annual limit for contributions to a Roth IRA or \$35,000 over the life of the beneficiary. Any amount that exceeds the limits may have to be included in Wisconsin income.

If you received a distribution within 365 days of contributing an amount to an account, you may have to include the amount previously subtracted in income.

Complete [Schedule CS](#), *College Savings Accounts*, to determine the amount you must include in income. Include Schedule CS with Schedule AD.

### Line 4 – Nonqualified Distributions from ABLE Accounts

The owner (beneficiary) of a qualified ABLE account must include in income any amount withdrawn from a qualified ABLE account for any reason other than the payment of qualified disability expenses for the account beneficiary. Also, upon termination of an account, an addition to income is provided for any amount in the account that is returned to an account owner's estate.

### Line 5 – Federal Net Operating Loss Deduction

Fill in the amount of the federal net operating loss deduction from line 8a of federal Schedule 1 (Form 1040). See the instructions for Schedule SB, line 23, for information about the Wisconsin net operating loss deduction.

## Line 6 – Income (Lump-Sum Distributions) Reported on Federal Form 4972

Income from a lump-sum distribution is taxable to Wisconsin. If you reported a lump-sum distribution on federal Form 4972, you must also include the distribution in Wisconsin income. Fill in the total of (1) the capital gain part of the lump-sum distribution from line 6 of Form 4972 and (2) the taxable amount from line 10 of Form 4972. You may reduce this amount by any federal estate tax on line 18 of Form 4972.

→ No portion of a lump-sum distribution may be reported as a capital gain on Wisconsin Schedule WD.

## Line 7 – Excess Distribution From a Passive Foreign Investment Company

Fill in the excess distribution from a passive foreign investment company that was not included in federal adjusted gross income (see federal Form 8621 or 8621-A).

## Line 8 – Expenses Paid to or Incurred with Related Entities

Fill in the amount deducted or excluded from your federal income for interest, rental expenses, intangible expenses, and management fees paid, accrued, or incurred to a related entity (person or business entity). You must make this addition even though you may be eligible to subtract the amount on line 32 of Schedule SB. See sec. [Tax 3.01\(3\)](#), Wis. Adm. Code, for rules relating to this required addition.

## Line 9 – Expenses for Moving Business Outside Wisconsin or the United States

Fill in the amount of moving expenses deducted from your federal income to move a Wisconsin business operation to a location outside Wisconsin or the United States. Moving expenses means all of the following:

- Vehicle rentals
- Storage rentals
- Moving company expenses for packing, unpacking, and transportation
- Consulting fees and surveys
- Brokerage commissions or fees
- Architecture, design, and remodeling expenses
- Expenses paid or incurred to sell property in Wisconsin
- Lease cancellation fees
- Loss on the sale of property in Wisconsin
- Expenses paid or incurred for professional services, including legal services
- Utility fees
- Employee wages
- Reimbursement of an employee's expenses
- The cost of meals, lodging, and fuel
- Mileage deductions for vehicle use

## Line 10 – Differences in Federal and Wisconsin Basis of Assets

Additions may be necessary if there is a difference between the federal basis and the Wisconsin basis of your property. Additions are necessary if:

- (1) You acquired property in a taxable year beginning after December 31, 2013, which may be depreciated or amortized (such as buildings and leaseholds), and the federal basis was greater than the Wisconsin basis at the time you acquired the property.
- (2) You sold (or otherwise disposed of) property which may not be depreciated or amortized (such as land, stocks, and bonds) in a taxable transaction, and your basis in the assets was greater for federal purposes than for Wisconsin.
- (3) You sold (or otherwise disposed of) property where the federal basis is greater than the Wisconsin basis due to a previous gain on the sale of an asset being deferred because gain was invested in a “qualified new business venture” or a “qualified Wisconsin business.” See [Schedule T](#), *Transitional Adjustments*, and [Schedule QI](#), *Sale of Investment in a Qualified Wisconsin Business*.

Compute the amount of any addition due to a difference in basis on Wisconsin Schedule T. Include the completed Schedule T with your Schedule AD.

**Exception:** Do not use line 10 for the following situations.

- If the difference in basis is due to the difference in the federal and Wisconsin definition of the Internal Revenue Code (for example, Wisconsin did not allow bonus depreciation for tax year 2024), use [Schedule I](#), *Adjustments to Convert Federal Adjusted Gross Income, Itemized Deductions, and Credits to the Amounts Allowable for Wisconsin*, to adjust for the difference in depreciation for each year there is a difference in depreciation due to the difference in basis.
- If the difference in basis is due to using a different federal election for Wisconsin, (for example, electing to claim a different amount of sec. 179 expense), use Schedule I to adjust for the difference in depreciation as a result of the difference in federal and Wisconsin basis, or submit a pro forma federal return based on the election chosen for Wisconsin.

- If you sold your interest in a partnership and any increases or decreases were made to the federal basis of your partnership interest in taxable years prior to 1975, which resulted from partnership business or property located outside Wisconsin. (Prior to 1975, Wisconsin did not tax income from business or property located outside Wisconsin.) Compute any adjustment due to a difference in basis on Schedule T and net with other capital gains and losses on Wisconsin Schedule WD.

### Line 11 – Reserved for future use

### Line 12 – Differences in Federal and Wisconsin Reporting of Marital Property (Community) Income

If you are married filing a separate return or married filing as head of household or if you obtained a decree of divorce or separate maintenance during 2025, you may have to report a different amount of income on your Wisconsin Form 1 than on your federal Form 1040 or 1040-SR. Fill in on line 12 any additional amount which is taxable to you rather than your spouse because of any difference in federal and state reporting of marital property (community) income. For further information, get [Publication 109](#), *Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2025*.

### Line 13 – Farmland Preservation Credit

The total amount of farmland preservation credit from Schedule FC that you received during 2025 must be reported as income. Fill in as an addition any portion of your farmland preservation credit that was not included as income on your federal tax return.

**Note**

The amount of farmland preservation credit from Schedule FC-A that you received during 2025 must be included in your federal adjusted gross income on your 2025 federal income tax return.

### Lines 14 Through 25

If you claimed any of the credits listed below, you must include on lines 14 through 25 the amount of your credit computed for 2025. The amount of your credit is income and must be reported on Schedule AD. This is true even if you cannot take the full credit this year and must carry part of it forward or if the credit is refundable. **Note:** Do not include on lines 14 through 25 any credits passed through to you from a partnership, limited liability company, or tax-option (S) corporation. These will be accounted for when you make the adjustments for lines 28 and 30.

- |   |  |
|---|--|
| • Enterprise Zone Jobs Credit             | • Business Development Credit                                      |
| • Community Rehabilitation Program Credit | • Electronics and Information Technology Manufacturing Zone Credit |
| • Research Credits                        | • Employee College Savings Account Contribution Credit             |
| • Manufacturing and Agriculture Credit    |  |

**Exception:** The amount of manufacturing and/or agriculture credit **computed** for **2024** must be added to income on your 2025 Wisconsin income tax return. This is the amount from line 16 of your **2024** Schedule MA-A or MA-M.

### Required Attachments for Subtractions Reported on Lines 28 through 31

For an addition reported on these lines, submit a copy of the related Schedule 2K-1, 3K-1, or 5K-1 and all supplemental schedules by attaching them as PDF documents to your electronically filed return. If you cannot attach and submit the PDF documents with your e-filed return, you can upload the PDF documents through the department's website using Form W-RA at [tap.revenue.wi.gov/WRA](http://tap.revenue.wi.gov/WRA). If you cannot create PDF documents, you can mail the attachments with Form W-RA to the address listed on the form.

### Line 28 – Tax-Option (S) Corporation Adjustments

Fill in any of the following adjustments that apply to you:

- (1) If you were a shareholder of a tax-option (S) corporation which is required to file a Wisconsin franchise or income tax return, you will receive a Wisconsin Schedule 5K-1 from the tax-option (S) corporation informing you of any adjustments to be made for Wisconsin tax purposes.
- (2) If you are a shareholder of a federal S corporation that elects not to be treated as a Wisconsin tax-option (S) corporation, you must reverse all items of S corporation loss or deduction included on your federal return and then add your pro rata share of any distributions made by the corporation of earnings and profits. **CAUTION** Do not reverse any item of S corporation loss reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD.

**Required Attachments** See the instructions earlier under the section titled Required Attachments for Additions Reported on Lines 28 through 31.

Enter the name and Federal Employer Identification Number (FEIN) of the tax-option (S) corporation on the line(s) provided. For example, if you have a \$1,000 addition from tax-option (S) corporation A and a \$5,000 addition from tax-option (S) corporation B, enter two separate additions on line 28 and enter the name and FEIN of corporation A and corporation B on the lines provided. If you have more than 2 entries, attach a schedule listing each additional entry.

See the instructions for Schedule SB, line 43, for making adjustments for subtractions.

For more information, get [Publication 102](#), *Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders*.

**Note**

If an adjustment listed on Schedule 5K-1 is due to a difference between federal and Wisconsin law, such as bonus depreciation, this amount should be adjusted on Wisconsin Schedule I.

### Line 29 – Tax-Option (S) Corporation Entity Level Tax Election Adjustments

If you were a shareholder of a tax-option (S) corporation that elected to be taxed at the entity level, you must compute your addition modification due to the entity-level tax election as follows. **Note:** If the tax-option (S) corporation made the election, the box will be checked on Schedule 5K-1, Part II, Item B, box 3.

1. Complete Schedule I to modify your federal adjusted gross income, using the Internal Revenue Code (IRC) in effect under Wisconsin law, as if the election was not made.
2. Complete Schedule AD (line 28) to make any addition modifications as if the election was not made.
3. Complete Schedule SB (line 43) to make any subtraction modifications as if the election was not made.
4. For each tax-option (S) corporation, net all tax-option (S) corporation items included in your Wisconsin income (including the adjustments made on Schedules I, AD, and SB above) and remove the tax-option (S) corporation items by entering the net amount as either an addition to income on Schedule AD, line 29, or a subtraction from income on Schedule SB, line 46. You must enter the FEIN for each tax-option (S) corporation for which you are removing items from your Wisconsin income. See example below.

**Caution:** Do not reverse any item of tax-option (S) corporation gain or loss reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD. See the [Schedule WD instructions](#) for more information.

**Caution:** If you are a shareholder of a tax-option (S) corporation that did not make the entity level election but it directly or indirectly owned another pass-through entity (lower tier) that made the election, you need to make a similar adjustment to your income, except only for your share of that lower tier's items. Box 4 of Part II, Item B, will be checked on the Schedule 5K-1 if a lower tier elected to pay the entity level tax. The tax-option (S) corporation is required to provide you a supplemental statement detailing your share of income, gain, loss, and deduction that have been taxed by a lower-tier entity.

**Required Attachments** See the instructions earlier under the section titled Required Attachments for Additions Reported on Lines 28 through 31.

For more information, get [Publication 102](#), *Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders*.

**Example:** Shareholder A was a Wisconsin resident for the entire year in 2025 and owns 50 percent of Tax-option (S) Corporation. Shareholder A's only sources of income for 2025 are \$15,000 of wages and \$10,000 of federal net ordinary business income from the tax-option (S) corporation. Tax-option (S) corporation makes an election under sec. 71.365(4m)(a), Wis. Stats., to pay tax at the entity level for 2025.

Tax-option (S) Corporation's \$10,000 of federal ordinary business income for 2025 has the following Wisconsin differences:

- \$20,000 of additional Wisconsin depreciation expense because of a different depreciable basis of an asset determined under the IRC in effect for Wisconsin purposes
- \$5,000 of income from related entities whose expenses were disallowed

Shareholder A must file the following forms:

- [Schedule I](#) to reduce federal adjusted gross income by \$20,000 of additional depreciation



- [Schedule SB](#), line 43, to report the subtraction modification of \$5,000 relating to income from related entities whose expenses were disallowed
- [Schedule AD](#), line 29, to report a \$15,000 addition modification for Wisconsin income taxed at the entity level of the tax-option (S) corporation

#### Computation of the \$15,000 addition for Wisconsin income reported by the tax-option (S) corporation

Description	Amount
Federal ordinary business income from the tax-option (S) corporation	\$10,000
Schedule I depreciation difference	(\$20,000)
Schedule SB (line 43) - subtraction modification relating to income from related entities whose expenses were disallowed	(\$5,000)
<b>Schedule AD (line 29) - addition modification for Wisconsin loss reported by the tax-option (S) corporation (enter as a positive amount on Schedule AD)</b>	<b>(\$15,000)</b>

#### Line 30 – Partnership, Limited Liability Company, Trust, or Estate Adjustments

If you were a partner or member of a partnership or limited liability company (LLC) treated as a partnership, or you received income from an estate or trust, you will receive a statement from the partnership, LLC, trust, or estate notifying you of any additions or subtractions which you should make on your return. Fill in the amount of any such additions on line 30. See the instructions for Schedule SB, line 47, for making adjustments for subtractions.

**Required Attachments** See the instructions earlier under the section titled Required Attachments for Additions Reported on Lines 28 through 31.

Enter the name and FEIN of the partnership on the line(s) provided. For example, if you have a \$1,000 addition from partnership A and a \$5,000 addition from partnership B, enter two separate additions on line 30 and enter the name and FEIN of partnership A and partnership B on the lines provided. If you have more than 2 entries, attach a schedule listing each additional entry.

**Note**

If an adjustment listed on Schedule 2K-1 or 3K-1 is due to a difference between federal and Wisconsin law, such as bonus depreciation, this amount should be adjusted on Wisconsin Schedule I.

#### Line 31 – Partnership Entity Level Tax Election Adjustments

If you were a partner or member of a partnership or LLC treated as a partnership that elected to be taxed at the entity level, you must compute your subtraction modification due to the entity-level tax election as follows. **Note:** If the partnership made the election, the box will be checked on Schedule 3K-1, Part C, box 3.

1. Complete Schedule I to modify your federal adjusted gross income, using the Internal Revenue Code (IRC) in effect under Wisconsin law, as if the election was not made.
2. Complete Schedule AD (line 30) to make any addition modifications as if the election was not made.
3. Complete Schedule SB (line 47) to make any subtraction modifications as if the election was not made.
4. For each partnership, net all partnership items included in your Wisconsin income (including the adjustments made on Schedules I, AD, and SB above) and remove the partnership items by entering the net amount as either an addition to income on Schedule AD, line 31, or a subtraction from income on Schedule SB, line 48. You must enter the FEIN for each partnership for which you are removing items from your Wisconsin income. See example below.

**Caution:** Do not reverse any item of partnership gain or loss reported on federal Schedule D. These items have already been removed from Wisconsin income when you completed Wisconsin Schedule WD. See the [Schedule WD instructions](#) for more information.

**Caution:** If you are a partner of a partnership that did not make the entity level tax election but it directly or indirectly owned another pass-through entity (lower tier) that made the election, you need to make a similar adjustment to your income, except only for your share of that lower tier's items. Box 4 of Part C on Schedule 3K-1 will be checked if a lower tier elected to pay the entity level tax. The partnership is required to provide you a supplemental statement detailing your share of income, gain, loss, and deduction that have been taxed by a lower-tier entity. **Note:** This also applies to beneficiaries of an estate or trust that directly or indirectly owned a tax-option (S) corporation or partnership that elected to pay the entity level tax. In this instance, Box D of Part II on the Schedule 2K-1 will be checked.

**Required Attachments** See the instructions earlier under the section titled Required Attachments for Additions Reported on Lines 28 through 31.

**Example:** Partner A was a Wisconsin resident for the entire year in 2025 and owns 50 percent of Partnership. Partner A's only sources of income for 2025 are \$15,000 of wages and \$10,000 of federal net ordinary business income from the partnership. Partnership makes an election under sec. 71.21(6)(a), Wis. Stats., to pay tax at the entity level for 2025.

Partnership's \$10,000 of federal ordinary business income for 2025 has the following Wisconsin differences:

- \$20,000 of additional Wisconsin depreciation expense because of a different depreciable basis of an asset determined under the IRC in effect for Wisconsin purposes
- \$5,000 of income from related entities whose expenses were disallowed

Partner A must file the following forms:

- [Schedule I](#) to reduce federal adjusted gross income by \$20,000 of additional depreciation
- [Schedule SB](#), line 47, to report the subtraction modification of \$5,000 relating to income from related entities whose expenses were disallowed
- [Schedule AD](#), line 31, to report a \$15,000 addition modification for Wisconsin income taxed at the entity level of the partnership

**Computation of the \$15,000 addition for Wisconsin income reported by the partnership**

Description	Amount
Federal ordinary business income from the partnership	\$10,000
Schedule I depreciation difference	(\$20,000)
Schedule SB (line 47) - subtraction modification relating to income from related entities whose expenses were disallowed	(\$5,000)
<b>Schedule AD (line 31) - addition modification for Wisconsin loss reported by the partnership (enter as a positive amount on Schedule AD)</b>	<b>(\$15,000)</b>

**Line 32 – Other Addition to Income**

Fill in any amount deducted in computing your federal adjusted gross income that is not allowed as a deduction for Wisconsin or any other addition to income. Enter a description of the addition(s) on the line(s) provided. If you have more than 3 entries, attach a schedule listing each additional entry.

**Example:** You deducted a passive activity loss on your federal return for losses incurred when you were a resident of another state. The passive activity losses were not allocable to Wisconsin. The passive activity losses are not deductible for Wisconsin and must be included on line 32. Enter "Passive activity loss" on the line provided.

**Additional Information**

For more information, you may:

Call: (608) 266-2486

Email: [DORIncome@wisconsin.gov](mailto:DORIncome@wisconsin.gov)

Write: Mail Stop 5-77  
Wisconsin Department of Revenue  
PO Box 8949  
Madison WI 53708-8949

**Applicable Laws and Rules**

This document provides statements or interpretations of the following laws and regulations enacted as of October 10, 2025: sec. 265, IRC, ch. 71, Wis. Stats., and sec. Tax 3.01, Wis. Adm. Code.