

**Important Rate Changes!**

**BEGINNING JANUARY 1, 2024:**

- Milwaukee County sales and use tax rate increases from 0.5% to 0.9%
- City of Milwaukee imposes a new 2% sales and use tax
- See [Fact Sheet 2414](#) *Milwaukee Sales and Use Taxes*

See the [Sales Tax Rate Chart](#) for a complete list of county sales and use tax rates and their effective dates

# Printers

## How Do Wisconsin Sales and Use Taxes Affect Your Operations?

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## I. INTRODUCTION

This publication provides information regarding Wisconsin's general sales and use tax as it relates to printers. It describes the nature of printing, the scope of the manufacturing process for printers, what types of purchases or sales by printers are taxable or exempt, and what a printer must do to comply with the law.

This information relates to the state's 5% sales and use tax. However, it also applies to the 0.5% county and 0.1% baseball stadium sales and use taxes. (The 0.5% football stadium tax in Brown County ended September 30, 2016.) Additional information about the county and stadium taxes can also be found in [Publication 201](#), which is available from any Department of Revenue office, or from the department's website at: [revenue.wi.gov](http://revenue.wi.gov).

### CAUTION

- The information in this publication reflects the positions of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature and in effect as of May 1, 2016. Laws enacted and in effect after that date, new administrative rules, and court decisions may change the interpretations in this publication.
- The examples and lists of taxable and nontaxable sales are not all-inclusive. They merely set forth common examples.

## II. OBTAINING A PERMIT AND FILING RETURNS

### A. Who Must Obtain a Permit

A printer located in Wisconsin making retail sales, licenses, leases, or rentals of any property, items, goods, or taxable services that take place in Wisconsin (i.e., are "sourced" to a location in Wisconsin) is required to obtain a seller's permit from the Wisconsin Department of Revenue.

A printer located outside Wisconsin making retail sales, licenses, leases, or rentals of any property, items, goods, or taxable services that take place in Wisconsin (i.e., are "sourced" to a location in Wisconsin), is required to obtain a use tax registration certificate if the printer is "engaged in business" in Wisconsin.

If a printer makes only exempt sales, the printer is not required to hold a Wisconsin seller's permit or use tax registration certificate.

[Publication 201](#) provides complete information for you to determine:

- The permit you need
- When to apply for the permit
- How to apply for the permit.

### B. Filing Returns

If you obtain a Wisconsin seller's permit or use tax registration certificate, you will be informed how often you will need to file a sales tax return. Returns must be filed, even if you make no taxable sales for the reporting period.

Detailed information on filing sales tax returns is provided in [Publication 201](#).

### III. WHICH SALES ARE SUBJECT TO SALES AND USE TAXES?

Sales, licenses, leases, and rentals of the following are subject to the 5% Wisconsin state sales tax:

- A. Tangible personal property.
- B. Coins or stamps of the United States that are sold, licensed, leased, rented, or traded as collector's items above their face value.
- C. Leased property that is affixed to real property, if the lessor has the right to remove the leased property upon breach or termination of the lease agreement, unless the lessor of the leased property is also the lessor of the real property to which the leased property is affixed.
- D. Specified digital goods, additional digital goods, and digital codes.

These products are characterized by the fact that they are transferred electronically to the purchaser (i.e., accessed or obtained by the purchaser by means other than tangible storage media). "Specified digital goods" means "digital audio works," "digital audiovisual works," and "digital books." "Additional digital goods" means greeting cards, finished artwork, periodicals, video or electronic games, and newspapers or other news or information products.

See [Publication 240](#) for a description of the products that are included.

- E. Certain services. For a list of taxable services, see Part X.B. of [Publication 201](#).

### IV. SALES OF WAREHOUSING AND MAILING SERVICES

In general, warehousing and mailing services are not manufacturing operations and the person providing such services is responsible for Wisconsin sales or use taxes on the person's purchase of property used in performing these services.

#### A. Warehousing

"Warehousing" services involve the placing, storage, safekeeping, and removal of property, other than property owned by the printer, at a place of storage, for a consideration.

Separately stated charges by a printer to a purchaser for "storage" or "warehousing" of the printer's property prior to printer's sale of that property to that purchaser are a part of the printer's sales price from the sale of tangible personal property. Separately stated and optional charges by a printer to a purchaser for "storage" or warehousing" of the purchaser's property are not taxable. Such charges are for the separate sale of a nontaxable service.

*Example (1):* A printer is hired to print 100,000 copies of a booklet. The printer furnishes the paper and ink and is responsible for shipping the finished goods to the purchaser. The printer has a separately stated charge to the customer for "storage" of the paper and ink prior to the printer using the materials for the print job. The printer's charge for "storage" of the paper and ink prior to the sale of the booklets to the purchaser is part of the sales price the printer receives from the purchaser for the sale of the booklets.

*Example (2):* A printer is hired to print 100,000 copies of a booklet. The printer supplies the paper and ink. The printer will warehouse the finished goods on behalf of the purchaser, and ship the finished goods in the quantities and to locations as further directed by the purchaser. The printer charges the purchaser a separately stated charge for "storage" of the printed materials on behalf of the purchaser after the materials are printed. The charges for "storage" are not subject to tax.

## B. Mailing Services

“Mailing Services” are described in [sec. Tax 11.82\(2\), Wis. Adm. Code](#). Under this rule, sales tax does not apply to mailing services including addressing, enclosing, sealing, metering, affixing stamps, sorting, tying and stacking in compliance with postal rules and regulations, if the charges are stated separately on invoices and accounting records. Charges for envelopes are taxable, but not separately stated charges for postage in the sale of prestamped envelopes.

“Addressing” means the preparation of property to be mailed by writing, typing, printing, imprinting, or affixing addresses or names and addresses to the property. Addressing includes the preparation of Cheshire tapes, Dick tapes, cards, gummed labels or similar items which are to be affixed to, or enclosed in, property to be mailed for the purpose of serving as addresses for the property. However, addressing does not include these tapes, cards, or labels when they are used for some other purpose, such as reproduction or reference.

Persons in the business of providing mailing services are the consumers of the taxable products they purchase and use in performing these services, and sales or use taxes apply to their purchases of such products.

The following examples illustrate the application of [sec. Tax 11.82\(2\), Wis. Adm. Code](#):

*Example 1:* Printer is hired by Customer to print flyers. Printer provides Customer with an invoice listing the following charges: \$1,200 to print the flyers and \$100 to ship the printed flyers to Customer. Printer's total selling price of \$1,300 is subject to Wisconsin sales tax, unless an exemption applies. In this case, Printer is not providing a mailing service to Customer. Printer is merely shipping the flyers to Customer.

*Example 2:* Printer is hired by Customer to print flyers. Printer provides Customer with an invoice listing the following charges: \$1,200 to print the flyers and \$100 to ship the printed flyers to a mailing service hired by Customer. Printer's total selling price of \$1,300 is subject to Wisconsin sales tax, unless an exemption applies. In this case, Printer is not providing a mailing service to Customer.

*Example 3:* Printer is hired by Customer to print flyers, insert the flyers in envelopes, affix postage to the envelopes, and mail the envelopes to Customer's customers. Printer provides Customer with an invoice listing the following charges: \$1,200 for flyers, \$200 for inserting the flyers, \$400 for envelopes, and \$100 for postage. Printer is providing a mailing service to Customer. The amount of Printer's receipts that are subject to Wisconsin sales tax is \$1,600 (\$1,200 for the flyers and \$400 for the envelopes), unless an exemption applies. Printer's separately stated charges for mailing services and postage (\$200 for inserting and \$100 for postage) are not subject to the tax.

*Example 4:* Same as Example 3, except that Printer's invoice to Customer lists one project charge of \$1,900 (rather than separately listing each charge). Printer is providing mailing services to Customer. However, Printer's entire charge of \$1,900 for the flyers is subject to Wisconsin sales tax, unless an exemption applies, since the charge for mailing services and postage are not stated separately on invoices and in accounting records.

*Example 5:* Printer is hired by Customer to print flyers, insert the flyers in envelopes, affix postage to the envelopes, and ship the inserted envelopes to Customer. Customer will mail the envelopes to its customers. Printer provides Customer with an invoice listing the following charges: \$1,200 for flyers, \$200 for inserting the flyers, \$400 for envelopes, \$100 for postage, and \$50 to ship the flyers to Customer. Printer is providing mailing services to Customer. The amount of Printer's receipts that are subject to Wisconsin sales tax are \$1,650 (\$1,200 for the flyers, \$400 for the envelopes, and \$50 for shipping), unless an exemption applies. Printer's separately stated charge for mailing services, including postage (\$200 for inserting and \$100 for postage), are not subject to the tax.

## V. SALES OF PRINTED ADVERTISING MATERIALS, RAW MATERIALS FOR PRINTING AND CERTAIN PRINTING SERVICES

### A. Exemption For Printed Advertising Materials and Catalogs

Section 77.54(25), Wis. Stats., provides an exemption for printed advertising materials such as pamphlets, brochures, and catalogs and their mailing envelopes, *provided such materials are purchased and stored for the purpose of subsequently transporting the materials outside this state by the purchaser for use thereafter solely outside this state.*

Section 77.54(25m), Wis. Stats., provides an exemption for catalogs that are designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms and the envelopes in which the catalogs are mailed. *The exemption for catalogs and their mailing envelopes applies regardless of the where the catalogs and mailing envelopes are mailed.*

"Catalog" is defined to mean: "a printed and bound, stitched, sewed, or stapled book containing a list and description of property or services for sale, regardless of whether a price is specified." (Section 77.51(1fr), Wis. Stats.)

The exemption under sec. 77.54(25), Wis. Stats., does not apply to printed advertising materials that remain in Wisconsin or are returned to Wisconsin. It also does not apply to parts stock order books, order forms, stocking and purchasing guides, stockholder's annual reports or proxy statements, display racks, or 3-dimensional plastic items designed to be used by sellers. Envelopes which do not contain exempt advertising, matchbooks, calendars, calendar pads, desk pads, folders, golf balls, binders and playing cards also do not qualify.

**Example 1:** Company, with headquarters in Wisconsin, orders 100,000 single page flyers, which advertise and promote Company's products, from Printer, also located in Wisconsin. Printer ships the flyers to Company's headquarters. The flyers are not "catalogs." Company then ships these flyers to its various store locations, where they will be distributed free of charge, to potential customers in those states. Company will ship 20,000 flyers to its stores located in Wisconsin. The remaining flyers will be shipped to store locations outside of Wisconsin. Company may purchase 80% of the flyers without tax under sec. 77.54(25), Wis. Stats., as 80% of the flyers qualify as printed advertising materials which are purchased and stored in Wisconsin for the purpose of subsequently transporting the materials outside this state by the purchaser for use thereafter solely outside this state.

**Example 2:** Company, with headquarters in Wisconsin, orders 100,000 booklets from Printer, also located in Wisconsin. The booklet lists and describes products which Company offers for sale. The booklet is 64 pages and stapled together at its center. The booklet meets the definition of a "catalog." Printer ships the booklets to Company's headquarters, where Company takes delivery of them. Company then mails the booklets to potential customers in various states, including Wisconsin. Company mails 20,000 booklets to potential customers located in Wisconsin. The remaining booklets are mailed to customers outside of Wisconsin. Company may purchase 100% of the booklets without tax under sec. 77.54(25m), Wis. Stats., as "catalogs."

### B. Exemption for Raw Materials Used for Printing

Section 77.54(43), Wis. Stats., provides a sales and use tax exemption for:

"The sales price from the sale of and the storage, use or other consumption of raw materials used for the processing, fabricating or manufacturing of, or the attaching to or incorporating into, printed materials that are transported and used solely outside this state."

*Example 1:* Printer, located in Wisconsin, purchases paper stock, envelopes, and ink to be used by Printer in printing flyers and the envelopes in which the flyers will be mailed. Printer will mail 90% of the flyers to potential customers at addresses outside of Wisconsin free of charge. There is no reason to believe that any of



these materials will return to Wisconsin after being mailed. The remaining 10% of the flyers are distributed to recipients within Wisconsin. 90% of Printer's purchase of the paper stock, envelopes, and ink used to print and mail the flyers and envelopes to out-of-state addresses are exempt as raw materials used for the processing, fabricating, or manufacturing of, or the attaching to or incorporating into, printed materials that are transported and used solely outside of Wisconsin. The remaining 10% of Printer's purchase of the paper stock, envelopes, and ink used to print and mail the flyers and envelopes to addresses in Wisconsin are taxable.

*Example 2:* Business, located in Wisconsin, contracts with Printer to print flyers that advertise the merchandise sold by Business. Business purchases paper stock for the flyers from Vendor. Vendor ships the paper stock to Printer. Printer prints the flyers using all of the paper furnished by Business. Printer prints addresses on the flyers and mails the flyers to the recipients. 60% of the flyers are mailed to addresses outside of Wisconsin and 40% of the flyers are mailed to recipients in Wisconsin. There is no reason to believe that any of the flyers mailed outside of Wisconsin will return to Wisconsin after being mailed. Business may purchase 60% of the paper from Vendor without tax as a raw material used for the processing, fabricating, or manufacturing of, or the attaching to or incorporating into, printed materials that are transported and used solely outside of Wisconsin. Business' purchase of 40% of the paper used to create the flyers distributed within Wisconsin is taxable.

### C. Printing Services

Section 77.52(2)(a)11., Wis. Stats., imposes the sales tax on the sales price from:

“The producing, fabricating, processing, printing, or imprinting of tangible personal property or items, property, or goods under s. 77.52(1)(b), (c), or (d) for a consideration for consumers who furnish directly or indirectly the materials used in the producing, fabricating, processing, printing, or imprinting. This subdivision does not apply to the printing or imprinting of tangible personal property or items, property, or goods under s. 77.52(1)(b), (c), or (d) that results in printed material, catalogs, or envelopes that are exempt under s. 77.54(25) or (25m).”

Section 77.52(2m)(b), Wis. Stats., provides:

*"With respect to the services subject to tax under sub. (2) (a) 7., 10., 11. and 20., all property or items, property, or goods under s. 77.52 (1) (b), (c), or (d) physically transferred, or transferred electronically, to the customer in conjunction with the selling, performing or furnishing of the service is a sale of tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d) separate from the selling, performing or furnishing of the service."*

*Example 1:* Business contracts with Printer to print flyers that advertise the merchandise sold by Business. The flyers are not catalogs. Business purchases paper stock for the flyers from Vendor. Vendor ships the paper stock to Printer. Printer prints the flyers using the paper furnished by Business and ink purchased by Printer. Printer prints addresses on the flyers and mails the flyers to the recipients. 60% of the flyers are mailed to addresses outside of Wisconsin and 40% of the flyers are mailed to recipients in Wisconsin. There is no reason to believe that any of the flyers will return to Wisconsin after being mailed. 40% of Printer's charges to Business to print the flyers is taxable. The tax does not apply to 60% of Printer's charges to print the flyers. Printer may purchase the ink used to print the flyers without tax for resale.

*Example 2:* Same facts as *Example 1*, except the flyer meets the definition of a catalog. None of Printer's charges to Business to produce the catalogs are taxable. Printer may purchase the ink used to print the flyers without tax for resale.

## D. Direct Mail - Definitions

### 1. Direct Mail

“Direct mail” is defined by sec. 77.51(3pd), Wis. Stats., as follows:

“ ‘Direct mail’ means printed material that is delivered or distributed by the U.S. postal service or other delivery service to a mass audience or to addressees on a mailing list provided by or at the direction of the purchaser of the printed material, if the cost of the printed material or any tangible personal property or items, property, or goods under s. 77.52( 1) (b), (c), or (d) included with the printed material is not billed directly to the recipients of the printed material. ‘Direct mail’ includes any tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d) provided directly or indirectly by the purchaser of the printed material to the seller of the printed material for inclusion in any package containing the printed material, including billing invoices, return envelopes, and additional marketing materials. ‘Direct mail’ does not include multiple items of printed material delivered to a single address.”

### 2. Advertising and Promotional Direct Mail

“Advertising and promotional direct mail” is defined by sec. 77.51(1ag), Wis. Stats., as follows:

“ ‘Advertising and promotional direct mail’ means direct mail that has the primary purpose of attracting public attention to a product, person, business, or organization or to attempt to sell, popularize, or secure financial support for a product, person, business, or organization.”

### 3. Other Direct Mail

“Other direct mail” is defined by sec. 77.51(9r), Wis. Stats.:

“(a) ‘Other direct mail’ means any direct mail that is not advertising and promotional direct mail, regardless of whether advertising and promotional direct mail is included in the same mailing. "Other direct mail" includes all of the following:

1. Transactional direct mail that contains personal information specific to the addressee, including invoices, bills, account statements, and payroll advices.
2. Any legally required mailings, including privacy notices, tax reports, and stockholder reports.
3. Other nonpromotional direct mail, including newsletters and informational pieces, that is delivered to existing or former shareholders, customers, employees, or agents.

(b) ‘Other direct mail’ does not include printed materials that result from developing billing information or providing any data processing service that is more than incidental, as defined in sub. (5), to producing the other direct mail.”

## E. Advertising and Promotional Direct Mail – Where a Sale Takes Place and Tax Collection

- **Purchaser provides seller a direct pay permit or an exemption certificate claiming direct mail.**
  - Seller, in the absence of bad faith, is relieved of responsibility for collecting and remitting any applicable Wisconsin sales or use taxes.

- Purchaser is responsible for remitting the applicable Wisconsin state, county, and stadium district use taxes based on where it is delivered.
- **Purchaser provides seller information that indicates the appropriate taxing jurisdictions to which the direct mail is delivered to the ultimate recipients.**
  - The seller collects the tax according to the delivery information provided by the purchaser and, in the absence of bad faith, the seller is relieved of any further obligation to collect tax on any transaction for which the seller has collected tax pursuant to the delivery information provided by the purchaser.
  - Purchaser remains liable for any tax not collected by the seller as a result of incorrect delivery information furnished by the purchaser to the seller.
- **Purchaser does not provide seller a direct pay permit, an exemption certificate claiming direct mail, or tax jurisdiction information.**
  - Seller collects tax based on the location from which the seller ships the direct mail.
- **Special rules**
  - When "advertising and promotional direct mail" and "other direct mail" are included in a single mailing, the sale of that mailing is sourced the same as a sale of "other direct mail." (Note: See Part V.D.3. for definition of "other direct mail.")
  - If a transaction is a bundled transaction that includes advertising and promotional direct mail, the provisions in this Part V.E. only apply if the primary purpose of the transaction is the sale of products or services that meet the definition of advertising and promotional direct mail. (See Part VII. for information on "bundled transactions.")

**Note (1):** Sales of advertising and promotional direct mail cannot qualify for exemption under sec. 77.54(25), Wis. Stats., but may qualify for the exemption for catalogs under sec. 77.54(25m), Wis. Stats.

**Note (2):** If a printing service is an integral part of the production and distribution of advertising and promotional direct mail, the sale of the printing service is taxable if the sale of the advertising and promotional direct mail is sourced to a location in Wisconsin except that the service of printing catalogs and their mailing envelopes is not taxable (see Part V.A. for the definition of "catalog").

Examples of determining where a sale of advertising and promotional direct mail takes place and the associated tax collection responsibilities are available in Appendix A, on page 37.

#### **F. Exemption for Advertising and Promotional Direct Mail (Effective July 1, 2013)**

As of July 1, 2013, the sale of, and the storage, use or other consumption of advertising and promotional direct mail is exempt under sec. 77.54(59), Wis. Stats.

See Part V.D.1. for the definition of "direct mail" and Part V.D.2. for the definition of "advertising and promotional direct mail." This exemption will apply to all sales of advertising and promotional direct mail, even if it is sent to addresses in Wisconsin.

## G. Other Direct Mail - Where a Sale Takes Place and Tax Collection

The tax treatment below includes sales characterized as services for purposes of Wisconsin's sales and use taxes when those services are an integral part of the production and distribution of printed material that meets the definition of other direct mail.

- **Purchaser provides seller a direct pay permit or an exemption certificate claiming direct mail.**
  - Seller, in the absence of bad faith, is relieved of responsibility for collecting and remitting any applicable Wisconsin sales or use taxes.
  - Purchaser is responsible for remitting the applicable Wisconsin state, county, and stadium district use taxes based on where it is delivered.
- **Purchaser does not provide seller a direct pay permit or an exemption certificate claiming direct mail.**
  - Seller collects tax based on the location of the purchaser's address as indicated by the seller's business records that are maintained in the ordinary course of the seller's business and if using that address is not in bad faith.
- **Special rules**
  - When advertising and promotional direct mail and other direct mail are included in a single mailing, the entire mailing is sourced as a sale of other direct mail. The service of printing these items is also sourced as a sale of other direct mail when both types of direct mail are included in the same mailing.
  - Transactions that include the development of billing information or the provision of a data processing service that is more than incidental to producing direct mail are not direct mail and are sourced under the general sourcing rules discussed in Part VI.B. Transactions that include incidental data processing services are sales of direct mail and are sourced under this Part V.G. For purposes of this subdivision, 'incidental' has the meaning given in s. 77.51 (5), Wis. Stats.

*Example 1:* A purchaser has contracted with a company to produce their client's monthly billing statements. The company is provided files of data containing the information necessary to determine opening balances, payment history, current charges and finance charges. The company must process this information to determine the monthly balance due and calculate any finance charges on the individual client accounts. After processing, the company uses print production software to format the data to print individualized statements as well as imprinting mailing information meeting USPS automated process guidelines. Since the company is processing purchaser's data to generate final billing information to be presented on individual client billing statements, the company is performing a data processing service that is more than incidental and the printed material is not considered "other direct mail." The sale is sourced under Part VI.B.

*Example 2:* An investment company has contracted with a printer to produce their client's monthly investment statements. The printer is provided with account information that has been compiled and summarized, as well as mailing information in electronic format. The printer using print production software will format the data to print individualized statements as well as imprinting mailing information meeting USPS automated process guidelines. While data processing performed to format the information for printing and to prepare the mailing list for USPS requirements is a part of the production and distribution of the investment statement, it is incidental to such production and distribution. The investment statements meet the definition of "other direct mail" and are sourced using Part V.G.

**Note (1):** If advertising and promotional direct mail and other direct mail are included in a single mailing, no part of the sale is exempt except for:

- sales of advertising and promotional direct mail that are catalogs and their mailing envelopes exempt under sec. 77.54(25m), Wis. Stats., or
- sales of printing services that are an integral part of the production of printed material that meets the definition of advertising and promotional direct mail and are catalogs and mailing envelopes described in sec. 77.54(25m), Wis. Stats.

## VI. WHEN AND WHERE A SALE TAKES PLACE

### A. When a Sale Takes Place

1. A sale or purchase of tangible personal property or an item or property listed in Parts III.B. or C., is completed at the time when possession is transferred by the seller or the seller's agent to the buyer or the buyer's agent. A common carrier or the U.S. Postal Service is considered to be the agent of a seller, regardless of any f.o.b. point and regardless of the method by which the freight is paid.
2. Except when purchased by "subscription," a sale or purchase of a digital good listed in Part III.D., is completed at the time when possession is transferred by the seller or the seller's agent to the purchaser or the purchaser's agent or when the digital good is first used, whichever comes first.
3. A sale or purchase of a digital good by "subscription" is completed at the time when the payment for the subscription is due to the seller. "Subscription" means an agreement with the seller that grants the consumer the right to obtain products transferred electronically from within one more product categories having the same tax treatment, in a fixed quantity or for a fixed period of time, or both.

### B. Where a Sale Takes Place ("Sourcing")

In order to determine where a sale takes place for Wisconsin sales and use tax purposes (where a sale is "sourced"), a specific hierarchy is used. The hierarchy is referred to as the "General Sourcing Rules." The "General Sourcing Rules" should be used to determine the location of a sale and are explained in detail in Part III.C. of [Publication 201](#).

In general, sales of tangible personal property take place at the location where the purchaser receives the property from the seller, and sales of taxable services are sourced to the location where the purchaser makes first use of the service.

**Exceptions:** One exception to the General Sourcing Rules is for advertising and promotional direct mail, other direct mail, and direct mail, as explained in Parts V.E., G., and H. Other exceptions, including where to find additional information, are:

- **Leases, licenses, and rentals** - Information about how to determine the location where these transactions take place (i.e., where lease, license, or rental payments are "sourced") is provided in Part V.D. of [Publication 201](#).
- **Telecommunications services** - Please refer to sec. [Tax 11.66](#), Wis. Adm. Code, "Telecommunication and telecommunications message services," for information explaining where these services take place (i.e., where these services are "sourced").
- **Retail florists** - Information about how to determine where sales by retail florists take place (i.e., where these sales are "sourced") is provided in Part XII.E. of [Publication 201](#).

## VII. BUNDLED TRANSACTIONS

A "bundled transaction" is the retail sale of two or more products, not including real property and services to real property, if the products are distinct and identifiable and sold for one nonitemized price (certain exceptions apply).

If at least one of the products sold in a "bundled transaction" is subject to tax, the entire sales price of the bundled transaction is subject to tax. **Exception:** At the retailer's option, if the retailer can identify, by reasonable and verifiable standards from the retailer's books and records that are kept in the ordinary course of its business for other purposes, including purposes unrelated to taxes, the portion of the price that is attributable to nontaxable products, that portion of the sales price is not taxable. (**Note:** This exception does not apply to a bundled transaction that contains food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, prosthetic devices, or medical supplies.)

Detailed information on bundled transactions is available in [Publication 201](#): *Wisconsin Sales and Use Tax Information*, Part X.C.

## VIII. PRINTER AS A MANUFACTURER

Many of the processes performed by a printer are considered manufacturing for Wisconsin sales and use tax purposes. As a "manufacturer," a printer is able to utilize several of the sales and use tax exemptions that are provided in the Wisconsin Statutes.

This section is intended to explain what is considered "manufacturing" and the various exemptions that a printer may be able to claim on its purchases of items used to manufacture printed materials.

### A. Statutory Definition of "Manufacturing"

Section 77.51(7h)(a), Wis. Stats., provides:

“ ‘Manufacturing’ means the production by machinery of a new article of tangible personal property or item or property under s. 77.52 (1) (b) or (c) with a different form, use, and name from existing materials, by a process popularly regarded as manufacturing, and that begins with conveying raw materials and supplies from plant inventory to the place where work is performed in the same plant and ends with conveying finished units of tangible personal property or item or property under s. 77.52 (1) (b) or (c) to the point of first storage in the same plant. ‘Manufacturing’ includes:

1. Crushing, washing, grading and blending sand, rock, gravel and other materials.
2. Ore dressing, including the mechanical preparation, by crushing and other processes, and the concentration, by flotation and other processes, of ore, and beneficiation, including the preparation of ore for smelting.
3. Conveying work in progress directly from one manufacturing process to another in the same plant; testing or inspecting, throughout the manufacturing process, the new article of tangible personal property or item or property under s. 77.52 (1) (b) or (c) that is being manufactured; storing work in progress in the same plant where the manufacturing occurs; assembling finished units of tangible personal property or item or property under s. 77.52 (1) (b) or (c); and packaging a new article of tangible personal property or items or property under s. 77.52 (1) (b) or (c), if the manufacturer, or another person on the manufacturer's behalf, performs the packaging and if the packaging becomes part of the new article as it is customarily offered for sale by the manufacturer.”

Section 77.51(7h)(b), Wis. Stats., further provides:

“ ‘Manufacturing’ does not include storing raw materials or finished units of tangible personal property or items or property under s. 77.52 (1) (b) or (c), research or development, delivery to or from the plant, or repairing or maintaining plant facilities.”

Section 77.51(10b), Wis. Stats., provides:

“For purposes of sub. (7h), ‘plant’ means a parcel of property or adjoining parcels of property, including parcels that are separated only by a public road, and the buildings, machinery, and equipment that are located on the parcel, that are owned by or leased to the manufacturer.”

Section 77.51(10c), Wis. Stats., , provides:

“For purposes of sub. (7h), ‘plant inventory’ does not include unsevered mineral deposits.”

Since the Wisconsin legislature has provided definitions of the terms “manufacturing,” “plant,” and “plant inventory,” for purposes of Wisconsin’s sales and use tax laws, we must look to those definitions and not to various dictionary or encyclopedia definitions. Determinations as to what are and what are not manufacturing, plant and plant inventory under other statutes or governmental rules or regulations are relevant only to the extent that the definitions of manufacturing under these statutes, rules, and regulations are consistent with the definitions quoted above.

The definition of manufacturing in sec. 77.54(7h), Wis. Stats., is a limiting definition and not all activities conducted by a manufacturer constitutes "manufacturing." For example, "manufacturing" does not include the transportation of work-in-process between two plants nor does it include the creation or duplication of digital goods.

## **B. Definition of Manufacturing Requires That a New Article Be Produced**

Not every production of tangible personal property is manufacturing. The law requires what is produced be “a new article with a different form, use, and name from existing materials” before the production of the property is deemed manufacturing. Thus, the application of labor to an article, either by hand or machine, is not manufacturing unless the finished article is clearly and distinctively new and different in form, in use, and in name.

**Note:** The definition of "manufacturing" requires that "tangible personal property" be produced. Therefore, the production of a product that is transferred electronically (e.g., a digital good) does not fall within the definition of manufacturing.

## **C. Definition of Manufacturing As Interpreted By the Wisconsin Supreme Court**

In the case of *Wisconsin Department of Revenue v. Bailey-Bohrman Steel Corp.*, 93 Wis. 2d, 602, 608 (1980), the Wisconsin Supreme Court cited the “six objective elements” in sec. 77.54 (6m), Wis. Stats. (2007-08) (renumbered and amended as sec. 77.51(7h)(a), Wis. Stats.) which must be met for the exemption in sec. 77.54(6)(am)1., Wis. Stats., to apply:

1. Production by machinery,
2. of a new article,
3. with a different form,
4. with a different use,
5. with a different name, and

6. by a process popularly regarded as manufacturing.

In the previous case of *H. Samuels Co., Inc. v. Department of Revenue*, 70 Wis. 2d 1076, 1085-86 (1975), the Wisconsin Supreme Court stated that a process popularly regarded as manufacturing should only be applied with reference to the opinions of persons conversant with the subject matter involved rather than according to the view of the operation taken by the “man on the street.”

#### **D. Fabrication**

Fabrication which does not produce a new article with a different form, use, and name as described in Part C. is not “manufacturing” since the end result of such fabrication is merely the modification of a previously manufactured article. Fabricators engaged in such activities are not entitled to the exemptions provided for manufacturers. Also, the sales price from the sale at retail of any fabricated article as well as the sales price from the fabrication of an article of tangible personal property for another person are subject to the tax unless a specific exemption applies. See [sec. Tax 11.38, Wis. Adm. Code](#), entitled “Fabricating, processing, and printing,” for more information on this subject.

### **IX. THE SCOPE OF MANUFACTURING IN PRINTING OPERATIONS**

It is important for a printer to determine which of its activities fall within the scope of manufacturing in order to properly apply the Wisconsin sales and use tax laws to their operations.

A printer who is a manufacturer is engaged in manufacturing for sales and use tax purposes only with respect to those activities which are defined as “manufacturing” under Wisconsin’s sales and use tax laws.

The printing industry includes businesses which print using a variety of processes, including:

- Offset lithography
- Gravure
- Flexography
- Reprographics
- Digital printing
- Thermography
- Letterpress
- Engraving

The scope of manufacturing is defined in sec. Tax 11.39(2), Wis. Adm. Code, as follows:

"Manufacturing:"

- Begins with conveying of raw materials and supplies from plant inventory to the place where the work is performed in the same plant and ends with conveying finished units of tangible personal property or items or property under sec. [77.52 \(1\) \(b\)](#) or (c), Wis. Stats., to the point of first storage in the same plant.
- Includes conveying work in progress directly from one manufacturing operation to another in the same plant.
- Includes testing or inspecting, throughout the manufacturing process, the new article of tangible personal property or item or property under sec. [77.52 \(1\) \(b\)](#) or (c), Wis. Stats., that is being manufactured.
- Includes storing work in progress in the same plant where the manufacturing occurs.



- Includes assembling finished units of tangible personal property or items or property under sec. 77.52 (1) (b) or (c), Wis. Stats.
- Includes packaging a new article of tangible personal property or item or property under sec. 77.52 (1) (b) or (c), Wis. Stats., if the manufacturer or another person on the manufacturer's behalf performs the packaging and if the packaging becomes part of the new article as it is customarily offered for sale by the manufacturer.

"Manufacturing" does not include storing raw materials or finished units of tangible personal property or items or property under sec. 77.52 (1) (b) or (c), Wis. Stats., delivery to or from the plant, repairing or maintaining facilities, or research and development.

**Note:** The following information is general in nature, and is intended to be illustrative of a hypothetical printing business which offers product design, prepress services, printing services, bindery services, warehousing services, and product distribution services. Not all printers offer all of these services to their customers and the exemption applies only to equipment used exclusively and directly for activities within the scope of the manufacturing process. ***Even though an item does not qualify for exemption because it is not used exclusively and directly in manufacturing, another exemption may apply.***

#### **A. Writing Copy and Producing Artwork**

A printer may provide services to its customers that consist of writing original copy or producing artwork which is to appear in printed material or on a website. The printer may be hired to simply produce copy or artwork without being responsible for any further steps to produce a printed product, or the printer may be hired to write the copy, create artwork, and perform the additional steps of typesetting, composition, producing finished artwork and printing. Once the copy and artwork have been approved, they are placed on a server. Items used to write copy and produce artwork include computers, computer software, computer printers, including printers used to produce proofs of the artwork, servers, digital and film cameras, digital photographic software, Internet access, office furniture and office supplies.

Writing copy and producing artwork are not manufacturing processes. Therefore, the items used to write copy and produce artwork, including computers, computer software, computer printers, servers, digital and film cameras, digital photographic software, Internet access, office furniture and office supplies are taxable.

**Example:** Printer is hired by Customer to produce printed manuals showing how to assemble customer's product. Printer writes the instructions and takes digital pictures of the product in various stages of assembly. Printer's activities of writing the instructions and taking digital photographs is not a manufacturing activity.

#### **B. Typesetting, Composition and Finished Artwork**

A printer may offer the services of typesetting, composition, and producing finished artwork. This results in page-formatted files and print-ready artwork files that will be used by a printer in the production of printed materials. These services may be performed alone or with other services, such as writing copy, producing artwork, and the printing of material itself. If the printer performs the printing, the page-formatted files and finished artwork files are placed on a server for later retrieval by the printer. If another party performs the printing, the printer will forward the files to its customer or the customer's printer. Items used to perform typesetting and initial composition include computers, computer software, computer printers, servers, desktop publishing software, digital photographic software, office furniture, and office supplies.

Initial typesetting, composition, and producing print-ready art are within the scope of manufacturing when performed by a manufacturer as part of the manufacturing process. The following items are exempt if used exclusively and directly in typesetting, composition, and producing print-ready art: computers, computer software, computer printers, including proof printers used as described in Part IX.D., and desktop publishing

software. **Note: If any item is used for activities described in Part IX.A. as well as Part IX.B., the item is not used exclusively in manufacturing and is taxable.**

Office furniture and office supplies are not used directly in the manufacturing process and are taxable.

**Note (1):** Persons who are not manufacturers and perform typesetting and composition and produce print-ready art are not engaged in manufacturing.

**Note (2):** Typesetting and composition that results in page-formatted files to be displayed electronically (i.e., digital files) are not used in the manufacturing process. "Manufacturing" requires that an article of tangible personal property be produced. Therefore, items used to perform typesetting and initial composition for page-formatted files to be displayed electronically, whether instead of or in addition to producing page-formatted files for manufacturing printed materials, including computers, computer software, computer printers, servers, desktop publishing software, office furniture, and office supplies, do not qualify for exemption and are taxable.

**Example:** Printer is hired by Customer to print a pamphlet. Customer provides Printer with copy, photographs, and a general design for the layout of the pamphlet. Printer is to perform the typesetting, composition, and produce the finished artwork files from the photographs. Printer's activities of typesetting, composition, and producing the print-ready finished artwork are within the scope of manufacturing.

### C. Preflighting

Once the page-formatted files and print-ready artwork files have been created, a computer system and software may run a "preflight" check on these files to ensure they meet the printer's specifications for use in printing the document using the printer's equipment. If the requirements are not met, the printer may make the required adjustments or inform the customer of the needed adjustments. For example, the files supplied to the printer may be missing fonts or have one or more files in an improper file format.

A "preflight" check on the page-formatted files and finished artwork files may or may not be within the scope of manufacturing.

When the printer receives the page-formatted files from a third party, it may store the files on a server. Later, the printer will then retrieve the files and perform the preflight check. At this stage, the printer is inspecting raw materials prior to the materials being introduced into the manufacturing process. This inspection is performed outside the scope of the manufacturing process. The computers, servers, and preflight software are taxable.

When the printer produces the page-formatted files and finished artwork and will perform the actual printing related to such files, the manufacturing process for the printer includes the typesetting, composition, and production of the print-ready art, as well as preflighting these items. Preflighting is included in the manufacturing process because the inspection is being performed to work-in-process.

### D. Prepress Operations

Once the page-formatted files and print-ready finished artwork files have been created, placed on a server and checked for compatibility with the printer's requirements, the following steps generally take place to complete the actual printing of the printed material:

- The page-formatted files are retrieved from the server by a computer system.
- Software is used which converts the finished artwork file into various "print" files. The printer may store these "print" files in a mass storage device, such as a hard drive or blade server, or use a compact disc (CD) burner to write the files to CDs. Among the "print" files created are files which:

1. will be used by the computer-to-plate machine to produce the required printing plates,
  2. will be used to set the initial ink levels for the printing press, and
  3. allow a pre-printing proof to be printed or viewed on a computer monitor.
- The paper proof copy or the electronic proof file may be sent to the customer for approval.
  - Prior to making the printing plates, the customer may request that the proof be modified. Any modifications to the proof copy will also be reflected in the initial ink file and the computer-to-plate file.

The computer-to-plate imaging machinery uses the information from the file generated from the finished artwork file and etches the information onto a plate. If a color picture is going to appear on the printed material, a separate plate is produced for each of the ink colors to be used in printing the finished product.

Alternatively, the plates may be produced using computer-to-film technology or earlier technology involving typesetting and composition, producing paste-ups, combining photographs with words, using plate cameras and film developers to produce pictures, and using plate burning equipment to produce the printing plate.

The plates may be transported through the remaining plate making process, and then to the printing press using a "plate cart."

Once the plate is produced and washed, it is then punched or notched and bent through the use of a plate punch and plate shaper. The punches or notches and bends are made so that the plate fits exactly where it is supposed to on the printing press.

The scope of manufacturing in prepress operations begins with the computer and software which retrieves the electronic file from the server and begins to create the files which: (1) will be used by the computer-to-plate machine to produce the required printing plates, (2) will be used to set the initial ink levels for the printing press, and (3) allow a pre-printing proof to be printed or viewed on a computer monitor.

The scope of manufacturing includes the use of proof printers to print proof copies, the use of a CD burner to write "print" files to CDs, the use of computer-to-plate (CTP) equipment or computer-to-film (CTF) equipment to produce printing plates. If using earlier technology, the scope of manufacturing includes the use of typesetters, paste-up equipment, cameras, film developers, stripping equipment and other equipment necessary to produce the printing plate.

The scope of manufacturing includes the use of plate notching, hole punching, and bending equipment to notch, hole punch, and bend the printing plates. It also includes the use of a plate cart to transport the plates from the CTP machine to the plate notching, hole punching, and bending equipment.

If the computer used to retrieve the files from the server is also used on a regular basis to perform various administrative functions, such as email, accounting functions, billing functions, design functions, inspection functions, etc., then the computer does not qualify for exemption since it is not being used "exclusively" in manufacturing tangible personal property.

#### **E. Press Make-Ready Operations**

The printing press may be cleaned to remove paper, ink and other residues from the previous print job.

The printing plates are brought to the press where they are installed.

Large rolls of paper are removed from either the storage or staging area and brought to the press. The rolls are then loaded onto the press using either manually operated or automated equipment. The paper is fed through the press so that it will pass over each blanket cylinder, which is where the ink will be applied to the paper. Alternatively, the process may use sheets of paper, rather than rolls.

The ink itself may be stored in large tanks within the plant, or in the containers the ink was shipped in. In some cases, scales are used to monitor the weight of the storage tanks to indicate the amount of ink remaining in the storage tank. The ink is supplied and stored as black, magenta, cyan and yellow ink colors. The ink is pumped from the tanks or containers to the presses through a series of lines, using compressed air. Alternatively, the ink may be manually transferred from a container to the ink well. Initial ink levels are set on the press.

Fountain solutions are mixed and installed into the fountain well. Fountain solutions are water-based solutions. Offset printing is based on (1) unexposed image areas of the printing plate being receptive to water (hydrophilic), (2) exposed image areas of the printing plate being receptive to ink (oleophobic), and (3) the fact that water and ink do not mix. This makes it possible to keep the ink transfer limited to the image areas of the plate.

The machinery and equipment that is used exclusively to convey the large rolls of paper (or containers of single sheet paper) from the raw materials storage area to the presses are used within the scope of the manufacturing process. However if this machinery and equipment is used to convey the large rolls from the receiving area to storage, or to an area where the rolls are unwrapped and subsequently stored again before being loaded onto the presses, this machinery and equipment would not qualify for exemption since it is used to convey raw materials to storage or from one raw material storage area to another raw material storage area.

Storage tanks that hold ink which will be used to print material are not used directly in the manufacturing process and do not qualify for exemption. However, the piping that is used to convey the ink from the storage tanks to the presses are used within the scope of manufacturing and qualify for exemption from Wisconsin sales and use tax. The air compressor that generates the compressed air that forces the ink through the pipe system is used within the scope of manufacturing and qualify for exemption from Wisconsin sales and use tax, provided it is used exclusively for these and other purposes within the scope of the manufacturing process. Inks are used within the scope of manufacturing. Purchases of ink are exempt provided the ink is used in the manufacture of printed material destined for sale or is physically transferred by the printer to the customer in conjunction with providing a printing service (i.e., the customer furnishes the paper).

Water and chemicals that make up a fountain solution are used within the scope of manufacturing. Purchases of water and fountain solutions are exempt provided the item is used in the manufacture of printed material destined for sale.

## **F. Printing Operations**

The press is started and sample copies made. The sample copies are checked for color and registration. Once these characteristics are being produced satisfactorily, a print proof copy is run. The proof copy may be compared to a proof previously approved by the customer in the prepress phase, or may be sent to the customer for approval prior to beginning the actual production run. Proof copies are used throughout the production run by the pressman for quality control purposes.

Modern high-speed presses employ cameras, scanners, computers and software to constantly monitor and adjust ink levels and registration to achieve greater consistency in the final printed product.

If “heatset” inks are being used, the printed material passes through a heated oven, where the ink solvent is evaporated, and next through a series of chilled rollers. The process of heating the paper and ink and then rapidly chilling it “sets” the ink to the paper. “Set” ink has greater resistance to smudging when subsequently handled.

If “coldset” inks are being used, the heating and chilling steps are not needed or used. Coldset inks rely on air-drying to evaporate the ink solvent and “set” the ink.

After the ink is set, the printed material is run through a folding machine, which results in what is known as a “signature.” A “signature” is a group of pages printed on the same sheet of paper, front and back. After printing, the sheet is folded so that the pages fall in the correct order.

After the printed product is in signature form, it may be carried either by a flat conveyor or a gripper conveyor to a stacker. The stacker puts a predetermined number of signatures into a bundle. The bundle is then moved to a strapping machine where a piece of kraft paper or other material is placed under, on top of, and/or around the bundle to protect it, and straps are placed around the stack to keep them together. The bundles may further be wrapped in plastic wrap. The bundles are then either placed on pallets or in carts. The pallets or carts may also be wrapped in a protective wrapping and/or strapping material. The pallets or carts are then transferred to another area of the plant, or transported to another plant. At this point, the bundles of printed materials may represent a finished product or work in process.

An air compressor used to supply air pressure to ink storage tanks or containers, and the associated piping to transfer the ink from the tank or container to the printing press, are used within the scope of the manufacturing process.

The printing press, its related operational control equipment, and the dryers, chillers, and signature folding equipment are used within the scope of the manufacturing process. Cameras, scanners, computers, and their related software used to monitor the printed material or adjust the printing press operations or ink levels are used within the scope of the manufacturing process.

Automated equipment used to clean blanket rollers on printing presses is not used directly to manufacture printed materials and do not qualify for exemption, unless the equipment is an original component part of a printing press as purchased from the seller of the printing press (see Part X.D.).

Forklifts, lift carts, and other machinery or equipment used to transport the finished goods to the point of first storage are used within the scope of the manufacturing process.

Electricity or fuel used to operate machinery or equipment used within the scope of the manufacturing process is used in the manufacture of tangible personal property.

## **G. Bindery Operations**

If the bundles of printed materials represent work in process, additional processing of the printed materials may include assembly and insertion operations using conveyors and other machinery such as inserters or collators to combine various sections of a book, magazine, manual, etc. with a cover, and glue, stitch or staple the cover and contents together to form a finished product. The assembly and insertion operations may also include inspection of the finished product, bundling, wrapping, and strapping of the finished products, and packaging of the finished products into containers to be used for shipment of the finished products to customers. The packaged finished products may also be loaded onto pallets, and wrapped and/or strapped onto the pallets, which are used for shipment to customers. The finished products may then be transported to a storage area or directly to the loading dock.

Machinery and equipment used in bindery operations, such as inserters, conveyors, gluers, staplers, and stackers, are used within the scope of the manufacturing process.

Machinery used to package the finished goods is included within the scope of the manufacturing process when the packaging becomes part of the new article as it is customarily offered for sale by the manufacturer.

Forklifts, lift carts, and other machinery or equipment used to transport the finished goods to the point of first storage are used within the scope of the manufacturing process.

Storage of finished goods is not within the scope of the manufacturing process. Machinery and equipment used to provide storage of finished goods are not used within the scope of the manufacturing process and do not qualify for exemption.

## **H. Mailing Services**

The printer may also be hired to mail the product on the purchaser's behalf to recipients using a mailing list furnished by the purchaser to the printer. In addition to printing the product to be mailed, the printer may also print mailing labels or print the mailing addresses on the envelopes or other material used to mail the printed product to intended recipients.

Mailing services, by themselves, are not considered a manufacturing operation. Machinery and equipment used by a printer to fold and insert printed material owned by the customer, or someone other than the printer, into envelopes is not used within the scope of a manufacturing process. Machinery and equipment used to print mailing labels or envelopes, and used to attach mailing labels to envelopes are used within the scope of a manufacturing process.

However, machinery and equipment used by a printer to print mailing labels or envelopes, apply mailing labels to envelopes, to print, fold and insert materials into mailing envelopes, and to package the envelopes into containers that become a part of the printed material as it is customarily offered for sale by the printer, are used within the scope of the printer's manufacturing process, provided the folding, insertion and packaging of the printed materials occurs prior to the printed materials being placed in the printer's finished goods inventory. If the folding, insertion and packaging of the printed materials occur after the printed materials have been placed in finished goods inventory, the machinery and equipment used in folding, inserting and packaging the printed materials are used outside the scope of the manufacturing process.

Machinery and equipment used within the scope of the manufacturing process must be used exclusively and directly in the manufacturing process to qualify for exemption. See Parts X.C. and X.D.

Additional information on mailing services is provided in Part IV.B.

## **I. Warehousing Operations**

A printer may print a large volume of finished product at one time and store (warehouse) the material on the purchaser's behalf. The printer then periodically ships a portion of the finished product to the purchaser or to another party as the purchaser directs.

In other cases, a printer may print a large volume of unfinished material at one time, store the unfinished material, and subsequently finish printing the material in smaller batches as the customer directs. The printer then ships the finished product to the purchaser or to another party as the purchaser directs.

In general, machinery and equipment used in warehousing operations (see Part X.A.), are not used within the scope of the manufacturing process. Providing warehousing services for a customer's paper, ink, or finished goods is not "manufacturing." However, if a printer is holding "work in process," storage of the "work in process" is considered as within the scope of the manufacturing process. Whether the property is considered "work in process" or "a customer's finished goods," is determined by the particular facts and circumstances relating to the contract between the printer and the customer. In general, the print job will be "work in process" if the printer has not performed all of the necessary operations to produce the printed material in the final form specified by the customer under the contract. Once the printed material is in its final form, and possession of the printed material

has transferred to the purchaser or the purchaser's agent any storage (warehousing) of the purchaser's property by the printer will be a separate service provided by the printer to the purchaser after the sale of the printed materials by the printer or after the furnishing of a printing service by the printer, as the case may be. (**Note:** The printer may be the purchaser's agent.)

## **J. Receiving, Shipping and Storage Operations**

Printing requires paper, ink, and various chemicals and supplies. Printers may receive the items by truck, semi-trailer, or rail car. The printer may use equipment, such as fork lifts, lift trucks, overhead cranes, pumps and piping, and dollies to transfer these items from the truck, trailer, or rail car to a receiving area, and/or from a receiving area to a storage area or storage tank. In some cases, product is sold by weight, and the printer may use a scale to weigh merchandise upon delivery.

Once the printer has produced finished goods, similar or the same equipment may be used to transfer the finished goods to a place of storage, or for loading onto trucks, semi-trailers, or rail cars for shipment.

The conveyance of raw materials and supplies from delivery trucks to places of storage in the plant, including any inspection or weighing prior to placement into storage, is not within the scope of manufacturing. The conveyance of finished goods from storage for loading onto trucks or rail cars for shipment are also not used within the scope of manufacturing. Equipment used outside the scope of manufacturing is taxable.

The conveyance of finished goods from the last manufacturing operation to the point of first storage or directly onto trucks or rail cars for shipment, is within the scope of manufacturing. Equipment used in this manner is exempt if used exclusively within the scope of manufacturing.

The conveyance of finished goods from the last manufacturing operation to the point of first storage or directly onto trucks or rail cars for shipment, is within the scope of manufacturing. Equipment used in this manner is exempt if used exclusively within the scope of manufacturing.

## **X. EXEMPTION FOR MANUFACTURING MACHINES, SPECIFIC PROCESSING EQUIPMENT, AND SAFETY ATTACHMENTS**

### **A. Statutory Language**

Section 77.54(6)(am)1., Wis. Stats., exempts the sales price from the sale of and the storage, use, or other consumption of:

“Machines and specific processing equipment and repair parts or replacements thereof, exclusively and directly used by a manufacturer in manufacturing tangible personal property or items or property under s. 77.52(1)(b) or (c) and safety attachments for those machines and equipment.”

Section 77.54(6)(cn), Wis. Stats., states that the above exemption under sec. 77.54(6)(am)1., Wis. Stats., shall be strictly construed.

Section 77.51(20), Wis. Stats., effective October 1, 2009 and thereafter, provides:

“Tangible personal property means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses, and includes electricity, gas, steam, water, and prewritten computer software, regardless of how it is delivered to the purchaser.”

Section 77.52(1)(b), Wis. Stats., provides for the following:

“For the privilege of selling, licensing, leasing, or renting at retail coins and stamps of the United States that are sold, licensed, leased, rented, or traded as collectors' items above their face value, a tax is imposed on all retailers at the rate of 5 percent of the sales price from the sale, license, lease, or rental of such coins and stamps.”

Section 77.52(1)(c), Wis. Stats., provides:

“For the privilege of leasing property that is affixed to real property, a tax is imposed on all retailers at the rate of 5 percent of the sales price from the lease of such property, if the lessor has the right to remove the leased property upon breach or termination of the lease agreement, unless the lessor of the leased property is also the lessor of the real property to which the leased property is affixed.”

## **B. Scope of Manufacturing**

The exemption requires that the machines and equipment be used “*by a manufacturer in manufacturing.*” Thus, even when being used by a manufacturer, machines and equipment must be used exclusively and directly in manufacturing in order to qualify for the exemption.

Manufacturing is a process that begins with conveying raw materials and supplies from plant inventory to the place where work is performed in the same plant and ends with conveying finished units of tangible personal property or items or property described in Parts III.B. or C., to the point of first storage in the same plant.

“Manufacturing” does **not** include storing raw materials or finished units of tangible personal property or items or property described in Parts III.B. or C., research or development, delivery to or from the plant, or repairing or maintaining plant facilities.”

## **C. Exclusively Used Requirement**

To qualify for this exemption, machines and processing equipment must be used exclusively in the manufacture of tangible personal property. “Exclusively” means that the machines and specific processing equipment are used solely by a manufacturer in manufacturing tangible personal property to the exclusion of all other uses, except that the exemption is not invalidated by an infrequent and sporadic use other than in manufacturing tangible personal property.

**Example (1):** *Printer purchases a forklift. Printer uses the forklift to unload paper stock from delivery trucks to storage, and move finished goods from warehouse storage to the loading dock. The forklift is also used to move the paper rolls from storage to the printing press and finished goods from the plant to the warehouse. Printer's purchase of the forklift is taxable as it is not used exclusively within the scope of manufacturing.*

**Example (2):** *Printer has two forklifts. Printer originally purchased each forklift without tax, claiming each is an exempt manufacturing machine or piece of processing equipment. The forklifts have been used exclusively and directly within the scope of Printer's manufacturing process. As a result of Printer building an addition to the plant to accommodate additional printing presses, Printer determines that the storage area for its inventory of rolls of paper (raw materials) should now be at a different location within the plant. Printer uses its two forklifts to transfer the paper rolls from the current storage location to the new storage location. Printer's use the forklifts in this manner is not within the scope of the manufacturing process. However, such use is isolated and sporadic, and the exemption previously claimed is not invalidated as a result of using the forklifts in this manner.*



#### D. Directly Used Requirement

Machines and specific processing equipment must also be used "directly" in the manufacture of tangible personal property, or items or property listed in Part III.B. and C., to qualify for this exemption. Any machine or specific processing equipment not used directly within the scope of manufacturing is taxable.

Machinery or equipment used for the following purposes are not used directly in manufacturing:

- Sweeping a plant
- Disposing of scrap or waste
- Plant heating or air conditioning
- Communications
- Lighting
- Fire prevention
- Research or development
- Storage
- Delivery to or from a plant
- Maintaining, cleaning, or repairing facilities or exempt machines

#### E. Only Machines, Processing Equipment, Safety Attachments and Repair Parts Qualify for Exemption

Some items used in a manufacturing plant are taxable because they are not the type of item exempt under the statute. Supplies such as sweeping compounds and disposable rags, gloves, shoe covers, and coveralls are not machines or processing equipment. However, such items may be exempt if used exclusively and directly by a manufacturer in manufacturing an article of tangible personal property or an item or property described in Parts III.B. or C., that is destined for sale or is consumed, destroyed, or loses its identity in manufacturing the article of tangible personal property or an item or property described in Parts III.B. or C. that is destined for sale. See Part XI.C.

Small tools including hand tools, qualify as processing equipment, but are exempt only if used both **exclusively and directly** in the manufacturing process. Tools used either partially or totally for machine repair or general maintenance do not qualify for the exemption.

Parts for and repair service to exempt machines and processing equipment are also exempt. Examples of such parts are auger bits, conveyor belts, dies and molds, emery wheels, grinding wheels, jigs, machine drills, machine tool holders, milling cutters, reamers, and saw blades.

#### F. Real Estate Improvements Do Not Qualify for the Exemption

Real estate improvements, such as concrete foundations and settings for machines, heating and ventilation components for general building use, as well as electric conduit and piping which service a building, are neither machines nor processing equipment and are not within the exemption. The consumer of the materials used in making such improvements is the person who purchases the materials and is responsible for the construction or installation of them.

*Example (1): Printer contracts with Contractor to furnish the materials and labor to install a new concrete foundation for a new printing press. The machine foundation is a real property improvement. Therefore, Contractor is the consumer of the concrete, rebar and other materials used in constructing the foundation. Contractor is responsible for tax on its purchases of these materials. Since the machine foundation is a real*

*property improvement, Contractor's charges to Printer for the foundation are not subject to Wisconsin sales or use taxes.*

*Example (2): Printer purchases paint from Supplier. The paint will be used by employees of Printer to paint the interior walls of the plant building. Printer is the person who purchases the paint and is responsible for its use in providing a service to real property. Sales or use tax applies to Printer's purchase of paint from Supplier.*

## **XI. EXEMPTION FOR INGREDIENTS OR COMPONENT PARTS AND CONSUMABLE ITEMS**

### **A. Statutory Language**

Section 77.54(2), Wis. Stats., provides an exemption for:

“The sales price from the sales of and the storage, use, or other consumption of tangible personal property or item under s. 77.52 (1) (b) that is used exclusively and directly by a manufacturer in manufacturing an article of tangible personal property or item or property under s. 77.52 (1) (b) or (c) that is destined for sale and that becomes an ingredient or component part of the article of tangible personal property or item or property under s. 77.52 (1) (b) or (c) destined for sale or is consumed or destroyed or loses its identity in manufacturing the article of tangible personal property or item or property under s. 77.52 (1) (b) or (c) destined for sale, except as provided in sub. (30) (a) 6.”

Section 77.54(2m), Wis. Stats., provides an exemption for:

“The sales price from the sales of and the storage, use, or other consumption of tangible personal property or services that are used exclusively and directly by a manufacturer in manufacturing shoppers guides, newspapers, or periodicals and that become an ingredient or component of shoppers guides, newspapers, or periodicals or that are consumed or lose their identity in the manufacture of shoppers guides, newspapers, or periodicals, whether or not the shoppers guides, newspapers, or periodicals are transferred without charge to the recipient. In this subsection, ‘shoppers guides,’ ‘newspapers,’ and ‘periodicals’ have the meanings under sub. (15). The exemption under this subdivision does not apply to advertising supplements that are not newspapers.”

Section 77.54(43), Wis. Stats., provides an exemption for:

“The sales price from the sale of and the storage, use or other consumption of raw materials used for the processing, fabricating or manufacturing of, or the attaching to or incorporating into, printed materials that are transported and used solely outside this state.”

### **B. Ingredients or Component Parts**

Under sec. 77.54(2), Wis. Stats., purchases of tangible personal property or items described in Part III.B., becoming an ingredient or component part of an article of tangible personal property, or items or property described in Parts III.B. or C., destined for sale, are exempt. For example, purchases of paper and ink used in the production of printed materials that are sold to customers are exempt. Additional items such as cover stock and glue used to produce a magazine or book destined for sale, are also exempt.

Under sec. 77.54(2m), Wis. Stats., purchases of tangible personal property or services becoming an ingredient or component part of shoppers guides, newspapers or periodicals are exempt, regardless of whether the shoppers guides, newspapers or periodicals are destined for sale or transferred without charge to the recipient. For example,

a publisher of a newspaper may purchase, without Wisconsin sales or use taxes, newspaper and ink to be used by the newspaper in printing a newspaper, regardless of whether the newspapers are destined for sale or will be given away by the publisher.

### C. Items Consumed, Destroyed, or Losing Their Identity

1. Purchases of tangible personal property, or an item described in Part III.B., used exclusively and directly by a manufacturer in manufacturing an article of tangible personal property or item or property described in Parts III.B. or C. that is consumed or destroyed or loses its identity in manufacturing the article of tangible personal property or item or property described in Parts III.B. or C. destined for sale, are exempt.

**Note (1):** The exemption under sec. 77.54(2), Wis. Stats., does not apply to fuel or electricity. Refer to Part XI.E., and Part XIII. for specific information regarding fuel and electricity.

**Note (2):** In the specific case where the printer is manufacturing shoppers guides, newspapers, or periodicals, see Part XI.C.2.

Items commonly used by printers which are consumed, destroyed, or lose their identities in manufacturing include chemicals used to produce printing plates, lubricants for printing presses, solvents and cleaning compounds used to maintain printing presses, and finished artwork.

A manufacturer's purchases of a clean towel service or employee wearing apparel consumed during the manufacturing process which prevents contamination of the product produced and sold are exempt. For example, towels used to clean printing plates are directly used to prevent contamination of the printed product. ("Clean towel service" refers to an agreement in which the seller agrees to provide the purchaser the use of clean towels provided by the seller and does not refer to providing the service of performing laundry or cleaning services to the purchaser's property.)

The exemption does not apply to purchases of clean towel service if the towels are not used directly to prevent contamination of the product being produced and sold, or to employee wearing apparel for the comfort or welfare of an employee. For example, a manufacturer purchases and furnishes safety glasses for use by employees. The manufacturer's purchases of safety glasses are taxable.

The exemption does not apply to the purchase of laundry, dry cleaning, pressing or dyeing services for items such as cleaning towels or employee wearing apparel consumed during the manufacturing process which prevents contamination of the product produced and sold. Purchases of such services are taxable, except as provided in Part XI.C.2.

**Note:** A company that is not a manufacturer and is performing a testing service exclusively on samples of products taken from the step-by-step manufacturing process of a manufacturer, may not claim exemption on its purchases of tangible personal property that is consumed, destroyed, or loses its identity in performing the testing service. Such property is not used exclusively and directly by a manufacturer and sec. 77.54(2) and (2m), Wis. Stats., requires that such property be used exclusively and directly by a manufacturer to qualify for exemption.

2. Under sec. 77.54(2m), Wis. Stats., purchases of tangible personal property or taxable services used exclusively and directly by a manufacturer and that are consumed or lose their identity in the manufacture of shoppers guides, newspapers or periodicals are exempt, regardless of whether the shoppers guides, newspapers or periodicals are destined for sale or transferred without charge to the recipient.

For example, purchases of taxable services such as laundry, dry cleaning, pressing or dyeing services for items such as cleaning towels or employee wearing apparel consumed during the manufacturing process which prevents contamination of shoppers guides, newspapers or periodicals are exempt.

#### D. “Destined for Sale” Requirement

**Under sec. 77.54(2), Wis. Stats.**, there is no exemption for property used exclusively and directly by a manufacturer in manufacturing tangible personal property or an item or property described in Parts III.B. or C., and which becomes an ingredient or component part of an article of tangible personal property or which is consumed, destroyed, or loses its identity in the manufacture of tangible personal property, unless the property or item produced is destined for sale. Property and items are not destined for sale if they are:

- (a) Given away by the producer of the property or item.
- (b) Tools and equipment used by the manufacturer to repair the manufacturer’s own equipment.
- (c) Used to print advertising materials and the printer does not supply the paper. **Exception:** Tangible personal property physically transferred to a customer in conjunction with a printing service (e.g., ink, packaging materials) may be purchased without tax for resale.
- (d) Used by the manufacturer in making a real property improvement.

**Under sec. 77.54(2m), Wis. Stats.**, tangible personal property or services used exclusively and directly by a manufacturer in manufacturing shoppers guides, newspapers, or periodicals and which become an ingredient or component of or that are consumed or lose their identity in the manufacture of one of those publications are exempt. There is no requirement that shoppers guides, newspapers, or periodicals be destined for sale. For example, the exemption applies to the paper purchased in the following situations:

1. The publisher of the shoppers guide, newspaper, or periodical purchases and provides the paper to the printer.
2. The publisher purchases the paper and does its own printing of the shoppers guide, newspaper, or periodical.

Periodicals must be regularly issued at average intervals not exceeding 3 months, or issued at average intervals not exceeding 6 months by an educational association or corporation sales to which are exempt under [sec. 77.54\(9a\)\(f\), Wis. Stats.](#) Periodicals are further defined in [sec. Tax 11.19\(3\)\(c\), Wis. Adm. Code.](#)

The exemption in sec. 77.54(2m), Wis. Stats., does not apply to advertising supplements which are not newspapers. Therefore, sales of advertising supplements are subject to tax, unless (1) the seller is a newspaper and is printing and distributing the advertising supplement as a component part of one that newspaper’s publications, or (2) the advertising supplements are printed by a newspaper or a commercial printer and sold to a newspaper for inclusion in publications of that newspaper.

**Under [sec. 77.54\(43\), Wis. Stats.](#)**, an exemption applies to raw materials becoming a component of or used for processing, fabricating, or manufacturing printed materials that are transported and used solely outside Wisconsin. There is no requirement that such printed materials be destined for sale to qualify for this exemption.

This exemption includes the printer's purchases of paper, ink, staples, and mailing envelopes used by the printer to print items that contain the printer’s own name and address, which the printer will mail, free of charge, to potential customers located outside of Wisconsin. It also includes the printer's purchases of paper and ink used by the printer to print its own letterhead, if the letterhead will subsequently be used by the printer in further printing correspondence to customers, and if such correspondence will be mailed to and used solely outside of Wisconsin.

## E. Fuel and Electricity

Fuel and electricity consumed in manufacturing tangible personal property, and items or property described in Part III.B. or C., in Wisconsin, are exempt under sec. 77.54(30)(a)6., Wis. Stats. This exemption does not require the item manufactured be destined for sale.

In addition, fuel and electricity consumed exclusively and directly in the manufacture of shopper's guides, newspapers, and periodicals, are exempt under sec. 77.54(2m), Wis. Stats. This exemption does not require the item manufactured be destined for sale. A printer manufacturing shopper's guides, newspapers, or periodicals may use this exemption or the exemption under sec. 77.54(30)(a)6., Wis. Stats., for fuel and electricity consumed in the manufacture of shoppers guides, newspapers, or periodicals.

See Part XIII. for additional information.

## XII. EXEMPTION FOR CONTAINERS AND OTHER PACKAGING AND SHIPPING MATERIALS

### A. Statutory Language

Section 77.54(6)(am)2., Wis. Stats., provides an exemption from Wisconsin sales and use taxes for the following:

“Containers, labels, sacks, cans, boxes, drums, bags or other packaging and shipping materials for use in packing, packaging or shipping tangible personal property or items or property under s. 77.52(1)(b) or (c), if the containers, labels, sacks, cans, boxes, drums, bags, or other packaging and shipping materials are used by the purchaser to transfer merchandise to customers.”

### B. Use Determines Exemption

To be exempt under sec. 77.54(6)(am)2., Wis. Stats., items must be “*used by the purchaser to transfer merchandise to customers.*” It is immaterial whether the containers or other packaging materials are returnable or non returnable.

In the case of *Luetzow Industries v. Wisconsin Department of Revenue*, 197 Wis. 2d, 916 (1995), the Court of Appeals, in upholding the ruling of the Wisconsin Tax Appeals Commission, concluded that the term “merchandise” denotes goods that are for sale. In this case, the clothing or items turned over to dry cleaners were not bought or sold upon their return to the customer. Instead, the customer paid for a service that the dry cleaner performed on the items returned to the customer in the garment bag. As such, the taxpayer’s receipts from its sales of plastic garment bags to dry cleaners were not exempt from Wisconsin sales tax because the dry cleaners did not use the bags to transfer merchandise to their customers, as required by sec. 77.54(6)(am)2., Wis. Stats.

[Section Tax 11.15, Wis. Adm. Code](#), provides additional information relating to these exemptions.

### C. Type of Item Which May Qualify for the Exemption

In addition to the items listed in the statute, “containers” include barrels, bottles, cartons, chemical carboys, and kegs. Packaging and shipping materials include property used inside a package in order to shape, form, preserve, stabilize, or protect the contents, including, but not limited to, batting, cardboard fillers, cotton, dry ice, excelsior, ice, separators, and shredded paper. Packaging and shipping materials also include such items as crates and crating material, gummed tape, mailing tubes, pallets, rope, rubber bands, skids, twine, and wrapping paper.

#### **D. Examples of Items and Uses Which Do Not Qualify for the Exemption**

1. Wrapping equipment, such as paper holders, tape dispensers, staplers, and string holders.
2. Counter display cards which are used for advertising and display purposes.
3. Computer produced gummed label mailing lists used to address envelopes. (However, labels for envelopes used to transfer tangible personal property to purchasers are exempt.)
4. Containers or other packaging and shipping materials used merely for storage or to transfer merchandise owned by the same person from one location to another. For example, string, strap, and other wrapping and packaging materials used to deliver bundles of newspapers to delivery employees, who remove and discard the materials before delivering the newspapers to home subscribers, are not exempt.
5. Price tags and advertising matter used in connection with the sale of tangible personal property.
6. Shopping carts or baskets and similar equipment.
7. Lumber or other material used for bracing, blocking, skidding or shoring items while in transit, and cardboard and paper used to line boxcars, that are not transferred to customers.
8. Tanks on trucks used to deliver merchandise to customers.
9. Hangers and bags, boxes, and other containers transferred to customers by laundries and dry cleaners.

**Note:** A printer who provides a printing service (i.e., the customer provides the paper), and physically transfers ink, containers, packaging materials, or any other tangible personal property to its customer in conjunction with the printing service may buy such items without tax for resale.

#### **E. Tax on Separate Charge for Packaging and Shipping Materials**

If a separate charge is made by a seller or lessor of machinery, equipment, or other merchandise to a purchaser for packaging materials used in connection with the shipment of the machinery, equipment or other merchandise, the charge for such packaging materials is subject to sales tax if the property shipped is subject to tax. If the property is exempt from tax, the separate charge for the packaging material is also exempt.

#### **F. Treatment of Deposits on Returnable Containers**

Deposits received on returnable containers and packaging materials in connection with a taxable sale should be reported in the same way on the sales tax return as they are recorded on the seller's books of account. For example, returnable container deposits received upon the sale of tangible personal property and refunds of such deposits should be excluded from the computation of taxable sales price, if they are excluded from the sales price on the books of account. If the books of account include container deposits in the sales price, and refunds of such deposits are deducted from the sales price, the seller should use this method of reporting taxable sales price on the sales tax return. When the deposit is refunded, the applicable tax should also be returned to the purchaser.

### **XIII. FUEL AND ELECTRICITY**

#### **A. Statutory Language**

Section 77.54(30)(a)6., Wis. Stats., provides an exemption from Wisconsin sales and use taxes for:

“Fuel and electricity consumed in manufacturing tangible personal property, or items or property under s. 77.52 (1) (b) or (c), in this state.”

Section 77.54(2m), Wis. Stats., provides an exemption from Wisconsin sales and use taxes for:

“The sales price from the sales of and the storage, use, or other consumption of tangible personal property or services that are used exclusively and directly by a manufacturer in manufacturing shoppers guides, newspapers, or periodicals and that become an ingredient or component of shoppers guides, newspapers, or periodicals or that are consumed or lose their identity in the manufacture of shoppers guides, newspapers, or periodicals, whether or not the shoppers guides, newspapers, or periodicals are transferred without charge to the recipient. In this subsection, ‘shoppers guides,’ ‘newspapers,’ and ‘periodicals’ have the meanings under [sub. \(15\)](#). The exemption under this subdivision does not apply to advertising supplements that are not newspapers.”

Section 77.54(30)(a)4., Wis. Stats., provides an exemption for:

“Any residue that is used as fuel in a business activity and that results from the harvesting of timber or the production of wood products, including slash, sawdust, shavings, edgings, slabs, leaves, wood chips, bark and wood pellets manufactured primarily from wood or primarily from wood residue.”

Section 77.54(6)(am)3., Wis. Stats., provides an exemption for:

“Fuel converted to electric energy, gas or steam by utilities and that portion of the amount of fuel converted to steam for purposes of resale by persons other than utilities.”

Section 77.54(26), Wis. Stats., provides, in part, an exemption for:

“...chemicals and supplies used or consumed in operating a waste treatment facility...” (*Note: As used in this subsection, “supplies” includes fuel and electricity. See Part XI.C. for additional information.*)

## **B. Definitions of Fuel and Utility**

“Fuel” is a material used to produce heat or power by burning, or something that feeds a fire. Gases such as acetylene or oxygen are, in most instances, used as a fuel. When oxygen is used to enrich the fuel mixture in an industrial furnace, or when oxygen and acetylene are used in a welding process, they are used as fuels.

A “utility” is a company authorized by law to perform a service for the public in a particular area, and is subject to Public Service Commission regulation. A corporation which produces electricity or steam primarily for its own consumption is not a utility.

## **C. Exemption Under Sec. 77.54(30)(a)6., Wis. Stats.**

Section 77.54(30)(a)6., Wis. Stats., provides an exemption for fuel or electricity consumed in manufacturing tangible personal property in Wisconsin.

### **1. Must be Consumed by a Manufacturer**

This exemption is allowed to individuals, partnerships, estates and trusts, corporations, and limited liability companies engaged in manufacturing in Wisconsin. For an explanation of what constitutes manufacturing, see Part VIII.

### **2. Must be Consumed in Manufacturing**

Fuel and electricity "consumed in manufacturing" means fuel and electricity used to operate machines and equipment used directly in the step-by-step manufacturing process. Fuel and electricity are not "consumed in manufacturing" if they are used in providing plant heating, cooling, air conditioning, communications, light-

ing, safety and fire prevention, research and product development, receiving, storage, sales, distribution, warehousing, shipping, advertising or administrative department activities. However, fuel and electricity used directly in manufacturing steam which is used by the manufacturer in further manufacturing or in heating a facility, or both, is “consumed in manufacturing.”

Purchasers (other than purchasers holding a direct pay permit) are not allowed to claim 100% exempt usage for fuel or electricity when they know at the time of purchase that the exempt usage will be less than 100%. The exemption percentage claimed should represent the purchaser’s best estimate of the exempt usage and should be calculated and claimed on a meter-by-meter basis for each meter that is measuring electricity and/or natural gas consumption.

3. When Fuel or Electricity is Sold or Purchased

Electricity and natural gas are considered sold or purchased at the time of billing as provided in [sec. 77.54\(30\)\(b\), Wis. Stats.](#) If the billing is being made by mail, the time of billing is the day on which the billing is mailed. For example, electricity and/or natural gas that is metered prior to January 1, 2012, but which is billed on January 20, 2012, is considered to have been sold on January 20, 2012.

Sales or purchases of fuels other than natural gas are considered to occur when possession of the fuel is transferred from the seller or seller’s agent to the purchaser or purchaser’s agent, as provided in [sec. 77.585\(8\), Wis. Stats.](#)

**D. Exemption Under Sec. 77.54(2m), Wis. Stats.**

Purchases of fuel and electricity consumed, destroyed or losing its identity in the manufacture of shopper’s guides, newspapers or periodicals, are exempt from Wisconsin sales and use taxes.

Fuel and electricity “consumed, destroyed or losing its identity in the manufacture of shopper’s guides, newspapers or periodicals” means only fuel and electricity used to operate machines and equipment used directly in the step-by-step manufacturing process. Fuel and electricity used in providing plant heating, cooling, air conditioning, communications, lighting, safety and fire prevention, research and product development, receiving, storage, sales, distribution, warehousing, shipping, advertising or administrative department activities do not qualify for exemption.

**E. Exemption Under Sec. 77.54(30)(a)4., Wis. Stats.**

Residue resulting from the harvesting of timber or the production of wood products, including slash, sawdust, shavings, edgings, slabs, leaves, wood chips, bark and wood pellets manufactured primarily from wood or primarily from wood residue and which are used as a fuel in a business activity are exempt from Wisconsin sales and use taxes. The exemption applies to qualifying products even if not consumed in a manufacturing process. The exemption applies to any qualifying product used as a fuel in any business activity.

**F. Exemption Under Sec. 77.54(6)(am)3., Wis. Stats.**

Fuel converted to electric energy, gas, or steam by utilities and that portion of the amount of fuel converted to steam for purposes of resale by persons other than utilities are exempt from Wisconsin sales and use taxes.



#### **XIV. COMPUTERS, SERVERS, AND TEMPORARY STORAGE EXEMPTIONS (EFFECTIVE OCTOBER 1, 2013)**

Effective October 1, 2013, sec. 77.54(61), Wis. Stats. (2013-14), as amended by 2015 Wis. Act 216, provides an exemption for the following:

"The sales price from the sale to and the storage, use, or other consumption by, a person primarily engaged, as determined by the department, in commercial printing, book printing, or support activities for printing described under 323111, 323117, and 323120 of the North American Industry Classification System, of the following:

- (a) Computers and servers used primarily to store copies of the product that are sent to a digital printer, a plate-making machine, or a printing press or used primarily in prepress or postpress activities.
- (b) Tangible personal property purchased from out-of-state sellers that are temporarily stored, remain idle, and not used in this state and that are then delivered and used solely outside of this state.
- (c) In this subsection:
  1. "Postpress activities" include paper bronzing, die-cutting, edging, embossing, folding, gilding, gluing, and indexing.
  2. "Prepress activities" include making print-ready plates, typesetting, trade binding, and sample mounting.
  3. "Temporarily" means not more than 180 days."

##### **A. Who May Claim the Exemption?**

A person primarily engaged in one or more of the following activities may claim the exemption:

- Commercial printing, not including screen printing or book printing, without publishing, except for gray goods. These activities are described in 2012 North American Industry Classification System (NAICS) code 323111.
- Printing, or printing and binding, books or pamphlets without publishing the books or pamphlets. These activities are described in 2012 North American Industry Classification System (NAICS) code 323117.
- Performing prepress and postpress services in support of printing activities. These activities are described in 2012 North American Industry Classification System (NAICS) code 323120.

"Person" includes any natural person, firm, partnership, limited liability company, joint venture, joint stock company, association, public or private corporation, the United States, the state, including any unit or division of the state, any county, city, village, town, municipal utility, municipal power district or other governmental unit, cooperative, unincorporated cooperative association, estate, trust, receiver, personal representative, any other fiduciary, any other legal entity, and any representative appointed by order of any court or otherwise acting on behalf of others.

"Primarily" means more than 50%. A person's primary activity will ordinarily be based on sales revenues. A person whose primary activity is described by a NAICS code other than 323111, 323117, or 323120 does not qualify for the exemption.

**Example 1:** Newspaper publishes a daily edition of a newspaper. Newspaper operates its own printing plant. The printing plant prints Newspaper's publications as well as printing under contract for third parties. More than 50% of Newspaper's sales are from sales of its newspaper and advertising revenues associated with sales of its newspa-

per. Newspaper's primary activity is described by NAICS code 511110: *Newspaper Publishers*. Newspaper does not qualify for the exemption under sec. 77.54(61), Wis. Stats.

**Example 2:** Insurance Company operates its own printing plant. Insurance Company's primary source of revenues is insurance premiums. Insurance Company's primary NAICS code is described within NAICS subsector code 524: Insurance Carriers and Related Activities. Insurance Company does not qualify for the exemption under sec. 77.54(61), Wis. Stats.

**Example 3:** Business is engaged in screen printing of T-shirts, caps, and jackets. This is Business' only activity and source of revenue. Business' primary activity is described by NAICS code 323113: Commercial Screen Printing. Business does not qualify for the exemption under sec. 77.54(61), Wis. Stats.

**Example 4:** Company is primarily engaged in the business of printing on fabric grey goods. Company's primary activity is described by NAICS code 313310: Textile and Finishing Mills. As such, Business does not qualify for the exemption under sec. 77.54(61), Wis. Stats.

## B. What is Exempt?

The exemption applies to:

- Computers and servers that are used to store copies of the product that are sent to a printing press.
- Tangible personal property purchased from out-of-state sellers that are temporarily stored, remain idle, and not used in this state for not more than 180 days and that are then delivered and used outside of this state.

"Copies of the product" means finished art in a digital form:

- That is generated, furnished, and used for the purpose of printing,
- That represents the object, such as a book, catalog, pamphlet, or magazine, as it is to appear in a printed form, and
- Includes files containing instructions or other information required by the printer for printing the product, such as instructions for plate-making or setting ink levels at the printing press, whether these instructions or other information are furnished to the printer or derived by the printer from the finished art files.

"Sent to a printing press" includes transferring a copy of the product, either electronically or through the use of a tangible storage media, to printing presses, ink-jet printers, platemaking machines, and similar machines or to storage devices devoting to serving such machines.

"Storage" includes any keeping or retention in this state of tangible personal property purchased from a retailer for any purpose except sale in the regular course of business.

"Tangible personal property purchased from out-of-state sellers" means either of the following:

- Tangible personal property shipped by a seller from a location outside Wisconsin, or
- Tangible personal property where the purchaser or the purchaser's agent first receives possession of the property from the seller at a location outside Wisconsin.

"Used" has the meaning of the term "use" in [sec. 77.51\(22\), Wis. Stats.](#)

**Example 5:** Printer is primarily engaged in commercial printing as described in NAICS code 323111. Company contracts with Advertising Agency to produce finished art that represents Company holiday catalog and to furnish the finished art to Printer in the formats specified by Printer. Company contracts with Printer to print and mail the catalogs to addresses Company furnishes to Printer. Printer uses these files in the printing of the catalog. Printer owns servers that it devotes to storing the finished art files it receives from its customers. The servers are exempt under sec. 77.54(61), Wis. Stats.

**Example 6:** Printer is primarily engaged in the printing and binding of books, as described in NAICS code 323117. Publisher enters into a contract with Printer to print and bind one of Publisher's books. Publisher provides Printer with the finished art files in the formats specified by Printer. Printer has computer programs that translate the finished art files into files that are sent to and used by a plate-making machine to make the plates for printing the book, and into files that are sent to and used by the printing press to print the pages in the book. The computers and servers used by Printer to store the finished art files furnished by Publisher as well as to store the files generated by Printer for the plate-making machine and printing press, are exempt under sec. 77.54(61), Wis. Stats.

**Example 7:** Printer has printing plants in Wisconsin and Minnesota. Printer places an order for office supplies from an out-of-state seller. The office supplies are delivered to its location in Wisconsin. The office supplies are to be used in its offices in Wisconsin and Minnesota. Printer sets aside the office supplies it will deliver to its Minnesota office, and delivers these supplies to that office one week later. During the week the office supplies being sent to Minnesota are in Wisconsin and prior to being delivered to Minnesota, the office supplies were only stored, remained idle, and were not used by Printer. Printer's purchase of the office supplies delivered to it in Wisconsin and then delivered by Printer to its office in Minnesota are exempt under sec. 77.54(61), Wis. Stats.

**Example 8:** Printer has printing plants in Wisconsin, Iowa, and Indiana. Printer is primarily engaged in activities described by NAICS code 323111. Printer is moving a printing press from its Indiana plant to its Iowa plant. The printing press was originally purchased by Printer in Indiana. The printing press is used exclusively and directly by Printer in manufacturing. Printer has the press shipped to its Wisconsin facility. The press is in Wisconsin for not more than 180 days before it is transported to Iowa. While in Wisconsin, Printer performs repairs to the press. Printer's purchase of the printing press is not exempt from Wisconsin use tax under sec. 77.54(61), Wis. Stats. Repair of the press while in Wisconsin is a use of the press in Wisconsin by the printer. However, in this case, Printer is not liable for Wisconsin use tax relating to its purchase of the printing press as the printing press is an exempt manufacturing machine under sec. 77.54(6)(am)1., Wis. Stats.

## **XV. WASTE TREATMENT FACILITIES**

Section 77.54(26), Wis. Stats., provides an exemption for waste treatment facilities, which reads as follows:

“The sales price from the sales of and the storage, use, or other consumption of tangible personal property and items and property under s. 77.52 (1) (b) and (c) which becomes a component part of an industrial waste treatment facility that is exempt under s. 70.11 (21) or that would be exempt under s. 70.11 (21) if the property were taxable under ch. 70, or tangible personal property and items and property under s. 77.52 (1) (b) and (c) which becomes a component part of a waste treatment facility of this state or any agency thereof, or any political subdivision of the state or agency thereof as provided in s. 40.02 (28). The exemption includes replacement parts therefor, and also applies to chemicals and supplies used or consumed in operating a waste treatment facility and to purchases of tangible personal property and items and property under s. 77.52 (1) (b) and (c) made by construction contractors who transfer such property to their customers in fulfillment of a real property construction activity. This exemption does not apply to tangible personal property and items and property under s. 77.52 (1) (b) and (c) installed in fulfillment of a written construction contract entered into, or a formal written bid made, prior to July 31, 1975.”

### **A. Property Must Meet Requirements**

#### **1. Industrial Waste Treatment Facilities**

The sales and use tax exemption is contingent on the industrial waste treatment facility property meeting the requirements for exemption from property taxes under sec. 70.11(21), Wis. Stats.

2. Public Utilities Subject to Tax Under Chapter 76, Wis. Stats.

The sales and use tax exemption is contingent on the industrial waste treatment facility property being formally approved by the Department of Revenue as meeting the requirements for exemption from property taxes under sec. 70.11(21), Wis. Stats.

Public utilities subject to tax under Chapter 76, Wis. Stats., include all railroad companies, all conservation and regulation companies, all sleeping car companies, all air carriers and all pipeline companies.

See [sec. Tax 6.40, Wis. Adm. Code](#), for additional information.

3. Governmental Waste Treatment Facilities

Government waste treatment facilities include (a) wastewater treatment facilities, (b) material recovery facilities (c) sanitary landfills, and (d) groundwater facilities.

Construction materials which become a component part of a government waste treatment facility may be purchased without tax by contractors pursuant to the standards set forth in [sec. Tax 11.11\(3\), Wis. Adm. Code](#).

**B. Contractors and Subcontractors**

The sales and use tax exemption applies to purchases of tangible personal property and items or property described in Part III.B and C., by a contractor-installer who (a) incorporates this property or item into a qualifying waste treatment facility as part of a real property construction activity or (b) resells the property as tangible personal property or an item or property described in Part III.B. or C., which qualifies as a waste treatment facility as installed by the contractor. The contractor-installer should certify the intended exempt use of the property or item to the seller in order to relieve the seller of the duty of collecting and reporting the tax on the sale. [Form S-211, Wisconsin Sales and Use Tax Exemption Certificate](#), may be used for this purpose.

A contractor-installer's purchases of property or items used or consumed in the performance of the contract where such items do not become a component part of an exempt waste treatment facility are subject to the tax. This includes purchases of industrial gases, form lumber, tunnel shields, supplies used by the contractor during construction, and equipment purchased or leased to perform a construction or installation job relating to the exempt waste treatment facility. It also includes tangible personal property purchased by the contractor-installer who incorporates this property into real property which is related to but not a component part of, the exempt waste treatment facility itself.

**C. Repair Services and Chemicals and Supplies**

Charges for repair, service, alteration, fitting, cleaning, painting, coating, inspection and maintenance of exempt waste treatment facilities are not subject to tax. Charges for repair and replacement parts for an exempt waste treatment facility are exempt. Chemicals and supplies used or consumed to carry out the treatment process are also exempt. Supplies include fuel and electricity.

**D. Claiming the Sales Tax Exemption**

A purchaser of construction or repair materials for an exempt waste treatment facility, or chemicals and supplies used to operate an exempt waste treatment facility, is responsible for furnishing the seller of such items with a fully completed exemption certificate, identifying the proposed exempt use of the items purchased. If the seller does not receive a fully completed exemption certificate from the purchaser, the seller remains liable for Wisconsin sales tax on its sales of tangible personal property. See Part XVI. for additional information.

*Example:* Printer uses a web-offset printing press and heat-set inks. As the ink dries, it gives off volatile organic compounds (VOCs) that cannot be released to the outside air without first being treated. Printer purchases a regenerative thermal oxidizer unit operating on natural gas to treat the VOCs. The unit is used exclusively and directly in the treatment of the VOCs for the purpose of abating air pollution. Printer's purchase of the regenerative thermal oxidizer unit is exempt as an industrial waste treatment facility. Printer's purchases of natural gas used in the operation of the unit are exempt as a supply used to operate the unit (i.e., the waste treatment facility). Printer should furnish fully completed exemption certificates to the sellers of the unit and natural gas to avoid being charged tax on its purchases of these items.

## **XVI. WASTE REDUCTION OR RECYCLING ACTIVITIES**

### **A. Statutory Language**

Section 77.54(5)(c), Wis. Stats., exempts the sales price from the sale of and the storage, use or other consumption of:

“Motor vehicles which are not required to be licensed for highway use and which are exclusively and directly used in conjunction with waste reduction or recycling activities which reduce the amount of solid waste generated, reuse solid waste, recycle solid waste, compost solid waste or recover energy from solid waste. For purposes of this paragraph, ‘solid waste’ means garbage, refuse, sludge or other materials or articles, whether these materials or articles are discarded or purchased, including solid, semisolid, liquid or contained gaseous materials or articles resulting from industrial, commercial, mining or agricultural operations or from domestic use or from public service activities.”

Section 77.54(26m), Wis. Stats., provides a sales and use tax exemption for:

“The sales price from the sale of and the storage, use or other consumption of waste reduction or recycling machinery and equipment, including parts therefor, exclusively and directly used for waste reduction or recycling activities which reduce the amount of solid waste generated, reuse solid waste, recycle solid waste, compost solid waste or recover energy from solid waste. The exemption applies even though an economically useful end product results from the use of the machinery and equipment. For purposes of this subsection, ‘solid waste’ means garbage, refuse, sludge or other materials or articles, whether these materials or articles are discarded or purchased, including solid, semisolid, liquid or contained gaseous materials or articles resulting from industrial, commercial, mining or agricultural operations or from domestic use or from public service activities.”

### **B. Exclusively and Directly Used Requirement**

To qualify for the exemption, machinery, equipment, and motor vehicles not required to be licensed for highway use must be used directly and exclusively in the waste reduction and recycling activities which reduce the amount of solid waste generated, reuse solid waste, recycle solid waste, compost solid waste, or recover energy from solid waste.

The sales price from the sale, lease, or rental of waste reduction or recycling machinery and equipment, including parts therefor, exclusively and directly used for waste reduction or recycling activities, and motor vehicles not required to be licensed for highway use used in such activities, are exempt from the sales and use tax.

Any machinery, equipment, or motor vehicle not required to be licensed for highway use which is not used to reduce the amount of solid waste generated, reuse solid waste, recycle solid waste, compost solid waste, or recover energy from solid waste is not exempt, even though such machinery, equipment or motor vehicle may be indirectly related to waste reduction or recycling. For example, a baler and a conveyor which transports scrap paper

trimmings from a paper manufacturing process to the baler, which bales the scrap paper before it is disposed of in a landfill, are not exempt waste reduction or recycling machinery or equipment. However, such machinery or equipment may be exempt as manufacturing machinery or equipment under sec. 77.54(6)(am)1., Wis. Stats., if the scrap paper is resold or is otherwise given value as a by-product rather than being disposed of in a landfill. See Part VIII.

Containers used to collect and transport recyclable materials to a recycling plant are not used directly in the waste reduction or recycling process. Similar taxable items include a can crusher used in a household, a paper shredder in an office used to destroy confidential records, a freon recovery unit used to collect and store freon gas recovered from air conditioning units, and a milling machine used to grind a roadway smooth when the ground up materials are not reused.

Items that qualify for the exemption include equipment that produces fuel cubes by shredding paper and adding chemical agents, a refrigerant recovery unit used to recover refrigerant from air conditioning units and put the recovered refrigerant back into an air conditioning unit, a milling machine that is used to grind old pavement when the ground up materials are reused in constructing new roadways, equipment used to remove impurities from lubrication oil used in manufacturing machines so that the oil can continue to be used by the manufacturer, and a system used exclusively to burn used oil to produce heat for hot water.

## **XVII. EXEMPTION CERTIFICATES – SELLERS’ AND PURCHASERS’ RESPONSIBILITIES**

### **A. Basic Consideration**

The sales tax law provides a presumption that all of a retailer's receipts from its sales of taxable products and services are subject to the sales tax until the contrary is established. The use tax law provides a presumption that taxable products and services sold by any person for delivery into Wisconsin are sold for storage, use or consumption in Wisconsin until the contrary is established. For both sales and use tax purposes, the burden of proving that a sale or purchase is not at retail or is otherwise exempt from tax, is upon the person who makes the sale, unless that person making the sale accepts, from the purchaser, an electronic or paper exemption certificate, in the manner prescribed by the Department of Revenue, to the effect that the property, item, good or service is purchased for resale or is otherwise exempt. In lieu of an exemption certificate, the following information may be captured and maintained by the seller's accounting system to prove an exemption:

- Name and business address of the purchaser.
- Purchaser's state tax identification number and state of issue. If the purchaser does not have a state tax identification number then the purchaser's federal employer identification number is needed. If the purchaser does not have a federal employer identification number then the purchaser's personal driver's license number and state of issue is needed.
- Purchaser's type of business.
- The reason for the claimed exemption.

Additional information on exemption certificates is available is [Publication 203](#): Sales and Use Tax Information Manufacturers, Part XV., and in [sec. Tax 11.14, Wis. Adm. Code](#).

### **B. Direct Pay Permits**

The holder of a direct pay permit may purchase certain taxable products and services without Wisconsin sales or use tax. If the taxable products or services purchased using the direct pay permit are stored, used, or consumed in Wisconsin in a taxable manner, the purchaser must report and pay Wisconsin use tax based on the purchase price of the property, item, good, or service subject to tax.

Information on who is eligible and how to apply for a direct pay permit is found in [sec. Tax 11.13, Wis. Adm. Code](#).

When purchasing items using a direct pay permit, the purchaser must furnish the seller with (a) a copy of its direct pay permit or (b) a statement that the purchaser holds a direct pay permit, the permit number, and the date the permit was issued.

A seller who accepts a direct pay permit may make sales to the permit holder without tax, except for those items specifically excluded from direct pay by [sec. Tax 11.13\(6\)\(a\) and \(b\), Wis. Adm. Code](#). If a manufacturer uses an item purchased using a direct pay permit in a taxable manner, the manufacturer is subject to Wisconsin use tax on the purchase price of the item.

### C. Misuse of Exemption Certificates

A purchaser who certifies to a seller that the sale of a taxable product or service is exempt, knowing at the time of purchase that it is not exempt, for the purpose of evading the tax applicable to the transaction, is guilty of a misdemeanor.

A purchaser who uses an exemption certificate in a manner that is prohibited by or inconsistent with Wisconsin law or who provides incorrect information to a seller or certified service provider relating to an exemption being claimed will be subject to a penalty of \$250 for each invoice or bill of sale related to the prohibited or inconsistent use to which the incorrect information applies.

## XVIII. TAXABLE PURCHASES OF PRODUCTS BY PRINTERS

Taxable products purchased by printers include, but are not limited to:

- Office supplies: (paper, pencils, pens, markers, folders, CDs, staples, paperclips, sticky notes, tape).
- Office equipment, including computers, computer monitors, prewritten computer programs, computer cabling, staplers, tape dispensers, telephones, telephone wiring, CD burners, bookcases, file cabinets, portable cubicles not permanently attached to real property, desks, and chairs).
- Prerecorded training videos, whether purchased on a DVD or accessed or obtained electronically (i.e., as a digital audio visual work). See [Publication 240: Digital Goods](#), for additional information.
- Electricity used for general lighting in administrative offices and the manufacturing plant, used to power office equipment, used for general office heating and cooling, and used for general manufacturing plant heating and cooling.
- Fuel consumed in providing general heating for an office building, a manufacturing plant, or consumed in the operation of forklifts outside the scope of the manufacturing process.
- Equipment related to but not within the scope of the manufacturing process, including computers, computer monitors, prewritten computer programs, servers and computer cabling which are used to receive, store, and transmit digital print files to and from customers and storage tanks used to hold ink.
- Tangible personal property and items described in Part III.B., becoming an ingredient or component part of an article of tangible personal property or property or item described in Part III.B. or C., or which is consumed, destroyed, or loses its identity in the manufacture of tangible personal property or property or item described in Part III.B. or C., **not offered for sale** including developing chemicals, and paper and ink used to manufacture printed material which will be consumed in Wisconsin by the printer itself, unless the article being printed is a newspaper, shoppers guide, or periodical.

- Equipment used to maintain manufacturing equipment and the manufacturing plant, including floor sweepers, vacuum cleaners, and tools used to repair exempt manufacturing equipment.
- Equipment used to provide warehouse services.

## **XIX. TAXABLE PURCHASES OF SERVICES BY PRINTERS**

Taxable purchases of services by printers include, but are not limited to:

- Services for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance of all items of tangible personal property and property, items, and goods described in Part III.B. to D., which are of a type the printer **could not** purchase without tax at the time the service is performed, including services to office equipment, motor vehicles used for highway use, and forklifts not used exclusively and directly in a manufacturing process.
- Services for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance, but not the complete replacement of, property which is deemed to be tangible personal property for the purpose of providing any of the services to tangible personal property indicated above. (Examples include: Furnaces for general building heating; air conditioning units used for general building cooling; lighting fixtures; carpeting; bathroom fixtures; burglar alarms and fire alarm fixtures; and built-in refrigerators, stoves and microwaves installed in an employee break area. See Part III.A. of Publication 207, *Sales and Use Tax Information for Contractors*, for a complete listing of these items).
- Landscaping services, including lawn mowing; flower bed planting and maintenance; autumn leaf collection, and tree and shrub services.
- Internet access services.

## **XX. EXEMPT PURCHASES OF PROPERTY, ITEMS, AND GOODS BY PRINTERS**

Exempt purchases by printers include, but are not limited to:

- Machinery and processing equipment, including repair parts, replacements, and safety attachments therefore, used exclusively and directly by the printer in manufacturing tangible personal property or property or items described in Part III.B and C., including printing presses, air compressors, computers and plate making equipment used in computer-to-plate imaging, and pallets and lift trucks used to transfer work-in-process from one point to another point within the same plant.
- Tangible personal property or item described in Part III.B., becoming an ingredient or component part of an article of tangible personal property or item or property described under Part III.B. or C., destined for sale including paper, ink, book covers, staples, glue.
- Tangible personal property or an item described in Part III.B., which is consumed, destroyed or loses its identity in the manufacture of tangible personal property or item or property described in Part III.B. or C., in a any form destined for sale, including waste paper and ink, solutions used to clean printing plates, cloths used to clean printing plates, lubricants for exempt manufacturing machines, and chemicals used in developing printing plates.
- Fuel and electricity consumed in manufacturing printed materials in Wisconsin.
- Fuel and electricity used by a printer to manufacture steam.
- Machinery and equipment used exclusively and directly in qualified research. (See Part XII. of Publication 203: *Sales and Use Tax Information for Manufacturers*, for additional information).



- Tangible personal property, including fuel and electricity, consumed, destroyed, or losing its identity while being used exclusively and directly in qualified research.
- Fuel and electricity used to operate a waste treatment facility described in Part XIV.
- Printed material which is designed to advertise and promote the sale of the printer's merchandise or to advertise the services of the printer, where the printed material is purchased and stored for the purpose of subsequently transporting it outside of Wisconsin by the purchaser for use thereafter solely outside of Wisconsin.
- Raw materials used for the processing, fabricating, or manufacturing of, or the attaching or incorporation into, printed materials that are transported and used solely outside of Wisconsin, including paper, ink, staples and mailing envelopes used by the printer to print materials which the printer will mail, free of charge, to potential customers located outside of Wisconsin and paper and ink used by a printer to print its own letterhead which will be mailed to and used outside of Wisconsin.
- Packaging and shipping materials for use in packing, packaging or shipping tangible personal property, when such items are used by the purchaser to transfer merchandise to customers, including cardboard boxes, bubble wrap, shrink wrap, strapping tape, and mailing labels used to ship books to the purchaser.

## XXI. EXEMPT PURCHASES OF SERVICES BY PRINTERS

Exempt purchases by printers include, but are not limited to:

- Services for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance of all items of tangible personal property which are of a type the printer **could** purchase without tax at the time the service is performed: (Examples include: Services to machinery and processing equipment used exclusively and directly in manufacturing tangible personal property; services to tangible personal property held by the printer for sale to customers; services to property which qualifies as a waste treatment facility as described in Part XIV.; and property which is waste reduction or recycling equipment as described in Part XV.).
- Services to real property, including installing a new furnace for general building heating, painting a building, shingling a roof, repairing a loading dock, installing new carpet in a room, pest control services to a building, and the plowing, salting, or sanding of parking lots.
- Other services which are not specifically subject to tax, and are not related to a sale of tangible personal property, including accounting services, legal services, moving services, transportation services, medical services, engineering services, and waste disposal services.

## XXII. TAXABLE SALES BY PRINTERS

The following sales by printers are taxable unless an exemption applies. This list is not all-inclusive:

1. Finished manufactured goods such as magazines, calendars, pamphlets, books, greeting cards, and advertising brochures.
2. Advertising supplements sold to persons who are not a newspaper.
3. Soda to employees through a vending machine owned and operated by the printer.
4. Business assets, including motor vehicles.
5. Lease, rental, or license of taxable products. Example: A printer's receipts from payments by an employee to the printer/employer for the employee's personal use of a vehicle furnished by the printer to its employee are taxable.

6. Services of printing or imprinting tangible personal property, or items or property described in Part III.B or C., furnished by the customer.

### **XXIII. EXEMPT SALES BY PRINTERS**

The sales price a printer receives from its sales of taxable products and services are presumed to be subject to Wisconsin's sales tax, until it can be established otherwise. The burden of proving that a sale is not a taxable sale at retail is upon the person who makes the sale unless that person takes from the purchaser a fully completed exemption certificate (see Part XVI.) claiming that the property, item, good, or service is exempt.

The following articles of tangible personal property; items, property, and goods described in Part III.B. to D., and taxable services may be sold by the printer without tax:

1. Magazines, calendars, pamphlets, books, greeting cards, advertising brochures, and catalogs, sold for resale in the purchaser's normal course of business.
2. Magazines, calendars, pamphlets, books, greeting cards, advertising brochures, and catalogs, shipped by the printer to an out-of-state location where possession of the goods is transferred to the purchaser.
3. Printing or imprinting tangible personal property or items or property described in Part III.B and C., furnished by the customer where the printing or imprinting will result in printed materials, catalogs, or envelopes that are exempt under sec. 77.54(25) or (25m), Wis. Stats.
4. Products or taxable services to an entity which is exempt from paying Wisconsin sales or use taxes, such as:
  - (a) the federal government
  - (b) a Wisconsin state or local governmental unit, or
  - (c) any corporation, community chest fund, foundation or association organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals (the organization must provide printer with its Wisconsin Certificate of Exempt Status (CES) number).
5. Newspapers.
6. Advertising supplements sold to a newspaper for inclusion in one of that newspaper's publications.
7. Waste paper sold to a paper manufacturer who will recycle the paper into a new paper product for sale.
8. Printing services sold to another printer or business who will resell the printing services to its customer.

Additional information on recordkeeping requirements is provided in [Publication 201: Wisconsin Sales and Use Tax Information](#), Part IX.

## XXIV. QUESTIONS OR ADDITIONAL INFORMATION

### Department of Revenue Assistance

If you have a question about sales and use taxes, call, write, or email the department.

Visit our website . . . [revenue.wi.gov](http://revenue.wi.gov)

Email . . . [DORSalesandUse@revenue.wi.gov](mailto:DORSalesandUse@revenue.wi.gov)

Write . . . Wisconsin Department of Revenue  
Mail Stop 5-77  
PO Box 8946  
Madison, WI 53708-8946

Telephone . . . (608) 266-2776

### Collecting Sales or Use Tax on Advertising and Promotional Direct Mail (Advertising and Promotional Direct Mail is Exempt Beginning July 1, 2013)

A seller of advertising and promotional direct mail is required to collect sales or use tax based on the location where it was shipped from unless:

- The purchaser gives an exemption certificate claiming direct mail. The seller is not responsible for collecting Wisconsin sales or use tax. The purchaser is responsible for remitting Wisconsin state, county and stadium use tax based on the recipient's tax jurisdiction (county).
- The purchaser provides each recipient's tax jurisdiction information (i.e., county). The seller will collect Wisconsin, state, county and stadium tax based on the recipient's tax jurisdiction.

**Question:** What Wisconsin sales or use tax does a seller of advertising and promotional direct mail collect if recipients' addresses are provided as jurisdiction information and that information is insufficient to determine the correct county of the recipient, for example, only the 5-digit zip code is provided as part of the mailing address?

**Answer:** The seller should collect and remit **Wisconsin state** sales or use tax on sales of advertising and promotional direct mail to recipients with Wisconsin addresses. Since insufficient information is provided for the seller to collect the correct county and stadium tax, the seller should collect and remit county and stadium sales or use tax based on the county from which the advertising and promotional direct mail was shipped (assuming it is a Wisconsin county).

**Example 1:** Printer D, who holds a Wisconsin seller's permit, sells advertising and promotional direct mail to Business A. Ten percent (10%) of the advertising and promotional direct mail is delivered to recipients in Wisconsin. Business A gives Printer D a completed exemption certificate claiming the direct mail exemption. Printer D should not collect and remit Wisconsin state, county, or stadium sales and use taxes on its sale of the advertising and promotional direct mail to Business A.

Business A is subject to Wisconsin state, county and stadium use tax on 10% of the advertising and promotional direct mail delivered to recipients in Wisconsin. Business A is responsible for determining the correct county where each piece of direct mail was delivered.

**Example 2:** Printer S, who holds a Wisconsin seller's permit, sells 50,000 pieces of advertising and promotional direct mail to Company O. Printer S ships the direct mail from its printing plant in Minnesota to recipients both in and outside Wisconsin.

Company O provides Printer S with a list of 5-digit zip codes and number of mail pieces to be delivered to each zip code. Based on this information, Printer S determines that 40% of the advertising and promotional direct mail is to be delivered to recipients in Wisconsin, but the information is not sufficient to determine the county where each piece is delivered. A nine-digit zip code is necessary to determine the correct county.

Printer S should collect **Wisconsin state** sales and use tax on 40% of the advertising and promotional direct mail sold to Company O.

**Example 3:** Printer K sells 50,000 pieces of advertising and promotional direct mail to Company T. Printer K ships the direct mail from its printing plant in Waukesha County to a U.S. Post Office in Milwaukee County for mailing to recipients both in and outside Wisconsin.

Company T provides Printer K with a list of 5-digit zip codes and number of mail pieces to be delivered to each zip code. Based on this information, Printer K determines that 40% of the advertising and promotional direct mail is to be delivered to recipients in Wisconsin, but the information is not sufficient to determine the county where each piece is delivered. A nine-digit zip code is necessary to determine the correct county.

Printer K should collect **Wisconsin state and baseball stadium** sales and use tax on 40% of the advertising and promotional direct mail sold to Company T. Printer K shipped the advertising and promotional direct mail from Waukesha County. Waukesha County has no county sales and use tax, but it is a part of the baseball stadium district.

**Example 4:** Printer P, who holds a Wisconsin seller's permit, sell's 100,000 pieces of advertising and promotional direct mail to Company Z. Printer P prints and ships the direct mail from its plant in La Crosse County.

Company Z provides Printer P a list of all Wisconsin counties, and the number of mail pieces to be delivered to recipients in each county (35,000 total), along with a statement that all of the remaining flyers (65,000) be delivered to recipients outside Wisconsin.

Printer P should collect and remit **Wisconsin state, county and stadium** sales or use tax on 35,000 pieces of direct mail, as applicable, based on the county list provided by Company Z.