



TAX REPORT

SALES / USE TAX

WISCONSIN DEPARTMENT of REVENUE

JUNE, 1978

SUBSCRIPTIONS TO RULES

Administrative rules are adopted by the Department, following a procedure established by statutes. They provide tax practitioners, members of the business community and other members of the public with the Department's interpretations of the tax laws. They also provide more detailed information regarding the tax status of various transactions that are not set forth in the law. Some rules provide taxpayers with specific instructions to follow to comply with the law.

Rules of the Department of Revenue which are part of the Wisconsin Administrative Code are available on a subscription basis. The charge for the booklet containing rules currently in effect is \$1.20, and the annual calendar year subscription service to keep the booklet up to date is an additional \$1.20.

Renewal notices are sent to subscribers in December of each year. Renewal rates currently are \$1.20 per year.

Subscriptions to the rules may be obtained by sending a request and the appropriate sum of money to:

Department of Administration
Document Sales Section
202 South Thornton Avenue
Madison, Wisconsin 53702

TAXABLE TRANSPORTATION CHARGES

When a retailer charges a purchaser for the delivery of goods (sales of which are subject to the tax), the retailer's total charge, including any transportation charge, is subject to the sales or use tax. It is immaterial whether delivery is made by the seller's vehicle, a common or contract carrier, or the United States Postal Service.

The correct tax computation to be shown on an invoice where the retailer charges the purchaser for delivery of the goods is shown in the following example:

Merchandise	\$100.00
Delivery Charge	10.00
Subtotal	\$110.00
Tax at 4% (\$110 x 4%)	\$ 4.40

A Wisconsin consumer who purchases taxable goods for use in Wisconsin without tax, is subject to the use tax based on the "sales price" of the goods. The "sales price" includes transportation charges paid by the Wisconsin consumer to the supplier for shipment of the goods.

RECORDS AND RECORD KEEPING

Because rule Tax 11.92, entitled "Records and record keeping", affects most persons reading this publication, the full text of the rule is reproduced below:

Tax 11.92 Records and record keeping. (sections 77.52 (13), 77.60 (8), 77.61 (4) (a) and (9), Wis. Stats.) (1) GENERAL. All persons selling, leasing or renting tangible personal property or taxable services and every person storing, using or otherwise consuming in this state tangible personal property or taxable services shall keep adequate and complete records so that they may prepare complete and accurate tax returns. These records shall include the normal books of account ordinarily maintained by a prudent business person, together with all supporting information such as beginning and ending inventories, records of purchases and sales, cancelled checks, bills, receipts, invoices (which shall contain a posting reference), cash register tapes, credit memoranda (which shall carry a reference to the document evidencing the original transaction) or other documents of original entry which are the basis for the entries in the books of account, and schedules used in connection with the preparation of tax returns. Such records shall show:

(a) The gross receipts from sales of tangible personal property or taxable services, or rentals or leases of tangible personal property (including any services that are a part of the sale or lease) made within Wisconsin irrespective of whether the seller or lessor regards the receipts as taxable or nontaxable.

(b) The basis for all deductions claimed in filing returns, including resale and exemption certificates obtained from customers. Exempt sales to governmental units and public schools need not be supported by exemption certificates, if the supplier retains a copy of the exempt entity's purchase order. Sales to organizations holding a certificate of exempt status (e.g., religious or charitable organizations) can be shown to be exempt by recording the exemption certificate number on the seller's copy of the bill of sale. All other exempt sales must be supported by an exemption certificate signed by the purchaser and retained by the seller, unless the merchandise sold is specifically exempted by statute regardless of use (such as groceries). Documents necessary to support claimed exemptions from tax liability, such as bills of lading and purchase orders, must be maintained in a manner in which they readily can be related to the transactions for which exemption is sought.

(c) Total purchase price of all tangible personal property or taxable services purchased for sale or consumption or lease in this state.

(2) **MICROFILM RECORDS.** Microfilm (including microfiche) reproductions of general books of account (such as cash books, journals, voucher registers and ledgers) and supporting records of detail shall be acceptable if the following conditions are met:

(a) Appropriate facilities are provided for preservation of the films for periods required.

(b) Microfilm rolls are indexed, cross referenced, labeled to show beginning and ending numbers or beginning and ending alphabetical listing of documents included and are systematically filed.

(c) Transcriptions are provided for any information contained on microfilm which may be required for purposes of verification of tax liability.

(d) Proper facilities are provided for the ready inspection and location of the particular records, including adequate projectors for viewing and copying the records.

(3) **RECORDS PREPARED BY AUTOMATED DATA PROCESSING (ADP) SYSTEMS.** An automatic data processing (ADP) tax accounting system shall have the capability of producing visible and legible records which will provide the necessary information for verification of the taxpayer's tax liability.

(a) *Recorded or reconstructible data.* ADP records shall provide an opportunity to trace any transaction back to the original source or forward to a final total. If detailed printouts are not made of transactions at the time they are processed, then the system must have the ability to readily reconstruct these transactions.

(b) *General and subsidiary books of account.* A general ledger, with source references, shall be written out to coincide with financial reports for tax reporting periods. Where subsidiary ledgers are used to support the general ledger accounts, the subsidiary ledgers shall also be written out periodically.

(c) *Audit trail and supporting documents.* The audit trail shall be designed so that the details underlying the summary accounting data may be identified and made available to the department upon request. The record keeping system should be so designed that supporting documents (such as sales invoices, purchase invoices, exemption certificates, credit memoranda) shall be readily available.

(d) *Program documentation.* A written description of the ADP portion of the accounting system shall be available. Important changes, together with their effective dates, shall be noted in order to preserve an accurate chronological record. The statements and illustrations as to the scope of operations shall be sufficiently detailed to indicate:

1. The application being performed.
2. The procedures employed in each application.
3. The controls used to ensure accurate and reliable processing.

(4) **RECORDS RETENTION.** The records shall be preserved and retained for the 4-year period open to audit under s. 77.59 (3), Wis. Stats. If any agreement is entered into to extend the 4-year audit period, the records shall be preserved for that extended period. If a notice of tax determination has been issued to the taxpayer by the department and if the tax-

payer files a petition for redetermination, the records for the period covered by the notice of the tax determination shall be preserved and retained until such tax redetermination has been finally resolved.

(5) **EXAMINATION OF RECORDS.** All records described in this section shall be made available for examination by the department at its request.

(6) **FAILURE TO MAINTAIN RECORDS.** In the absence of suitable and adequate records, the department may determine the amount of the tax due by using any information available, whether obtained from the taxpayer's records or from any other source. Failure to maintain and keep complete and accurate records may result in penalties or other appropriate action provided by law.

Note: The interpretations in this rule are effective under the general sales and use tax law on or after September 1, 1969.

History: Cr. Register, July, 1977, No. 259, eff. 8-1-77.

WHEN THE AUDITOR CALLS

The Wisconsin Sales and Use Tax Law authorizes the Department of Revenue to audit records and property of persons to verify the accuracy of tax returns filed.

When the auditor or an auditor's supervisor contacts you regarding a field audit, the time and place of the audit can be arranged at your convenience during normal working hours. The purpose of a field audit is usually to verify tax returns which you have filed by comparing these returns with your books and records and supporting documents such as invoices, exemption certificates, cash register tapes and other documents. Schedules or working papers which have been used in the preparation of the tax returns may assist in this verification.

The auditor will attempt to complete the audit with the least possible inconvenience to you. If additional information is needed before the audit can be completed, you will be informed as to the nature of the information and given a reasonable period of time to provide it.

Upon the completion of the audit, the auditor will discuss his or her findings with you or anyone you designate (such as your accountant), and will answer any questions you may have concerning the audit or the application of the law relating to your business activities. You will be explained the appeal procedures in the event you are not in agreement with the auditor's findings.

Because of the importance of your books and records and supporting documents in confirming the accuracy of tax returns which you have filed, it is important that you retain these documents for at least 4 years from the due date of the sales tax annual information return.