

TAX REPORT

Sales/Use Tax

MARCH 1988

1-88

I. COUNTY TAX BEGINS APRIL 1, 1988, IN SIX ADDITIONAL COUNTIES

Beginning April 1, 1988, there will be a 1/2% county sales and use tax in 18 counties—Ashland, Barron, Buffalo, Door, Dunn, Iowa, Jackson, Langlade, Lincoln, Marathon, Oneida, Pierce, Polk, Sawyer, St. Croix, Rusk, Vilas, and Walworth.

Ashland, Door, Langlade, Pierce, Polk, and Vilas are the six new counties which adopted the tax, effective April 1, 1988. The other 12 counties had a county tax during the period April 1, 1987, through March 31, 1988. Barron and Dunn were the only 2 counties which had the county tax beginning April 1, 1986.

Retailers who make sales which are subject to the 1/2% county tax in these 18 counties will collect 5 1/2% sales tax on such retail sales - 5% state sales tax and 1/2% county tax.

A. SALES AND USE TAX RETURN REVISED

Both the state tax and the county tax are reported by retailers on their sales and use tax returns which are filed with the Department of Revenue. The return has been revised to include entry areas for county sales and use tax for each of the 18 counties.

Monthly Filers - The revised return will first be filed by monthly filers beginning for the month of April 1988. The April 1988 return will be sent to monthly filers during the last week of April 1988.

Quarterly Filers - The revised return will be filed for quarterly periods ending in April 1988 and thereafter. It will be sent to quarterly filers during the last week of the quarterly period.

Annual Filers - The revised return will be filed for years ending in April 1988 and thereafter. It will be sent to annual filers during the last week of the reporting year.

B. HOW COUNTY TAX APPLIES TO YOU

Read the December 1987 TAX REPORT which was sent to you in late December 1987. It describes the types of property and services which are subject to county taxes, which retailers are liable for county taxes and it also contains other important information.

Retailers who are not located in any of the 18 taxable counties may still be subject to the county tax if they deliver property or taxable services into these counties or are in some other

way engaged in business in any of these counties. Part III.B. of the December 1987 TAX REPORT explains when a retailer is "engaged in business" in a taxable county.

C. OTHER SPECIAL PROVISIONS

Contractors

A contractor is liable for county use tax on tangible personal property used in constructing, altering, repairing or improving real property and which becomes a component part of real property in a taxable county, unless the contractor paid county sales tax to the seller when purchasing the tangible personal property.

Motor Vehicles, Boats, Etc.

A county use tax is imposed upon every motor vehicle, boat, snowmobile, mobile home 45 feet or less in length, trailer, semi-trailer, all-terrain vehicle, or aircraft if (a) that property must be registered or titled with the State of Wisconsin and (b) if that property is to be customarily kept in a taxable county.

Dealers of Motor Vehicles, Boats, etc.: See Part IV.C. of the December 1987 TAX REPORT which explains how the county tax applies to purchases from dealers.

D. COLLECTING COUNTY TAX FROM CUSTOMERS - THE BRACKET SYSTEM

To separately state the 5% Wisconsin state tax and 1/2% county tax when passing these taxes on to customers, retailers must use the bracket system. See Part VI. of the December 1987 TAX REPORT for additional information on the bracket system.

E. KEEP ACCURATE RECORDS

Retailers engaged in business in a taxable county must keep records showing the amount of their taxable receipts subject to sales tax and purchases subject to use tax for each of the taxable counties.

F. ANY QUESTIONS

If you have any questions about the state or county sales or use tax, call or visit any local office of the Department of Revenue or write to: Wisconsin Department of Revenue, Post Office Box 8902, Madison, WI 53708; or call our Madison office at (608) 266-2776.

II. SALES TO GOVERNMENT AND OTHER EXEMPT ORGANIZATIONS AND THEIR EMPLOYEES

A. LAW

The Wisconsin sales and use tax law in s. 77.54(9a), 1985 Wis. Stats., provides an exemption for sales of tangible personal property and services to the following governmental agencies and nonprofit organizations:

1. State of Wisconsin or any agency thereof.
2. Any county, city, village, town, or school district in Wisconsin.
3. A county-city hospital established under s. 66.47, 1985 Wis. Stats.
4. A sewerage commission organized under s. 144.07(4), 1985 Wis. Stats., or a metropolitan sewerage district organized under ss. 66.20 to 66.26 or 66.88 to 66.918, 1985 Wis. Stats.
5. Any other unit of government in Wisconsin or any agency or instrumentality of one or more units of government in Wisconsin.
6. 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 (except hospital service insurance corporations under s. 613.80(2), 1985 Wis. Stats.) no part of the net income of which inures to the benefit of any private stockholder, shareholder, member, or corporation.

Sales to the United States and its incorporated or unincorporated agencies and instrumentalities are exempt from Wisconsin sales and use tax under s. 77.55(1), 1985 Wis. Stats.

B. TAX TREATMENT OF SALES OF MEALS AND LODGING

Restaurants, motels, and other retailers sell meals and lodging to the above governmental agencies and nonprofit organizations or to their employees under various situations. In order for a sale to such governmental agencies or nonprofit organizations to be exempt from Wisconsin sales and use tax, all of the following three conditions must occur:

1. The retailer (e.g., motel or restaurant) issues the billing or invoice for the meal or lodging in the name of the exempt entity.
2. The retailer receives from the exempt entity:
 - a. A purchase order or similar written document if the exempt entity is a governmental agency listed in 1 through 5 in Part A above, or is a United States agency or instrumentality, or
 - b. The Certificate of Exempt Status number of the exempt entity if it is a nonprofit organization described in 6 of Part A above. The retailer must enter this exempt status number on the retailer's copy of the invoice or billing document.
3. The retailer keeps a copy of the documents mentioned in Part B, 1 and 2 to substantiate that the sale was exempt from Wisconsin sales and use tax.

NOTE: If these three conditions are met, the sale to the

governmental agency or nonprofit organization is exempt from Wisconsin sales and use tax, regardless of whether such exempt entity or its employee pays the retailer for the sale of the meal or lodging.

The following examples illustrate various situations under which sales may be taxable or exempt.

Example 1: An employee of the State of Wisconsin purchased a meal and lodging in a motel. The billing is made in the employee's name and the employee pays the bill with his or her own funds. The employee is subsequently reimbursed by the employer (State of Wisconsin) for the amount of the meal and lodging.

Tax Status: This sale is taxable because it is a sale to the employee, rather than to the State of Wisconsin. (Note: This sale of the meal and lodging would still be taxable, even though the employee submitted a letter from the State of Wisconsin indicating that it would ultimately be responsible for the cost of the meal and lodging.)

Example 2: An employee of a church purchases a meal and lodging and gives the retailer the Certificate of Exempt Status number of the church. The billing is in the name of the church and the church directly pays the retailer for the meal and lodging.

Tax Status: This sale of the meal and lodging is exempt from sales tax under s. 77.54(9a), 1985 Wis. Stats., because the sale is considered to be made to the church, rather than to the employee. The retailer must record the church's Certificate of Exempt Status number on the billing to substantiate that the sale was an exempt sale to the church. (Note: This sale would still be exempt if the employee (rather than the church) paid the retailer and was subsequently reimbursed by the church.)

Example 3: An employee of an agency of the State of Minnesota purchases a meal and lodging and submits a letter to the retailer (which is placed in the retailer's files) indicating that the employee is traveling on agency business and funds are being provided to the employee to pay any expenses. The retailer's bill is made in the name of the Minnesota state agency.

Tax Status: This transaction is subject to sales tax because agencies of other states are not entitled to the exemption under s. 77.54(9a), 1985 Wis. Stats.

Example 4: A City of Madison employee, when purchasing a meal and lodging, submits a letter to the retailer from the city indicating that the employee is on city business and the city authorizes the employee to purchase meals and lodging relating to such city business. This letter is placed in the retailer's files. The retailer makes out the bill in the name of the City of Madison. The employee pays the bill with his or her own funds and is subsequently reimbursed by the city.

Tax Status: This is an exempt sale to the City of Madison under s. 77.54(9a), 1985 Wis. Stats.

Example 5: An employee of the federal government purchases lodging in a motel. The employee provided the motel with a letter from the federal agency (which is placed in the retailer's files) indicating the employee is traveling on agency business and the agency is responsible for payment of this employee's expenses. The billing is made out to the federal agency. The employee used a travel advance to pay for the lodging.

Tax Status: This sale is exempt from tax under s. 77.55(1), 1985 Wis. Stats., because it is considered a sale to the federal agency.