

SALES AND USE TAX EXEMPTIONS RELATING TO RAISING ANIMALS SOLD FOR USE IN QUALIFIED RESEARCH AND MANUFACTURING

Fact Sheet 2102

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Beginning January 1, 2012, a sales and use tax exemption is available for purchases of property used in raising animals sold for use in qualified research and manufacturing.

This fact sheet provides a general overview of the new exemption.

PROPERTY USED IN RAISING ANIMALS SOLD FOR USE IN QUALIFIED RESEARCH OR MANUFACTURING

Who may claim this exemption?

Persons that raise animals that are sold primarily to any of the following entities for exclusive and direct use by such entities in qualified research or manufacturing:

- A biotechnology business certified by the Wisconsin Department of Revenue
- A public or private institution of higher education
- A government agency

"Biotechnology business" means a business, as certified by the Wisconsin Department of Revenue, that is primarily engaged in the application of biotechnologies that use a living organism or parts of the organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

"Primarily" means more than 50%.

"Exclusive use" and "used exclusively" mean used to the exclusion of all other uses except for other use not exceeding 5% of total use.

"Qualified research" is defined in IRC sec. 41(d)(1), and means research:

- With respect to which expenditures may be treated as expenses under IRC sec. 174;
- Which is undertaken for the purpose of discovering information which is technological in nature;
- The application of which is intended to be useful in the development of a new or improved business component of the taxpayer; and
- Substantially all of the activities of which constitutes elements of a process of experimentation relating to a new or improved function, performance, reliability, or quality.

ALL four of the above tests must be met. These tests are applied separately to each business component of the taxpayer.

Note: Effective for purchases made on and after July 2, 2013, "qualified research" includes qualified research that is funded by a member of a combined group for Wisconsin income/franchise tax purposes for another member of the combined group. Prior to July 2, 2013, "qualified research" did not include qualified research funded by a member of a combined group for another member of a combined group.

"Combined group" means the group of all persons whose income and apportionment factors are required to be taken into account under sec. 71.255(2), Wis. Stats., to determine a member's share of the net business income or loss apportionable to Wisconsin that is attributable to a unitary business.

"Manufacturing" means the production by machinery of a new article of tangible personal property, or certain items, or property, 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, item or property to the point of first storage in the same plant.

How does a biotechnology business become certified by the Wisconsin Department of Revenue?

Form S-229: *Biotechnology Business Certification Request*, is available on the department's website at: revenue.wi.gov/forms/sales/index.html

What may be purchased exempt from Wisconsin sales and use tax?

The following items may be purchased exempt from tax when used exclusively and directly in raising animals when more than 50% of all of the animals raised by the purchaser are sold to biotechnology businesses, public or private institutions of higher education, and governmental agencies for exclusive and direct use by any such entity in qualified research or manufacturing.

- Machines and specific processing equipment, including accessories, attachments, and parts for the machines or equipment.
- Seeds for planting; plants; feed; fertilizer; soil conditioners; animal bedding; sprays, pesticides and fungicides; breeding and other livestock; poultry; farm work stock; baling twine and baling wire; containers for fruits, vegetables, grain, hay, silage, and animals wastes; plastic bags, plastic sleeves, and plastic sheeting used to store or cover hay or silage; drugs; semen for artificial insemination; fuel; and electricity.

How is this exemption claimed?

Purchasers claiming this exemption should complete [Form S-211](#): *Wisconsin Sales and Use Tax Exemption Certificate*. The purchaser provides a completed [Form S-211](#) to the seller at the time of purchase.

In addition, purchasers must make sure they are eligible to claim the exemption. They do so by obtaining and retaining information from their customers who are certified biotechnology businesses, public or private institutions of higher education, or government agencies, attesting to the number of animals purchased and used exclusively and directly by that customer in qualified research or manufacturing. [Form S-209](#): *Purchaser's Statement to Seller For Animals Used in Qualified Research or Manufacturing* may be used for this purpose.

ADDITIONAL INFORMATION

Additional information and examples are provided in [sec. 77.54\(57\)\(b\)3. and 4., Wis. Stats., Sec. Tax, 11.20, Wis. Adm. Code, and Internal Revenue Code Regulation sec. 1.41-4.](#)

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