

## Important Changes

- Calumet County tax begins April 1, 2018
- Brown County tax begins January 1, 2018
- Sheboygan County tax begins January 1, 2017
- Kewaunee County tax begins April 1, 2017
- Brown County football stadium tax ended September 30, 2015

# Newspaper Publishers

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

# TABLE OF CONTENTS

	<b>Page</b>
<b>I. INTRODUCTION</b> .....	3
<b>II. OBTAINING A SELLER'S PERMIT AND FILING RETURNS</b> .....	3
<b>A. Who Must Obtain a Seller's Permit?</b> .....	3
<b>B. When Should You Apply For a Seller's Permit?</b> .....	3
<b>C. Obtaining a Seller's Permit and Filing Returns</b> .....	3
<b>III. WHAT IS TAXABLE?</b> .....	3
<b>IV. WHAT IS A NEWSPAPER?</b> .....	4
<b>V. SALES BY NEWSPAPER PUBLISHERS</b> .....	4
<b>A. Taxable Sales</b> .....	4
<b>B. Exempt Sales</b> .....	5
<b>VI. PURCHASES BY NEWSPAPER PUBLISHERS</b> .....	6
<b>A. Taxable Purchases</b> .....	6
<b>B. Exempt Purchases</b> .....	6
<b>VII. NEWSPAPER PUBLISHERS AS MANUFACTURERS</b> .....	6
<b>A. Definition of "Manufacturing"</b> .....	6
<b>B. The Definition of "Manufacturing" As Interpreted By the Wisconsin Supreme Court</b> .....	7
<b>VIII. THE SCOPE OF MANUFACTURING</b> .....	8
<b>A. General Scope of Manufacturing</b> .....	8
<b>B. The Scope of Manufacturing in Newspaper Publishing</b> .....	8
<b>IX. EXEMPTION FOR MACHINES, SPECIFIC PROCESSING EQUIPMENT AND SAFETY ATTACHMENTS</b> .....	13
<b>A. Only Machines, Processing Equipment, Safety Attachments and Repair Parts Qualify for Exemption.</b> 15	15
<b>B. Real Estate Improvements Do Not Qualify for the Exemption</b> .....	15
<b>X. EXEMPTION FOR INGREDIENTS, COMPONENT PARTS AND ITEMS CONSUMED, DESTROYED, OR LOSING THEIR IDENTITY IN THE MANUFACTURE OF THE NEWSPAPER</b> .....	16
<b>A. General</b> .....	16
<b>B. Advertising Supplements Sold to Newspapers</b> .....	16
<b>XI. COMPUTERS, SERVERS, AND TEMPORARY STORAGE EXEMPTIONS</b> .....	17
<b>A. Who May Claim the Exemption?</b> .....	18
<b>B. What is Exempt?</b> .....	19
<b>XII. NONTAXABLE PURCHASES OF TANGIBLE PERSONAL PROPERTY BY NEWSPAPER PUBLISHERS</b> .....	20
<b>XIII. NONTAXABLE PURCHASES OF SERVICES BY NEWSPAPER PUBLISHERS</b> .....	24
<b>XIV. TAXABLE PURCHASES OF TANGIBLE PERSONAL PROPERTY BY NEWSPAPER PUBLISHERS</b> .....	24
<b>XV. TAXABLE PURCHASES OF SERVICES BY NEWSPAPER PUBLISHERS</b> .....	25
<b>XVI. RECORDKEEPING</b> .....	26
<b>A. General Records to Keep</b> .....	26
<b>B. Records to Keep - Exemption Certificates</b> .....	26
<b>C. Records to Keep - Sales to Exempt Organizations</b> .....	26
<b>D. Records to Keep - Buyer Holds Direct Pay Permit</b> .....	27
<b>XVII. IF YOU HAVE QUESTIONS</b> .....	27

## I. INTRODUCTION

This publication provides information regarding Wisconsin's state sales and use tax as it relates to newspaper publishers. It describes the nature of newspaper publishing, what types of purchases or sales by newspaper publishers are taxable or exempt, the scope of the manufacturing process for newspaper publishers, and what a newspaper publisher must do to comply with Wisconsin sales and use tax laws.

The information in this publication 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. Additional information about the county and stadium taxes can also be found in [Publication 201](#), *Wisconsin State and County Sales and Use Tax Information*, which is available from any Department of Revenue office, or online 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 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 SELLER'S PERMIT AND FILING RETURNS

### A. Who Must Obtain a Seller's Permit?

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

If a newspaper publisher makes only exempt sales, the newspaper publisher is not required to hold a Wisconsin seller's permit.

### B. When Should You Apply For a Seller's Permit?

Apply for a seller's permit at least three weeks before you open your business. If you buy an existing business, the seller's permit cannot be transferred to you. You must apply for a new permit. If you applied for a seller's permit before you opened your business but did not receive the permit at the time of opening the business, you are allowed to make retail sales. However, you are liable for the sales and use taxes and for keeping proper records from the date of opening the business.

### C. Obtaining a Seller's Permit and Filing Returns

See Part III. of [Publication 201](#), *Wisconsin State and County Sales and Use Tax Information*, for information about how to obtain a seller's permit. Information about filing sales and use tax returns is also provided in Part VIII. of [Publication 201](#).

## III. WHAT IS TAXABLE?

Sales, licenses, leases, and rentals of the following property, items, and goods 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 digital goods 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](#), *Digital Goods* for a description of the products that are included.

- E. Certain services are subject to Wisconsin sales and use taxes. For a list of taxable services, see Part X.B. of [Publication 201](#).

As used throughout this publication, the term "taxable products" refers to items described in Part III.A. to D., the term "taxable services" refers to the services referred to in Part III.E., and the term "taxable products and services" refers to Parts III.A. to E.

#### **IV. WHAT IS A NEWSPAPER?**

"Newspaper" is defined by sec. 77.51(8), Wis. Stats., as follows:

" 'Newspaper' means those publications which are commonly understood to be newspapers and which are printed and distributed periodically at daily, weekly or other short intervals for the dissemination of current news and information of a general character and of a general interest to the public. In addition, any publication which qualifies as a newspaper under s. [985.03\(1\)](#) is a newspaper. "Newspaper" also includes advertising supplements if they are printed by a newspaper and distributed as a component part of one of that newspaper's publications or if they are printed by a newspaper or a commercial printer and sold to a newspaper for inclusion in publications of that newspaper. A "newspaper" does not include handbills, circulars, flyers, or the like, advertising supplements not described in this subsection which are distributed with a newspaper, nor any publication which is issued to supply information on certain subjects of interest to particular groups, unless such publication otherwise qualifies as a newspaper within this subsection. In this subsection, advertising is not considered news of a general character and of a general interest.

Sales of newspapers are exempt under [sec. 77.54\(15\), Wis. Stats.](#)

See Part V.B., for further information about exempt sales of newspapers.

See Part X.B.2., for further information on when the sale of an advertising supplement is exempt as a sale of a "newspaper."

#### **V. SALES BY NEWSPAPER PUBLISHERS**

##### **A. Taxable Sales**

A newspaper publisher's receipts from sales of taxable products and services in Wisconsin are subject to sales tax, unless an exemption applies.

Listed below are examples of items commonly sold by a newspaper that are subject to tax, unless an exemption applies (this list is not all-inclusive):

- Printing and copying services
- Printed advertising materials, including flyers, brochures and catalogs
- Photographs, whether transferred electronically or in paper form
- Calendars
- Ends of the rolls of paper
- Used machinery and equipment
- Soda and candy
- Parking charges

## **B. Exempt Sales**

Although a newspaper publisher's receipts from sales of taxable products and services in Wisconsin are generally subject to sales tax, the following list contains examples of common items sold by a newspaper that would not be subject to tax (this list is not all-inclusive):

- Newspapers, whether individual sales or by subscription.

**Note:** Newspapers transferred electronically to the purchaser where the newspaper is an exact replica of the printed version of the newspaper are also exempt from Wisconsin sales and use tax. However, a newspaper transferred electronically to the purchaser that provides other items along with the newspaper such as digital audio works and digital audiovisual works, may be subject to tax.

**Example:** Newspaper sells a subscription to an electronic version of its newspaper. The electronic version of the newspaper is an exact replica of the printed edition of the newspaper. The charge for the electronic version of this newspaper is not subject to Wisconsin sales or use tax.

- Advertising space, whether in the printed newspaper or in the online newspaper.
- Printed advertising material sold to a purchaser who will subsequently transport them outside Wisconsin for use solely outside Wisconsin if the purchaser has provided a fully completed [Wisconsin Sales and Use Tax Exemption Certificate \(Form S-211\)](#), or [Streamlined Sales and Use Tax Agreement – Wisconsin Certificate of Exemption \(Form S-211-SST\)](#).

The exemption does not apply to printed advertising materials shipped to Wisconsin addresses for use in Wisconsin. It also does not apply to:

- parts price lists,
- parts stock order books and order forms,
- stocking and purchasing guides,
- stockholders' annual reports or proxy statements,
- display racks,
- 3-dimensional plastic items designed to be used by sellers,
- envelopes which do not contain exempt advertising,
- matchbooks,
- calendars and calendar pads,

- desk pads,
- folders and binders,
- golf balls, and
- playing cards.

**Note:** Printing services that result in exempt printed advertising materials are also exempt from tax. Paper used in exempt printed advertising materials is exempt under [sec. 77.54\(43\), Wis. Stats.](#) See Part X. for additional information about certain raw materials that may qualify for exemption.

- Sales of printed materials the purchaser will resell if the purchaser has provided a fully completed [Wisconsin Sales and Use Tax Exemption Certificate \(Form S-211\)](#), or [Streamlined Sales and Use Tax Agreement – Wisconsin Certificate of Exemption \(Form S-211-SST\)](#).
- Sales of certain catalogs and the envelopes in which the catalogs are mailed. See Part XII. for information about catalogs and their mailing envelopes that may qualify for this exemption.
- Advertising and promotional direct mail (effective July 1, 2013). See Part XII. for information about this exemption.

## VI. PURCHASES BY NEWSPAPER PUBLISHERS

### A. Taxable Purchases

All purchases of taxable products and services by newspaper publishers are subject to Wisconsin sales and use taxes, unless an exemption applies. Examples of common purchases by newspaper publishers that are taxable are provided in Parts XIV. and XV.

### B. Exempt Purchases

Numerous exemptions may apply to purchases by a newspaper publisher. The exemptions related to manufacturing are explained in Parts IX. and X., with examples of common exempt purchases by newspaper publishers provided in Parts XI. and XII. For additional exemptions that may apply to a newspaper publisher, see [Publication 203: Sales and Use Tax Information for Manufacturers](#).

## VII. NEWSPAPER PUBLISHERS AS MANUFACTURERS

Many of the processes performed by a newspaper publisher are considered manufacturing for Wisconsin sales and use tax purposes. As “manufacturers,” newspaper publishers are able to claim 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 newspaper publishers may be able to claim on their purchases of items used to complete the newspaper publishing process.

### A. Definition of “Manufacturing”

[Section 77.51\(7h\)\(a\)](#), Wis. Stats., provides that:

“ ‘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., provides that:

“‘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.”

The definition in [sec. 77.51\(7h\)](#), Wis. Stats., is the basis for determining whether or not a particular operation qualifies as “manufacturing” for purposes of applying the various exemptions from Wisconsin sales and use taxes, which are discussed later in this publication.

The definition limits the scope of a newspaper publisher’s “manufacturing” operations to those operations involving the use of machinery to produce a new article of tangible personal property.

The definition excludes the use of certain machinery and equipment, such as a delivery truck used to carry the completed newspapers to distribution points, from the term “manufacturing,” because that machinery or equipment is not used exclusively and directly in manufacturing. While the delivery truck may be considered a necessary machine for the newspaper publisher to conduct its business, the delivery truck is not used in the actual production process and does not qualify for exemption.

**Note:** The definition of “manufacturing” also requires that “tangible personal property” be produced. Therefore, the production of digital goods does not fall within the definition of manufacturing (i.e., producing a digital newspaper is not manufacturing).

## **B. The 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.

The sixth element, (popularly regarded as manufacturing), was clarified in *H. Samuels Co., Inc. v. Department of Revenue*, 70 Wis. 2d 1076, 1085-86 (1975). The 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.”

## VIII. THE SCOPE OF MANUFACTURING

### A. General Scope of Manufacturing

Once a newspaper publisher determines that it is engaged in manufacturing, as explained above, the next step is to determine which of its activities fall within the scope of manufacturing (i.e., where does its manufacturing process begin and end).

Several of the exemptions which are available to newspaper publishers require the items be used in “manufacturing” in order to qualify for exemption from Wisconsin sales and use tax. As a result, only those items used or consumed within the scope of a manufacturing process by the newspaper publisher qualify for exemption.

The scope of manufacturing is defined in [sec. Tax 11.39\(2\), Wis. Adm. Code \(August 2014 Register\)](#), as follows:

“(a) Manufacturing:

1. 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 [s. 77.52\(1\)\(b\)](#) or [\(c\)](#), Stats., to the point of first storage in the same plant.
2. Includes conveying work in progress directly from one manufacturing operation to another in the same plant.
3. Includes 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 [\(c\)](#), Stats., that is being manufactured.
4. Includes storing work in progress in the same plant where the manufacturing occurs.
5. Includes assembling finished units of tangible personal property or items or property under [s. 77.52\(1\)\(b\)](#) or [\(c\)](#), Stats.
6. Includes packaging a new article of tangible personal property or item or property under [s. 77.52\(1\)\(b\)](#) or [\(c\)](#), 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.

(b) 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 [\(c\)](#), Stats., delivery to or from the plant, repairing or maintaining facilities, or research and development.”

### B. The Scope of Manufacturing in Newspaper Publishing

This section is intended to help a newspaper publisher determine which of its activities fall within the scope of manufacturing and which activities are outside the scope of manufacturing. It is important for a newspaper



publisher to make this determination in order to properly apply the Wisconsin sales and use tax laws to its operations.

Newspaper publishers are generally involved in a number of activities that must be completed before a newspaper is ready to be distributed to customers. Some of these activities fall within the scope of manufacturing and entitle the newspaper publisher to claim various sales and use tax exemptions on specific types of purchases. Other activities, although necessary in the overall process of publishing and distributing a newspaper, are not within the scope of manufacturing. The scope of manufacturing with respect to the various departments in a newspaper is discussed below.

### **Circulation Department**

This department usually sets up customer subscriptions to the newspaper, handling customer service issues and sales and marketing of the newspaper itself.

The items used in this department include office furniture, computers and computer software to track subscriptions and generate billings, printers, and general office supplies.

The activities in this department do not fall within the scope of manufacturing and the machinery, equipment, supplies, and prewritten computer software used in this department are subject to Wisconsin sales or use tax.

### **Editorial Department**

This department usually gathers the news and stories that are to be printed in the newspaper. The process starts with a reporter gathering information on a specific topic. The reporter drafts a story based on the information gathered. When the reporter finishes drafting the story, it is placed on a network server. The editor retrieves the story from the server, edits it as needed, approves it and places it back on the network server.

The copy desk then takes the approved stories from the network server and arranges them into a page format. Once each page format or layout is completed, the electronic file is placed back on the network server.

The electronic file will then be retrieved by the computer system in the plate room and used to create the plates that will be placed on the actual printing press.

The items primarily used in the editorial department are office furniture, computers, computer software, servers, printers, and general office supplies.

The gathering of the information, the original drafting, and the editing of the story do not fall within the scope of manufacturing. Therefore, the equipment and supplies used for these purposes and which typically includes the office furniture, computers, prewritten computer software, servers, printers, and general office supplies, do not qualify for exemption from Wisconsin sales and use tax.

The manufacturing process begins in the editorial department when the copy desk retrieves the edited stories from the network server to arrange the stories into a page format. Computers, prewritten computer software, and other equipment used exclusively and directly for this purpose qualify for the manufacturing exemption provided in [sec. 77.54\(6\)\(am\)1., Wis. Stats.](#)

In addition, the computers and other equipment used exclusively and directly in retrieving the final formatted pages from the network server and making the plates that go on the press also qualify for the manufacturing exemption provided in [sec. 77.54\(6\)\(am\)1., Wis. Stats.](#) This equipment is commonly known as computer-to-plate equipment.

## **Advertising Department**

The advertising department is generally responsible for generating two main types of advertisements – Display Advertising and Classified Advertising. While some of the activities taking place in this department are within the scope of manufacturing, some are not.

### *Display Advertising*

The display advertising process starts with the sale of certain advertising space in an upcoming edition of the newspaper. The advertising space may either be space on a specific page or a complete advertising flyer or insert in the newspaper. When the sale of the space is made, the information is entered into the billing system and the system that keeps track of when the advertising will appear in the newspaper.

For advertisements placed on a page within the newspaper, the advertising department begins designing the advertisement using computers, prewritten computer software, printers, and various office supplies. Through a series of drafts, the advertisement is finished and approved by the customer. Once the customer has approved the advertisement, the electronic file containing the advertisement is placed on a server. This file is retrieved from the server by the person that is formatting the newspaper page so that the advertisement can be placed on the appropriate page and in the proper location. Once each page format or layout is completed, the electronic file containing each of the pages is placed back on the server.

The electronic file will then be retrieved by the computer system in the plate room and used to create the plates that will be placed on the printing press.

For advertisements in the form of a flyer or insert within the newspaper, the process is the same as described above, except that once the customer has approved the advertisement, the electronic file will not be placed on a server and accessed by the person doing the individual page layouts. Instead, the file will be retrieved by the computer system in the plate room and used to create the plates for this advertising flyer or insert.

In either of the display advertising processes above, the items primarily used are office furniture, computers, printers, servers, and various office supplies.

The process of creating an advertisement, including the storage of files until they are approved by the customer, is outside the scope of manufacturing, regardless of whether it is a stand-alone flyer or an advertisement placed in a particular location on a page of the newspaper.

Therefore, the office furniture, computers, prewritten computer software, printers, servers, and various office supplies used in creating the advertisement are used outside the scope of manufacturing and do not qualify for the manufacturing exemptions.

The manufacturing process related to display advertising begins after the customer has approved the ad when the person formatting the individual page or entire newspaper layout retrieves the approved advertisement from the server.

The computers and other equipment that are used to complete the final newspaper layout and generate the plates that will be used on the press (i.e., computer-to-plate equipment) are used within the scope of manufacturing and qualify for exemption from Wisconsin sales and use tax if they are used exclusively for these purposes.

### *Classified Advertising*

The classified advertising process starts when a customer contacts the newspaper, either in-person, by telephone, email, or fax indicating he or she wants to place a classified advertisement in the newspaper on a particular date and within a specific category.

The employee drafts the advertisement for the customer's approval and once approved, enters the information into the billing system and the computer system that stores all of the classified advertisements for a specific day until such time as that day's newspaper is ready to be printed. When the particular day's newspaper is ready to be printed, the system storing the classified advertisements sorts and paginates the advertisements. Depending on the number of advertisements placed in the newspaper for any given day and how the pages look once the advertisements are sorted and paginated, additional page layout work may be needed to fill what would otherwise be blank space. Once the pages are finalized, the files are sent to the server where they are stored until retrieval by the computer system that generates the plates for the printing press.

The items primarily used in the classified advertising process are office furniture, computers, computer software, printers, servers, and various office supplies.

The process of entering the classified advertisement information received from the customer for approval, the entering of the advertisement information into the billing system, and the storage of the advertisements until the newspaper is ready to be printed is outside the scope of manufacturing. Therefore, the office furniture, computers, prewritten computer software, printers, servers, and various office supplies used for these purposes do not qualify for the manufacturing exemptions.

The manufacturing process related to classified advertising begins after the customer has approved the advertisement when the person formatting the individual page or entire newspaper layout retrieves the approved advertisement from the server.

The computers, prewritten computer software and other items that are used to sort and paginate the advertisements and store the finalized formatted pages until the computer system that generates the plates retrieves them and makes the printing plates are used within the scope of manufacturing and qualify for the manufacturing exemptions if used exclusively for these purposes.

**Caution:** If the computers, prewritten computer software, and other items are not used exclusively within the scope of manufacturing, they do not qualify for the manufacturing exemptions. For example, a server that is used both to store the customer approved advertisements before the start of the manufacturing process and to store the page-formatted pages produced within the scope of the manufacturing process, is not used exclusively within the manufacturing process and is taxable.

### **The Printing Process**

Once the various pieces of the newspaper (i.e., news stories, advertisements, classifieds, editorials, etc.) have been finalized and the page formatted files created and placed on a server, the following steps generally take place to complete the actual printing of the newspaper.

The page formatted files are retrieved from the server by a computer system. This computer system may run a "pre-flight" check on the page to make sure it meets the required specifications and also to set the initial ink levels that will be needed for the printing of the newspaper.

Another computer system will then retrieve the files and convert them to a computer language that can be understood by the plate imaging machine. The plate imaging machine takes the information from the page formatted file and etches each of the pages of the newspaper onto a plate. If a color picture or advertisement is going to appear on the page, a separate plate is generated for each of the four ink colors (black, cyan, yellow, and magenta) that are used to make up the picture or advertisement.

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 on the printing press.

The plate is then brought to the press where it is 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 and the paper is fed through the press so that it will pass by each of the plates and blankets, which is where the ink will be applied to the paper. A control panel for the presses is used to (1) control the amount of ink that will be put on the paper, and (2) make adjustments to the amount of ink being applied as the newspaper is being printed. These adjustments can be either manual or automatic, depending on the type of equipment being used.

The ink itself is stored in large tanks within the plant. There is a separate tank for each color. The ink is pumped from the tanks to the presses through a series of lines, using compressed air.

After a section of the paper is printed, it is folded and either carried by a flat conveyor or a gripper conveyor to a stacker. The stacker generally puts the papers or sections of the paper into bundles of 50. The bundles are then moved to the strapping machine where a piece of kraft paper is placed under the bundle to protect it, and straps are placed around the stack to keep them together. A bar code is then placed on the bundle for tracking purposes so the machinery and people know where this bundle is supposed to go. The strapped bundles are then either placed on pallets or in carts to be taken to the distribution center or are held until they are needed in the inserting area.

All sections of the paper are then combined using an insertion process. Some sections of the newspaper serve as jackets or covers into which advertising inserts and flyers are inserted before being combined with the rest of the newspaper. For example, the comic section of the Sunday newspaper may serve as a jacket for numerous advertising inserts.

The insertion process consists of an inserter which opens up each jacket to allow it to pass under a number of hoppers containing the inserts. As the jacket passes under each hopper, a copy of the flyer or advertising insert from that hopper is placed in the jacket. There can be numerous inserts placed within each jacket.

Once all of the sections are combined and the jackets have been inserted with the appropriate advertising flyers, the completed paper is conveyed to the stacker that places the papers into bundles. The bundles are then moved to the strapping machine where they are strapped. The strapped bundles are then conveyed to either pallets or carts that carry the newspapers to the distribution center. Once at the distribution center, the bundles of newspapers are either picked up by the carriers or are loaded onto trucks that take the newspapers to retail locations, carriers' houses, or other distribution centers where the carriers will pick up the papers.

**Note:** If the newspapers are sent to customers via the U.S. mail, the newspapers are sent to a labeling machine before they are bundled. The labeling machine will print and attach a name and address label to the newspaper or print the customer's name and address directly on the newspaper. The labeled newspapers are sorted by zip code before they are delivered to the post office.

The scope of manufacturing described in this section begins with the computer that retrieves the electronic file from the server to run the "pre-flight" process and set the initial ink levels to be used during the printing of the newspapers. The computer that is used to retrieve the page formatted files, the pre-flight software, the computer-to-plate machine, the plate notcher, the bender punch, and the shaper are used within the scope of the manufacturing process. Therefore, if these items are used exclusively for these purposes, they qualify for the exemption provided in [sec. 77.54\(6\)\(am\)1., Wis. Stats.](#)

**Caution:** If the computer used to retrieve the page formatted files from the server is also used on a regular basis to perform administrative functions, such as email, accounting functions, billing functions, design functions, etc., the computer does not qualify for exemption since it is not used "exclusively" for manufacturing.

The storage tanks that hold the ink and the piping that carries the ink from the delivery truck to the storage tanks are used outside the scope of manufacturing and do not qualify for exemption. However, the piping that is used to

convey the ink from the storage tanks to the presses, and the air compressor that generates the compressed air that forces the ink through the pipe system, are used directly within the scope of manufacturing and qualify for exemption from Wisconsin sales and use tax.

The machinery and equipment used exclusively to convey the large rolls of paper from the raw materials storage area directly to the presses are used directly within the scope of manufacturing and qualify for exemption. However, if this machinery and equipment is used to first convey the large rolls to an area where the rolls are unwrapped and then placed in another storage area again before being loaded onto the presses, this machinery and equipment does not qualify for exemption since it is not used exclusively in an exempt manner (i.e., it is also used to convey the raw materials from one raw material storage area to another raw material storage area).

The presses themselves, the inserting machines, the conveying system, whether standard flat conveyors or gripper conveyors, used to convey the sections of the paper through the printing and inserting process, and the stacking machines are all used directly within the scope of manufacturing and qualify for exemption. In addition, the equipment used to label the newspapers so that they can be mailed, as described above, is also used directly within the scope of manufacturing and qualify for exemption.

However, as determined in the case of *Madison Newspapers, Inc. v. Wisconsin Department of Revenue* (Wisconsin Court of Appeals, June 10, 1999), the machines used to strap the newspapers into bundles for delivery to the newspaper carriers who are employees of the newspaper publisher do not qualify for exemption. In addition, the equipment used to load the newspapers onto trucks for transporting to the newspaper publisher's distribution centers, and the delivery trucks, do not qualify for exemption.

### **Online Newspaper Department**

This department is responsible for placing the stories, advertisements, and other information on the newspaper publisher's website.

Items typically used in this department include office furniture, computers, computer software, servers, printers, and general office supplies.

Since the items used in this department are not used to manufacture tangible personal property (i.e., printed newspapers), they are not used within the scope of manufacturing and do not qualify for exemption from Wisconsin sales and use tax.

**Note:** Servers and other equipment that are used in both the printed newspaper process and the online newspaper process do not qualify for exemption because these items are not used exclusively in manufacturing tangible personal property (i.e., printed newspapers).

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

[Section 77.54\(6\)\(am\)1., Wis. Stats.](#), exempts from Wisconsin sales and use tax, 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 is to be strictly construed.

This exemption typically applies to a newspaper publisher's purchases of items such as printing presses, plate making machines, certain computer equipment, inserting machines, and stacking machines.

#### *Exclusively Used Requirement*

To qualify for this exemption, machines and specific processing equipment must be used "exclusively and directly" in the manufacture of tangible personal property or items or property under [sec. 77.52\(1\)\(b\)](#) or [\(c\)](#).

"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 or items or property under [sec. 77.52\(1\)\(b\)](#) or [\(c\)](#).

**Example:** Newspaper Publisher has two forklifts. Forklift 1 is used to unload the rolls of paper from the trucks when they are delivered to Newspaper Publisher's location and place the rolls in the raw materials storage area (a nonmanufacturing activity). Forklift 2 is used to carry the rolls of paper from the raw materials storage area directly to the printing press when they are needed (a manufacturing activity). Forklift 1 is also used to carry the rolls of paper directly to the printing press if Forklift 2 is broken down. Forklift 2 is also used to unload the rolls of paper from the trucks if Forklift 1 is broken down.

Newspaper Publisher's purchase of Forklift 1 is subject to Wisconsin sales and use tax since it is not used exclusively in manufacturing. Newspaper Publisher's purchase of Forklift 2 qualifies for the exemption provided in [sec. 77.54\(6\)\(am\)1., Wis. Stats.](#), because Forklift 2 is used exclusively in manufacturing. The use of Forklift 2 to unload trucks in the event Forklift 1 is broken down will not invalidate the exemption, assuming this only happens on an infrequent and sporadic basis.

#### *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 exemption. Any machinery or specific processing equipment not used directly within the scope of manufacturing is not exempt, even though such item may be indirectly related to the manufacturing process.

Machinery and 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;
- communication;
- lighting;
- fire prevention;
- research and development;
- storage of raw materials or finished goods;
- delivery to or from a plant; or
- repair, maintenance, or cleaning of facilities or exempt machines.

In addition, machinery and equipment used prior to the start of the manufacturing process or after the manufacturing process is completed do not qualify for exemption.

**Example 1:** Newspaper Publisher purchases laptop computers. The computers will be used by the reporters to gather information for stories they are writing for the newspaper and to write the stories themselves. These computers are not used directly in manufacturing, because they are used prior to the start of the manufacturing process.

**Example 2:** Automated equipment used to clean a blanket roller on a printing press is not used directly in manufacturing printed materials, and is not exempt when purchased separately from the purchase of the printing press. However, a printing press with this type of equipment installed as a component part of the press may be purchased without tax as machinery or processing equipment used exclusively and directly in manufacturing tangible personal property.

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

Some items used in a newspaper printing plant are not exempt because they are not the type of item exempt under the statute. Supplies such as sweeping compounds, disposable rags, and gloves, shoe covers, and coveralls to protect the employees are not machines or processing equipment and do not qualify for exemption under sec. 77.54(6)(am)1., Wis. Stats. (**Note:** Some of these items may still qualify for exemption if they are consumed or destroyed in manufacturing shoppers guides, newspapers or periodicals. See Part X. of this publication.)

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

Parts for exempt machines and processing equipment are also exempt. Examples of such parts include grippers, conveyor belts, blanket rollers, trimming knives, machine bushings, and bearings and machine motors.

#### **B. 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.

[Section 77.51\(2\), Wis. Stats.](#), specifically provides that contractors and subcontractors are the consumers of taxable products used by them in real property construction activities, and the sales and use tax applies to their purchases of materials used in performing real property construction activities and materials used to repair or service real property. A newspaper publisher who is engaged in manufacturing is not considered a manufacturer when performing real property construction activities or performing repairs or services to real property. Rather, the newspaper publisher is considered to be a contractor in these situations and the consumer of the materials it uses in real property construction activities.

**Example 1:** Newspaper Publisher contracts with Contractor to furnish the materials and labor to install a 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 the sales or use tax on its purchases of these materials. In addition, since the machine foundation is a real property improvement, Contractor's charges to Newspaper Publisher are not subject to Wisconsin sales or use tax.

**Example 2:** Newspaper Publisher purchases paint from Supplier. Employees of Newspaper Publisher will use the paint to paint the interior walls of the plant. Newspaper Publisher is using the paint to make a real property improvement when it paints the walls of the building. Therefore, Newspaper Publisher's purchases of this paint from Supplier are subject to Wisconsin sales or use tax.

## X. EXEMPTION FOR INGREDIENTS, COMPONENT PARTS AND ITEMS CONSUMED, DESTROYED, OR LOSING THEIR IDENTITY IN THE MANUFACTURE OF THE NEWSPAPER

[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.”

The definition of "newspaper" is provided in Part IV. "Periodicals" and "shoppers guides" are defined in sec. 77.54(15), Wis. Stats.

### A. General

This exemption includes items such as the raw paper that is used to make a newspaper (including making advertising supplements that are "newspapers"), the ink and other chemicals used during the production process, and fuel and electricity used to operate the printing presses and other equipment used directly within the scope of manufacturing.

**Example:** Customer contracts with Newspaper for advertising services. Newspaper will print an advertising supplement and insert it into its newspaper prior to distribution. Newspaper is selling advertising services to Customer and Newspaper's charge for the advertising services is not taxable. Newspaper's purchases of paper and ink used to produce the advertising supplement are exempt.

**Note:** When printing a product that is not a newspaper (such as an advertising supplement that is not a newspaper), a shopper's guide, or periodical, the printer should refer to [Publication 234: Printers – How Do Wisconsin Sales and Use Taxes Affect Your Operations?](#), Parts XI. and XIII.

### B. Advertising Supplements Sold to Newspapers

The exemption in sec. 77.54(2m), Wis. Stats., includes a sale of an advertising supplement printed by a newspaper or commercial printer and sold to a newspaper when the newspaper will insert the supplement into and distribute it as part of its newspaper.

(**Note:** When advertising flyers and inserts are printed by a newspaper or commercial printer and sold to a newspaper for inclusion in that newspaper's publications, the flyers and inserts themselves are a "newspaper" and also exempt under sec. 77.54(15), Wis. Stats. See previous discussion in Part IV.)

In order to qualify for exemption, the advertising supplement must be *sold to the newspaper*. When the newspaper merely bills and pays the printer (or other newspaper) on behalf of its customer for the advertising supplements, the advertising supplements are not considered to be *sold to the newspaper*.

The following examples illustrate when sales of advertising supplements are taxable or exempt:

**Example 1:** Customer contracts with Newspaper for advertising services. Newspaper independently contracts with Printer to print and deliver advertising supplements to Newspaper. Newspaper will insert the advertising supplement into its newspaper prior to distribution. Newspaper is selling advertising services to Customer and



Newspaper's charge for the advertising services is not taxable. The advertising supplements that Newspaper purchases from Printer are a component part of the newspaper and are sold to the newspaper. Therefore, the advertising supplements meet the definition of "newspaper" and are exempt from tax.

**Example 2:** Customer contracts with Newspaper for advertising services. Customer contracts with Printer to print advertising supplements and send them directly to Newspaper. Newspaper will insert the supplements into its newspaper prior to distribution. Newspaper is selling advertising services to Customer and Newspaper's charge for the advertising services is not taxable. The advertising supplements that Customer purchases from Printer do not meet the definition of "newspaper" since the supplements are neither (1) produced by the newspaper and included in the newspaper's publication nor (2) produced by a newspaper or commercial printer and sold to a newspaper for inclusion in that newspaper's publication. Therefore, Customer's purchase of the advertising supplements do not qualify for exemption under sec. 77.54(2m) or (15), Wis. Stats.

**Example 3:** Customer contracts with Newspaper for advertising services. Customer selects a Printer to print advertising supplements and negotiates a price with Printer. Printer sends the advertising supplement directly to Newspaper and sends an invoice to Newspaper for the advertising supplements. Newspaper pays the invoice, which is reflected in Newspaper's charge to Customer for the advertising services. If Newspaper does not pay the invoice, Customer has the ultimate responsibility to pay the invoiced amount. Newspaper will insert the supplements into its newspaper prior to distribution. Newspaper is selling advertising services to Customer and the portion of Newspaper's charge related to the advertising services (but not the advertising supplements) is not taxable. Although Newspaper is paying Printer for the advertising inserts and being reimbursed for the advertising inserts by Customer, it is Customer (rather than Newspaper) that is purchasing the advertising inserts from Printer. The advertising supplements that Customer purchases from Printer do not meet the definition of "newspaper" since the supplements are neither (1) produced by the newspaper and included in the newspaper's publication nor (2) produced by a newspaper or commercial printer and sold to a newspaper for inclusion in that newspaper's publication. Therefore, the advertising supplements do not qualify for exemption under sec. 77.54(2m) or (15), Wis. Stats.

One possible exemption that may apply to advertising supplements that do not meet the definition of "newspaper" is the exemption for catalogs that are designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms.

A "catalog" is 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.

**Note:** The exemptions for (1) advertising and promotional direct mail (effective July 1, 2013), and (2) printed advertising materials for use solely outside Wisconsin, do not apply to advertising supplements sold for inclusion in a newspaper. For additional information about exemptions for printed materials, see Part VI.B. of [Publication 235](#), Advertising Companies.

## **XI. COMPUTERS, SERVERS, AND TEMPORARY STORAGE EXEMPTIONS**

Section 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 any of the following:

(a) Computers and servers used primarily to store copies of the product that are sent to a digital printer, a platemaking 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 as 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 as described in 2012 North American Industry Classification System (NAICS) code 323117.
- Performing prepress and postpress services in support of printing activities as described in 2012 North American Industry Classification System (NAICS) code 323120.

**Note: A person who is primarily engaged in newspaper publishing (NAICS code 511110: Newspaper Publishers) does not qualify for this exemption.**

"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 newspaper.

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 exemptions 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 exemptions 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, Company does not qualify for the exemptions 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 digital printer, a platemaking machine, or a printing press or used primarily in prepress or postpress activities.
- 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.

"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.

"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's 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.

## **XII. NONTAXABLE PURCHASES OF TANGIBLE PERSONAL PROPERTY BY NEWSPAPER PUBLISHERS**

The following list contains examples of purchases by newspaper publishers of taxable products upon which a valid exemption may be claimed (this list is not all-inclusive):

- Machinery and processing equipment, including repair parts, replacements and safety attachments therefore, used exclusively and directly in manufacturing the newspaper. This typically includes items such as the printing presses, air compressors, computers and prewritten computer software used exclusively and directly in the scope of manufacturing, computer-to-plate (CTP) equipment used in making the plates for the printing presses, plate benders and punches, inserting machines, stackers, belt conveyors, gripper conveyors, and pallet and lift trucks used to transfer work-in-process from one work point to another work point within the same plant. This exemption would also apply to purchases of replacement and repair parts for any of the machinery and specific processing equipment that is used exclusively and directly in manufacturing the newspaper.
- Tangible personal property becoming an ingredient or component part of the newspaper. This includes the paper and ink used to print the newspapers. It also includes advertising supplements which the newspaper publisher purchases and inserts into the newspaper.
- Tangible personal property which is consumed, destroyed, or loses its identity in the manufacture of the newspaper. This includes items such as the chemicals and solutions used to develop and wash the printing plates, cloths used to clean the printing plates, lubricants for exempt manufacturing machines, the printing plates themselves and other chemicals and supplies used to maintain the exempt machinery and equipment.
- Fuel and electricity used to operate machinery and equipment while it is being used within the scope of manufacturing the newspaper.

**Note:** Although the purchase of a specific piece of equipment may not qualify for exemption from Wisconsin sales and use tax, the fuel and electricity that is consumed by the piece of equipment while it is being used within the scope of the manufacturing process will still qualify for exemption.

**Example:** A forklift is used to unload raw materials from a truck and place them in the raw materials storage area (a nonmanufacturing activity) and also to convey raw materials from the raw materials storage area to the first work point in the plant (a manufacturing activity). Although the purchase of the forklift itself may not qualify for exemption because it is not used “exclusively” in manufacturing, the fuel used to operate the forklift while it is being used in manufacturing activities will still qualify for exemption.

- Packaging and shipping materials for use in packing, packaging, or shipping newspapers to customers. This includes items such as the bags into which the individual papers are placed and delivered to the customers, mailing labels, and pallets used to deliver printed advertisements or magazines to customers (sec. 77.54(6)(am)2., Wis. Stats.).

However, as explained in the case of *Madison Newspapers, Inc. v. Wisconsin Department of Revenue* (Wisconsin Court of Appeals, June 10, 1999), this exemption does not include the kraft paper and strapping materials that are used to transfer the bundles of newspapers to carriers who are employees of the newspaper publisher or to distribution centers operated by the newspaper publisher.

- Printed materials which are designed to advertise and promote the sale of the newspaper publisher’s merchandise or to advertise the services of the newspaper publisher, where the printed material is purchased and stored for the purpose of subsequently transporting it outside of Wisconsin by the newspaper publisher 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. This exemption includes items such as the newspaper publisher’s purchases of paper, ink, staples and mailing envelopes used by the newspaper publisher to print items such as calendars that contain the newspaper publisher’s own name and address, which the newspaper publisher will mail, free of charge, to potential customers located outside of Wisconsin. It also includes the newspaper publisher’s purchases of paper and ink used by the newspaper publisher to print its own letterhead, which will subsequently be used by the newspaper publisher in further printing of correspondence to customers if such correspondence will be mailed to and used solely outside of Wisconsin (sec. 77.54(43), Wis. Stats.).
- Certain catalogs and their mailing envelopes.

[Section 77.54\(25m\), Wis. Stats.](#), provides an exemption from Wisconsin sales and use tax for:

“The sales price from the sale of and the storage, use, or other consumption of catalogs, and the envelopes in which the catalogs are mailed, that are designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms.”

“Catalog” is defined in [sec. 77.51\(1fr\), Wis. Stats.](#) 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.”

**Note:** Printing services that result in an exempt catalog or envelope in which an exempt catalog is mailed are also exempt from tax. Paper that is used in an exempt catalog or envelope may or may not be exempt. See the article titled "Exemption for Catalogs" that was published in [Sales and Use Tax Report 2-09](#) for additional information.

- Property and items used to construct an industrial waste treatment facility and fuel, electricity, and supplies used to operate the industrial waste treatment facility.

[Section 77.54\(26\), Wis. Stats.](#), provides an exemption from Wisconsin sales and use tax for:

“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.”

#### *Property Tax Exemption Required*

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

#### *Contractors and Subcontractors*

The sales and use tax exemption extends to and includes the purchases of taxable products by a contractor-installer who incorporates these purchases into a waste treatment facility. In order to relieve the seller of its duty to collect and remit tax on its sale, the contractor-installer should certify the intended exempt use of the item to the seller by issuing a fully completed [Wisconsin Sales and Use Tax Exemption Certificate \(Form S-211\)](#), or [Streamlined Sales and Use Tax Agreement – Wisconsin Certificate of Exemption \(Form S-211-SST\)](#).

A contractor’s purchases of items used or consumed in the performance of the contract, which do not become part of the waste treatment facility, are subject to the tax. This includes 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. A contractor's taxable purchases 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. Payments by a contractor for equipment purchased (or leased) to perform a construction job are also taxable.

#### *Claiming the Sales Tax Exemption*

Sellers of construction or repair materials for waste treatment facilities are not subject to the sales tax on such sales if they accept from the purchaser a fully completed [Wisconsin Sales and Use Tax Exemption Certificate \(Form S-211\)](#), or [Streamlined Sales and Use Tax Agreement – Wisconsin Certificate of Exemption \(Form S-211-SST\)](#) no later than 90 days after the date of sale.

#### *Repair Services, Chemicals, and Supplies*

Charges for the repair, service, alteration, cleaning, painting, and maintenance of exempt waste treatment facilities are exempt. Charges for repair and replacement parts for an exempt waste treatment facility are exempt. The exemption also applies to chemicals and supplies used or consumed in operating the waste treatment facility. Supplies include fuel and electricity.

- Machinery and equipment used exclusively and directly in waste reduction and recycling.

[Section 77.54\(26m\), Wis. Stats.](#), provides an exemption from Wisconsin sales and use tax 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.”

#### *Exclusive and Direct Use Requirement*

To qualify for this exemption, the machinery and equipment must be used exclusively and directly 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.

Any machinery or equipment 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 or equipment may be indirectly related to waste reduction or recycling. For example, a conveyor which transports scrap paper trimmings from a paper manufacturing process to a baler, which bales the scrap paper before it is disposed of in a landfill, is 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 sold or otherwise has value as a by-product rather than being disposed of in a landfill.

In addition, containers used to collect and transport recyclable materials to a recycling plant are not used directly in the waste reduction or recycling process and do not qualify for exemption.

- Advertising and promotional direct mail (effective July 1, 2013)

[Section 77.54\(59\), Wis. Stats.](#), provides an exemption from Wisconsin sales and use tax for:

"The sales price from the sale of and the storage, use, or other consumption of advertising and promotional direct mail."

"Advertising and promotional direct mail" is defined in [sec. 77.51\(1ag\), Stats.](#), to mean 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.

"Direct mail" is defined in [sec. 77.51\(3pd\), Wis. Stats.](#), to mean:

"...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."

### **XIII. NONTAXABLE PURCHASES OF SERVICES BY NEWSPAPER PUBLISHERS**

The following list contains examples of purchases by newspaper publishers of services upon which Wisconsin sales and use tax either is not due or upon which a valid exemption may be claimed (this list is not all-inclusive):

- Services to machinery and equipment used exclusively and directly in manufacturing.
- Services to printed materials or other tangible personal property which the newspaper publisher only resells to customers.
- Services to raw materials furnished by a newspaper that result in advertising supplements becoming a component part of that newspaper's publications.
- Services to real property. This includes the service of installing a new furnace or central air conditioning unit for general building heating and cooling, painting the walls, floor or ceiling of the building, shingling the roof, repairing a loading dock door, installing new carpeting, pest control services that consist of spraying or applying chemicals to the building or trapping pests, snow plowing, and the salting and sanding of parking lots and sidewalks.

### **XIV. TAXABLE PURCHASES OF TANGIBLE PERSONAL PROPERTY BY NEWSPAPER PUBLISHERS**

The following list contains examples of purchases by newspaper publishers of tangible personal property and items, property and goods listed in Part III.B. to D. which are generally subject to Wisconsin sales or use tax and to which an exemption will not normally apply (this list is not all-inclusive):

- Office supplies, including paper, pencils, pens, markers, folders, CDs, staples, paperclips, notepads, and tape.
- General office equipment, such as computers, monitors, computer cabling, staplers, tape dispensers, telephones, telephone wiring, CD burners, bookcases, file cabinets, portable cubicles not attached to real property, desks, and chairs.
- Prewritten computer software used for accounting and billing purposes, word processing programs, email programs, spreadsheet programs, programs used to design, create, write, or edit stories and advertisements that will be published in the newspaper, and computer programs used to track when stories and/or ads are to be run in the newspaper.
- Photography equipment that the reporters and photographers will use to take pictures that may be placed in the newspaper.
- Fuel and electricity used: (1) for general lighting in administrative offices and the manufacturing plant; (2) to power office equipment; (3) for general office heating and cooling; (4) for general plant heating and cooling; and (5) used to operate forklifts and other machinery and equipment while being used outside of the scope of the manufacturing process.
- Equipment related to, but not used exclusively and directly within the scope of the manufacturing process, as explained in Parts V. and VII. of this publication.

This includes computers, monitors, prewritten computer software, servers, computer cabling used to send and receive digital files to and from customers, storage racks and carts used to store raw materials or finished goods, storage tanks used to store ink, and equipment used to unload raw materials when they are delivered to the plant



and taken to raw materials inventory. Also included are strapping machines used to strap newspapers into bundles that will be delivered to the newspaper carriers who are employees of the newspaper publisher and equipment used to load the newspapers onto the delivery vehicles.

- Kraft paper and strapping materials used in bundling newspapers that are not transferred along with the newspaper as it is customarily offered for sale by the newspaper. This includes kraft paper and strapping materials used to bundle newspapers that are delivered to newspaper carriers who are employees of the newspaper.
- Equipment used to maintain manufacturing equipment or the manufacturing plant or used for other general repair and maintenance purposes, including floor sweepers, vacuum cleaners, and other tools, such as hammers, wrenches, screwdrivers, etc., even if also used to repair exempt manufacturing equipment.
- Cleaning and maintenance supplies, such as general office cleaning supplies, window washing supplies, toilet paper, paper towels for the restrooms, water conditioning supplies, and other general use supplies, but not including cleaning compounds and solvents used to maintain exempt manufacturing equipment, regardless of whether these items are used while the exempt machine is running or while it is idle.
- Safety and medical related items such as safety glasses, ear plugs, gloves, boots, smocks, first aid kits, bandages, and eye wash chemicals, regardless of whether these items are required by state or federal law.
- Motor vehicles and repairs to those motor vehicles that are used by salesmen and other employees, as well as trucks and vans that are used to distribute the newspapers to the distribution points and/or to retailers who will sell the newspapers.
- Racks and newspaper vending machines from which the newspapers are sold.
- Tubes and poles which are provided to customers and into which the newspaper carrier puts the newspaper when delivering it.

## **XV. TAXABLE PURCHASES OF SERVICES BY NEWSPAPER PUBLISHERS**

The following list contains examples of purchases by newspaper publishers of services which are generally subject to Wisconsin sales or use tax and to which an exemption will not normally apply (this list is not all-inclusive):

- Services for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance (i.e., repair and maintenance services) of all items of tangible personal property and items, property, and goods listed in Part III.B. to D. which are of a type the newspaper publisher could not purchase without tax at the time the service is performed. This may include services to office equipment, motor vehicles used by the salespeople and to distribute the newspaper, and equipment not used exclusively and directly in the scope of manufacturing, such as forklifts used to unload raw materials that are delivered to the newspaper publisher.
- Services for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance (i.e., repair and maintenance services) of certain specified items. These items are deemed to be tangible personal property for repair and maintenance purposes, even if the item was a real property improvement when originally installed. (**Note:** The charge for the complete replacement of one of these items is not taxable if the complete replacement results in a real property improvement.) Such taxable services include repair and maintenance services performed on furnaces for general building heating, air conditioning units used for general building cooling, general 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 [Publication 207, Sales and Use Tax Information for Contractors](#), for additional information, including the list of items that are deemed to be tangible personal property for repair and maintenance purposes.

- Landscaping services such as lawn mowing, flower bed planting and maintenance, raking leaves, and tree and shrub trimming. See [Publication 210, Sales and Use Tax Treatment of Landscaping](#), for additional information.
- Internet access services.
- Telecommunications services, telecommunications message services and ancillary services. This includes purchases of intrastate, interstate and international telecommunications services, mobile telecommunications services, directory assistance, voice mail services, caller ID, call waiting, and conference bridging services. It does not include interstate 800 services.
- Parking charges for motor vehicles.
- Lodging services.

## **XVI. RECORDKEEPING**

### **A. General Records to Keep**

You must keep adequate records of business transactions to enable you and the Department of Revenue to determine the correct amount of Wisconsin sales or use tax due. General records that you are required to keep include, in addition to those specifically identified below, complete and accurate records of beginning and ending inventories, records of all sales and purchases, cancelled checks, receipts, invoices that describe what is being sold, delivery records showing where the sales took place, and all other documents and books of accounts pertaining to your business. Failure to maintain adequate records so that the proper tax liability can be determined may result in penalties and other appropriate action provided by law.

### **B. Records to Keep - Exemption Certificates**

A purchaser may provide you with a [Wisconsin Sales and Use Tax Exemption Certificates \(Form S-211\)](#), or [Streamlined Sales and Use Tax Agreement – Wisconsin Certificates of Exemption \(Form S-211-SST\)](#), claiming various exemptions from Wisconsin sales and use tax (i.e., resale, manufacturing, printed advertising materials to be shipped out of state, etc.), relating to certain sales. In order to claim a valid deduction on your sales and use tax return for such sales, you must keep the certificates as part of your records to prove that the sales were exempt. (**Note:** [Wisconsin Sales and Use Tax Exemption Certificate \(Form S-211\)](#), or [Streamlined Sales and Use Tax Agreement – Wisconsin Certificate of Exemption \(Form S-211-SST\)](#), is available from any Department of Revenue office or online at [revenue.wi.gov](http://revenue.wi.gov).)

#### **CAUTION**

If the Department of Revenue conducts an audit and you do not have the required exemption certificates or other required documents to prove that your sales are exempt, your sales will be presumed to be taxable and subject to Wisconsin sales or use tax.

### **C. Records to Keep - Sales to Exempt Organizations**

1. Exempt sales to federal and Wisconsin governments, municipalities, and public schools must be supported by one of the following:
  - A purchase order received from such an organization, or
  - A fully completed exemption certificate received from such an organization, or

- Listing the Certificate of Exempt Status number of such an organization on the seller's copy of the invoice.
2. Exempt sales to organizations holding a Certificate of Exempt Status (e.g., churches) must be supported by either one of the following:
- Listing the Certificate of Exempt Status number of such an organization on the seller's copy of the invoice, or
  - A fully completed exemption certificate received from such an organization.

#### **D. Records to Keep - Buyer Holds Direct Pay Permit**

Exempt sales to buyers who hold a direct pay permit must be supported by one of the following:

- A copy of the buyer's direct pay permit, or
- A statement that the buyer holds a direct pay permit, the permit number, and the date the permit was issued.
- See [sec. Tax 11.13, Wis. Adm. Code \(November 2010 Register\)](#) for additional information about direct pay permits.

## **XVII. IF YOU HAVE QUESTIONS**

If you are unable to find an answer to your question about sales and use taxes, email, write, or call 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

PO Box 8946, Mail Stop 5-77

Madison, WI 53708-8946

Call . . . (608) 266-2776

You may also contact any of the Department of Revenue offices. Please see the department's website for a [listing of offices](#) and their current hours.