

SALES AND USE TAX REPORT

2-02

June 2002

I. LAW CHANGE

Allow Prior Trade-In Allowance on Replacement Vehicle Purchased With Lemon Law Proceeds (2001 Act 45, create secs. 77.51(4)(b)3m and (15)(b)4m and 218.0171(2)(cq), effective for Lemon Law refunds made on or after June 1, 2002.)

If a person received a trade-in allowance on the purchase of a motor vehicle ("lemon" vehicle) and then receives a payment from the manufacturer refunding the amount paid by the person for the "lemon" vehicle under sec. 218.0171, Wis. Stats. ("Lemon Law refund"), gross receipts or sales price of a replacement motor vehicle purchased by the person may be reduced by the amount of the trade-in that was allowed on the purchase of the "lemon" vehicle, if all of the following conditions are met:

- The customer provides to the seller of the replacement vehicle a statement from the manufacturer indicating the (1) trade-in amount previously applied toward the sales price of the "lemon" vehicle and (2) date of the Lemon Law refund.
- The replacement motor vehicle is purchased within 60 days from the date the person receives the Lemon Law refund.
- The replacement vehicle is the first motor vehicle purchased by the person after receiving the Lemon Law refund.

The trade-in amount allowed against the selling price of the replacement vehicle may not exceed the selling price of the replacement vehicle.

Example: Customer A purchases a new motor vehicle for \$35,000, trading in a vehicle valued at \$30,000 and paying \$5,000 in cash. Customer A pays \$250 of Wisconsin sales tax on the purchase of the new vehicle (\$35,000 selling price - \$30,000 trade-in = \$5,000 X 5% sales tax rate). The new vehicle is ultimately returned to the manufacturer because it is a "lemon." The manufacturer refunds \$35,000 plus the \$250 of sales tax to Customer A under sec. 218.0171, Wis. Stats. The manufacturer provides a statement to Customer A indicating a \$30,000 trade-in was

previously applied to the "lemon" vehicle and the date the refund was provided to Customer A. Within 60 days of receiving the Lemon Law refund, Customer A purchases a replacement vehicle for \$38,000.

The amount of sales or use tax due on the purchase of the replacement vehicle is \$400 (\$38,000 selling price - \$30,000 trade-in previously allowed on the "lemon" = \$8,000 X 5% sales tax rate).

Under prior law, the trade-in of a vehicle in a prior transaction could not be used in a subsequent transaction.

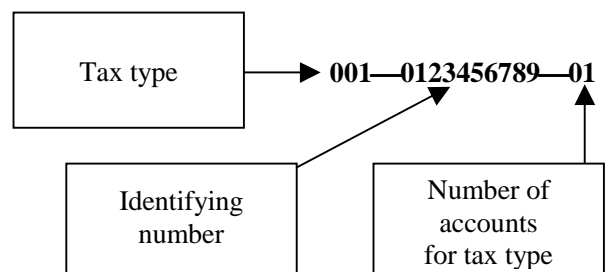
II. CHANGES AHEAD AS A RESULT OF NEW DEPARTMENT COMPUTER SYSTEM

The Department of Revenue is implementing the first phase of an integrated tax system (ITS) in November 2002. ITS Release 1 is a web browser used to register new business tax customers, maintain existing customer accounts, and process sales and use tax returns. It also performs accounting and correspondence functions.

How Will ITS Affect You?

- **Tax Account Number:** Beginning with sales and use tax returns (Form ST-12) mailed to you in December 2002, you will be issued a 15-digit tax account number. This number replaces your current seller's permit or use tax certificate number. The number will be pre-printed on your Form ST-12.

The first three digits identify the tax type (e.g., sales, use, withholding, etc.). The next 10 digits comprise a unique customer identifying number. The last two digits are a sequential counter for the number of accounts for the tax type.



You will use your new tax account number when completing exemption certificates claiming resale. However, exemption certificates using a seller's permit or use tax number in effect prior to ITS will still be valid.

- **Correspondence:** Notices mailed to customers are designed to be more descriptive.
- **Customer Service:** Each different tax type account information is on one integrated computer system. This enables the department to retrieve information more quickly and provide more efficient customer service. In the future, withholding, individual income, corporation franchise or income, and other taxes will be included in ITS.
- **Security Deposits:** ITS automates the security deposit review and issuance processes. As a result, the department, as authorized by law, may require security deposits more frequently for existing and new accounts that owe or have owed delinquent taxes.

You will be receiving more detailed information about ITS in a special mailing to all sales and use tax registrants this fall. Withholding tax reporting will not be affected by ITS Phase I.

If you have any questions or comments about ITS, contact the Department of Revenue at PO Box 8902, Madison WI 53708-8902, sales10@dor.state.wi.us, or (608) 266-2776. Please include your federal employer identification number or social security number with all correspondence, so that the department can better track your inquiry.

III. SCHEDULE CT NO LONGER MAILED

Persons who report county sales or use tax in more than three counties file Schedule CT with their Wisconsin Sales and Use Tax Return (Form ST-12).

For reporting periods beginning after January 2003, the department will no longer automatically mail Schedule CT to persons required to file it with Form ST-12. If you must file Schedule CT with Form ST-12 for periods after January 2003, you may download a copy at www.dor.state.wi.us/html/taxsales.html or request that a copy be mailed to you by contacting the department at sales10@dor.state.wi.us or (608) 266-1961.

IV. FORM ST-12 SHOULD BE USED FOR AMENDING PRIOR TAX RETURNS

As a result of the redesign of the Wisconsin sales and use tax return, it may now be used to amend a prior sales and use tax return. Form S-108, Wisconsin Amended Sales and Use Tax Return, is no longer being printed by the department.

A box appearing on page 1 of Form ST-12, below the bar code, should be checked if Form ST-12 is used as an amended return. More information on how to use Form ST-12 for amending prior sales and use tax returns is on page 6 of the Form ST-12 instructions.

V. OFFICE CONSOLIDATIONS CONTINUE

As a result of budget constraints placed on all state agencies, the Department of Revenue's Income, Sales, and Excise Tax Division recently closed its branch offices in Monroe, Watertown, and Marshfield. Customer services in those locations will be provided from other area offices.

Although not closed, the Madison District Office has relocated from its former location at 5005 University Avenue to the main Revenue building at 2135 Rimrock Road.

Customers in locations where offices have closed may contact the Madison headquarters office (telephone 608-266-2776) or nearby branch or district offices for assistance. This includes Eau Claire (715-836-2811), Janesville (608-758-6190), Beaver Dam (608-356-8973) and Wisconsin Rapids (715-421-0500). Assistance is also available at sales10@dor.state.wi.us and information is available on the department's Internet web site, www.dor.state.wi.us.

VI. DID YOU KNOW?

Campgrounds' sales of the following food, food products, and beverages are subject to Wisconsin sales or use tax:

- Soda water beverages, soft drinks, fruit drinks, and ades that are not pure fruit juices
- Meals and sandwiches
- Heated food and heated beverages
- Soda fountain items such as sundaes, milk shakes, malts, ice cream cones, and sodas
- Candy, chewing gum, lozenges, popcorn, and confections
- Fermented malt beverages (e.g., beer) and intoxicating liquors
- Medicines, tonics, vitamins, and medicinal preparations in any form
- Food for animals

A campground's sales of food and beverages other than those listed above, such as milk, fruit, chips, and cookies, for consumption at the purchaser's campsite or off the premises of the campground, or sold from a vending machine, are not taxable.