

# SALES AND USE TAX REPORT

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## I. REMINDER OF NEW SALES AND USE TAX LAWS THAT GO INTO EFFECT SEPTEMBER 1, 2011

The following law changes become effective September 1, 2011. See [Sales and Use Tax Report 2-11](#) (July 2011) for more information about each of these law changes.

**A. Products Provided Free of Charge** - If a retailer provides an item free of charge with the required purchase of another **taxable** product, the retailer may purchase the item provided free of charge without tax, for resale. ([Section 77.52\(21\)\(b\)](#), Wis. Stats.)

**B. Modular and Manufactured Homes Used in Real Property Construction Activities Outside Wisconsin (New Exemption)** - An exemption is created for the sales price from the sales of and the storage, use, or other consumption of certain modular homes and manufactured homes that are used in real property construction activities outside Wisconsin. ([Section 77.54\(5\)\(am\)](#), Wis. Stats.)

An article titled "[Sales and Use Tax Exemption Created for Manufactured and Modular Homes Used in Real Property Construction Activity Outside Wisconsin Effective September 1, 2011](#)" has also been posted to the Department of Revenue's web site. The article explains the proper Wisconsin sales and use tax treatment of sales of manufactured and modular homes that will be used in real property construction activities outside Wisconsin.

**C. Vegetable Oil or Animal Fat Converted to Motor Vehicle Fuel (New Exemption)** - An exemption is created for the sales price from the sales of and the storage, use, or other

consumption of vegetable oil or animal fat that is converted into certain motor vehicle fuel. ([Section 77.54\(11m\)](#), Wis. Stats.)

## II. MOTOR VEHICLE DEALERS' MEASURE OF USE TAX INCREASED TO \$144

Wisconsin licensed motor vehicle dealers are permitted to report use tax on a certain dollar amount per plate per month for the use of motor vehicles assigned to certain employees and dealership owners.

Effective January 1, 2012, the amount subject to use tax is increased from \$139 to \$144 per plate per month. **Note:** The use tax per plate per month is not \$144. Rather, \$144 is multiplied by the use tax rate (5%, 5.1%, 5.5%, or 5.6%) to arrive at the use tax due per plate per month.

The reason for the increase to \$144 per plate is that [sec. 77.53\(1m\)\(a\)](#), Wis. Stats. (2009-10), requires that the Department of Revenue annually adjust the amount subject to use tax to reflect the annual percentage change in the U.S. Consumer Price Index for All Urban Consumers, U.S. City Average, as determined by the U.S. Department of Labor for the 12 month period ending June 30. All Urban Consumers, U.S. City Average, was 217.965 as of June 30, 2010 and increased to 225.722 as of June 30, 2011. Consequently, since the index changed over this period by 3.55883%, the measure of use tax for dealers' motor vehicle license plates is adjusted upward from \$139 to \$144 as of January 1, 2012 =  $(\$139 \times (225.722/217.965))$  rounded to the nearest whole dollar).

## III. THANK YOU FOR E-FILING

We at the Department of Revenue would like to thank all of you who are filing your sales and use tax returns electronically. During the fiscal year ending June 30, 2011, 88% of sales and use tax returns were submitted electronically using one of the following methods:

- My Tax Account (79%)
- TeleFile (7%)
- XML Transmission (2%)

E-filing allows the Department of Revenue to operate more efficiently. We have significantly reduced staffing, printing and mailing costs as a result. The department is able to more quickly process returns. E-filing software notifies you of errors that you can correct before you submit. You also have immediate confirmation that your return and/or payment has been received.

## IV. MULTI-LEVEL MARKETING COMPANIES AND THEIR DISTRIBUTORS

Under the law, the Wisconsin Department of Revenue may regard each multi-level marketing company as a retailer required to remit Wisconsin sales tax on sales to its distributors. In the absence of data showing the exact selling price, the retailer must assume that their distributors will make the sale to the ultimate consumers at the suggested retail price and collect the sales tax accordingly. Since the multi-level marketing company must register with the department, as well as collect and remit the tax, the individual distributors are relieved of these responsibilities.

**Note:** If the multi-level marketing company does not collect the tax from its distributor, the distributor is liable for Wisconsin sales or use tax on its sales price of products sold and its purchase price of products that it uses or gives away, rather than resells, in Wisconsin.