



# SALES AND USE TAX REPORT

September 2012  
Issue 3-12

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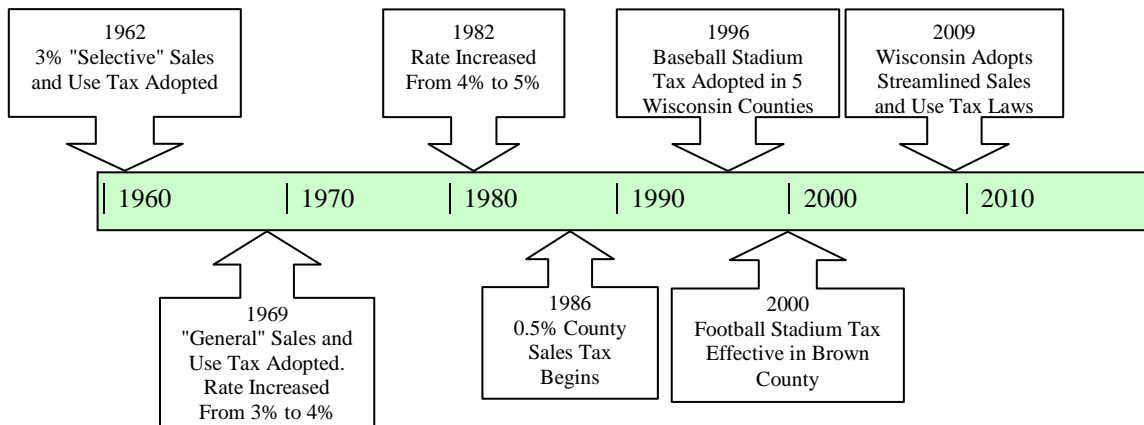
### I. 50 YEARS OF SALES AND USE TAX IN WISCONSIN

In 1962, John F. Kennedy was president, John Glenn became the first American in orbit, and the Green Bay Packers won the NFL championship. Average yearly income was about \$6,000 and the cost of a new car was about \$3,000.

Also in 1962, Wisconsin adopted a sales and use tax. It began on February 1, 1962, as a 3% "selective" sales and use tax, meaning the tax only applied to products and services specifically listed in the law. Phonographs, records, and admissions to movie theaters costing more than 75 cents are some of the products and services that were taxable. It was September 1, 1969, when a "general" sales and use tax on tangible personal property (TPP) was adopted, meaning all retail sales of TPP in Wisconsin were taxable unless an exemption applied.

That first year, sales and use tax collections were about \$55 million (compared to current sales and use tax collections of about \$4 billion annually). Things have changed since 1962. The timeline below shows some of the major changes in Wisconsin sales and use taxes over the years.

Although sales and use taxes account for a significant portion of Wisconsin's total general purpose revenue, nearly 32%, Wisconsin's sales and use tax rate is one of the lowest in the country. This helps make Wisconsin a great place to live and do business! [↗](#)




## II. FRAC SAND MINING AND PROCESSING IN WISCONSIN

Wisconsin sand is used for many purposes, including the extraction of oil and gas through a process called "fracking." Sand that goes through or will go through the process of "fracking" is often referred to as "frac sand."

When a company obtains frac sand through the purchase or lease of real property, the company's cost to obtain the frac sand is not subject to Wisconsin sales or use taxes. Receipts from the lease of land that grants the lessee the right to extract frac sand from the property are not subject to Wisconsin sales or use taxes (the leasing of real property is not taxable).


The sale of frac sand **in** Wisconsin is subject to tax. A sale is in Wisconsin if possession is transferred to the purchaser in Wisconsin. When frac sand is extracted in Wisconsin and delivered to a purchaser outside Wisconsin, the sale occurs outside Wisconsin and is not subject to Wisconsin sales tax.

Washing, cleaning, grading and drying of mineral deposits to produce frac sand for sale is "manufacturing." Wisconsin law provides exemptions from sales and use taxes for certain machinery and processing equipment, consumables, and fuel and electricity used in manufacturing.

More information is available in the Department of Revenue's new common questions titled "[Frac Sand Mining and Processing](#)." 

## III. MOTOR VEHICLE DEALERS' MEASURE OF USE TAX INCREASED TO \$146

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.

The reason for the increase to \$146 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. This index was 225.722 as of June 30, 2011 and increased to 229.478 as of June 30, 2012. Consequently, since the index changed over this period by 1.66399%, the measure of use tax for dealers' motor vehicle license plates is adjusted upward from \$144 to \$146 as of January 1, 2013 ( $\$144 \times (229.478/225.722) = \$146$ , rounded to the nearest whole dollar). 

## IV. NEW TAX RELEASES

The Department of Revenue issued two new sales and use tax releases, published in [Wisconsin Tax Bulletin #176](#) (August 2012).

### A. [Movable Storage Containers](#)

When are charges for movable storage containers taxable rentals? When are charges for movable storage containers not taxable? These questions are answered and analyzed.

### B. [Discounted Certificates and Product Vouchers](#)

Sales of certain discounted certificates and product vouchers ("vouchers") are not subject to Wisconsin sales or use taxes at the time the certificate or voucher is sold. Wisconsin sales

and use taxes apply when the certificate or voucher is redeemed by the merchant providing the goods or services. The tax treatment of these certificates and vouchers is explained and examples are provided. [↗](#)

## V. CAMPGROUNDS' CHARGES FOR CAMPSITES AND ELECTRICITY

When a campground charges a fee for the use of electricity in a campsite, is this charge subject to sales tax? Can the campground purchase the electricity without tax for resale?

A campground's charge for a campsite that includes electricity is generally subject to Wisconsin sales or use tax. In addition, the campground is required to pay Wisconsin sales or use tax on its purchase of the electricity provided with that site with certain exceptions.

The Department of Revenue has posted an article to its web site that explains the tax treatment. Several examples are also provided in the article titled "[Campgrounds' Charges for Campsites and Electricity.](#)" [↗](#)

## VI. WISCONSIN/MINNESOTA SALES TAX SEMINARS

The Wisconsin and Minnesota Departments of Revenue will present a series of free sales and use tax seminars in October 2012. The seminars will provide an overview of Minnesota and Wisconsin sales and use tax laws for companies that do business in both states. They are designed for business owners, bookkeepers, purchasing agents and accountants who need a working knowledge of each state's laws and how to meet their obligations. Topics covered will include:

- Who needs to register for sales and use taxes in Minnesota, Wisconsin or both states
- What cities, counties and other jurisdictions in each state have local taxes
- What's taxable in each state
- Exceptions to the general taxation rules and exemptions
- How and when to use or accept an exemption certificate

Seminar dates, times, and locations, as well as registration information, is available by clicking on the "[Training](#)" link at the bottom of the Department of Revenue's home page. [↗](#)

## VII. QUESTION AND ANSWER

**Q** Is a retailer's returned check charge (NSF) taxable?

**A** No. The amount a retailer charges the customer due to a check being returned for insufficient funds in the account is not subject to Wisconsin sales or use tax, regardless of whether the product purchased by the customer was taxable. [↗](#)