



TAX REPORT

SALES/USE TAX

WISCONSIN DEPARTMENT of REVENUE

AUGUST 1969

NEW 4% GENERAL SALES AND USE TAX LAW EFFECTIVE SEPTEMBER 1, 1969

INTRODUCTION

Wisconsin's sales and use tax law has been changed. Under the prior selective sales tax law only the sales of certain types of property were taxable. The new law, effective September 1, 1969, provides for a general sales tax under which all tangible personal property sold at retail is subject to the tax, unless specifically exempt. Although the number of taxable services has been increased, the tax continues to be selectively applied only to those services listed in the statutes.

The new tax rate is 4%.

The tax applies to sale of "tangible personal property" which includes such diverse items as: building and construction materials, construction machinery, hardware, lubricants, ice, gravel and sod, printed matter, electricity and gas, flowers and shrubs, mobile homes, wearing apparel, candy, books and bank checks. Sales of boats by individuals are also taxable.

The tax does not apply to receipts from sales of intangibles or real property. Some of the principal items that are specifically exempt under the law are: groceries, prescription drugs, highway fuels, and cigarettes.

TAXABLE SERVICES

The new law continues to impose a tax on the gross receipts from the sale or performance of certain services. Added to the services presently taxed are:

- (a) Providing parking for motor vehicles and aircraft, and docking or storage space for boats,
- (b) Receipts of recreational devices such as juke boxes, pin-ball machines, all mechanical rides and games,
- (c) All intrastate telegraph services,
- (d) The producing, fabrication, processing, or printing of tangible personal property for a consumer, who furnishes the materials on which the service is performed.
- (e) Photographic services performed for advertising purposes,
- (f) The repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection or maintenance of all types of tangible personal property, or items attached to real estate that retain their status as personal property.

A partial list of the items that retain their status as personal property are: furnaces, boilers; stoves; ovens; heaters; air conditioners; humidifiers; refrigeration units; water pumps, conditioners, and heaters; major and small appliances; furniture and furnishings; carpeting; bathroom fixtures, sinks; awnings; electronic dust collectors; intercoms; recreational, sporting, gymnasium and athletic equipment; office, restaurant and

tavern type equipment; compressors and condensers; laundry, drycleaning and pressing machines; power tools; burglar and fire alarm systems; electric clocks and signs.

THE BRACKET SYSTEM

The bracket system to be used by retailers in collecting tax from their customers is as follows:

Amount of Taxable Sale	Tax
\$.01 including .12	-0-
.13 including .37	1¢
.38 including .62	2¢
.63 including .87	3¢
.88 including 1.12	4¢

On sales in excess of \$1.00 the tax equals 4% of each full dollar plus the tax shown above for the fractional part of a dollar.

RENTALS

The prior selective sales tax law (1962-1969) allowed an exemption for rental receipts after the cumulative receipts exceeded the net purchase price of the property, or where the sale of the property was taxed to the lessor. These exemptions have been eliminated. However, if a lessor has paid tax on the acquisition of a particular item under the old or new law, the amount paid will be allowed as a credit against the tax measured by the rental receipts. The credit expires when the cumulative rental receipts equal the sales price of the property to the lessor.

The gross receipts of persons in the linen supply business renting linens, towels, uniforms, etc., are subject to the tax.

CONTRACTORS

Contractors and subcontractors are the consumers of all tangible personal property used by them in performing real property construction activities. Contractors engaged in real property construction activities pursuant to fixed price written contracts entered into before the effective date of the new law are entitled to purchase materials without tax to complete the contract. This exemption does not apply to items taxed under the prior selective law or to change orders and other variations in the contract executed after the effective date of the new general sales tax law. The contractor furnishes his supplier Form 207C, Contractor's Exemption Certificate, to claim the exemption.

Many contractors that perform repair services on tangible personal property (or the types of property that retain their character as such, some of which are listed in section (f) of "Taxable Services") will now be required to register as retailers and report the sales tax on these gross receipts.

FARMERS

Farmers have an exemption only on purchases of tractors, implements of husbandry, and other power-driven farm machinery used directly in farming. The exemption also applies to the parts and repair service of these items. The exemption does not apply to trucks, hand tools, fencing, building supplies, lawn and garden tractors, or items used to perform custom work for farmers. Farmers also may purchase seeds, feeds, fertilizer, soil conditioners, sprays, pesticides, fungicides, breeding and other livestock, poultry and farm work stock without tax. Suppliers must have the farmer complete Form S-206, Farmer's Exemption Certificate, to claim any exemption.

MANUFACTURERS

Manufacturers can purchase certain items without tax by claiming one of the exemptions shown on Form S-207M, Manufacturer's Exemption Certificate. Some of the items are as follows: (1) containers used to transfer merchandise to customers, (2) materials becoming an ingredient or component part of an article destined for sale, and (3) specific machinery and processing equipment (repair parts and service therefor) exclusively designed and made for and specifically used in manufacturing tangible personal property.

RESTAURANTS

The tax applies to sales of meals, food, food products and beverages sold for direct consumption. A retailer's sale of soda fountain items, candy, gum, lozenges, popcorn and confections are also taxable. The tax applies to sales of heated food or beverages; and sales of meals and sandwiches, whether heated or not. Meals sold to restaurant employees are now taxable.

A restaurant operator's purchases of equipment, furniture, disposable supplies (including paper plates, paper cups, napkins and straws) are taxable. Food products and beverages which become an ingredient or component part of the meals, sandwiches or beverages sold may be purchased for resale without tax.

FILING RETURNS

Retailers filing quarterly or annual returns will be required to file a return for the period since their last return was filed up to September 1, 1969 when the new 4% rate goes into effect. For example, quarterly filers will file a return for business transacted during July and August. Annual filers will file a return for the period from January 1, 1969 through August 31, 1969. These returns must be filed by September 30, 1969. If you anticipate difficulty in filing your return by September 30, you may request a 30 day extension of time. Returns filed within the extended period are not subject to late filing penalties, but 6% interest does accrue.

With the passage of this new law, many of the present permit holders will have an increased tax liability. Some of these permit holders will receive notification that their filing basis has been changed to a more frequent filing status (i.e., annual filing converted to monthly filing).

NEW RETURNS REQUIRE DETAIL OF EXEMPT SALES

Effective October 1, 1969 newly designed general sales and use tax returns will require a summarization of deductions and exemptions claimed to arrive at sales subject to tax. The new law also provides that retailers must file an Annual Information Return, as soon as a retailer's fiscal year includes 12 months under the new law.

PURCHASES FOR RESALE BY REPAIRMEN

Since repairs to tangible personal property are subject to tax, repairmen may purchase without tax materials used in repair work, which are actually transferred to their customers. They would pay tax on their purchases of machinery and all supplies that do not become part of the article being repaired.

ADDITIONAL INFORMATION

If you have any questions please refer them to: Wisconsin Department of Revenue, P.O. Box 39, Madison, Wisconsin 53701.