



# TAX REPORT

SALES/USE TAX

WISCONSIN DEPARTMENT of REVENUE

SEPTEMBER 1970

## THE WISCONSIN 4% USE TAX

Every state that has a sales tax has a use tax to complement the sales tax. Without a use tax, consumers might purchase out-of-state to avoid paying tax on a particular transaction. This would adversely affect the amount of business done by local merchants, and would seriously reduce sales tax revenues. A use tax is imposed whenever a consumer purchases goods or taxable services out-of-state without paying a sales tax equivalent to the local rate, and then uses the goods or services back in his home state.

The Wisconsin use tax is an excise tax upon the storage, use or other consumption of property that is purchased from any retailer for storage or use in this state. Its normal application is to property purchased in certain interstate transactions. It does not apply when the sale of the property to the purchaser is subject to the 4% Wisconsin sales tax. The amount of sales tax paid to another state in which a purchase was made is a credit against the 4% Wisconsin use tax due.

When the property is purchased out-of-state from retailers who are not required or authorized to collect the tax, the consumer must report and pay the 4% use tax directly to the state. A use tax return is due from an unregistered consumer on or before the last day of the month following the quarterly period during which the purchase is made. If not timely filed, appropriate late filing penalties and delinquent interest will apply.

If taxable property is purchased for resale and a resale certificate is issued by the purchaser, the use tax applies if there is any use of the property other than for demonstration or display while holding it for resale in the regular course of business. Use tax is due also when a purchaser certifies in writing to a seller that

the property purchased will be used in a manner or for a purpose entitling the seller to regard the gross receipts from the sale as exempt from the tax (e.g., in farming, in manufacturing, for certain construction activities, etc.) and then the property is used in some other manner or for some other purpose.

## CONTRACTORS & SUBCONTRACTORS

Pursuant to Section 77.51 (4)(i) and (18) of the Wisconsin Statutes, contractors or subcontractors engaged in the erection, alteration, repair or improvement of buildings or structures are the **consumers** - not the sellers - of tangible personal property used by them in such construction activities. A contractor should not charge the customer the sales tax as a specific item on his billing. He may, of course, include the tax in his bid as part of his cost of materials used in order to recover the tax he paid to his supplier.

## ANNUAL INFORMATION RETURN

The general sales tax law requires the filing of an annual information return by each retailer. The first annual information returns are being mailed with this Tax Report to retailers who have a fiscal year ending on September 30. This return is due at the same time as the retailer's Wisconsin income and franchise tax return.

This annual return, and the monthly and quarterly returns filed by retailers, require a summarization of deductions and exemptions claimed to arrive at sales subject to the 4% tax. Returns filed are reviewed to make certain this information is provided. Failure to supply this information will result in a disallowance of deductions and an increase in sales tax liability.

(OVER)

## EXEMPT "OCCASIONAL SALES"

The department has developed the following guidelines to assist religious, charitable and educational organizations, civic groups and other non-profit groups, which conduct one or more fund raising events during the year, to determine whether their gross receipts from these events are exempt as "occasional sales".

### A. Admissions and tickets.

Sales of admissions or tickets to events conducted by a neighborhood association, church, civic group, garden club, social club or similar organization are exempt occasional sales if:

1. the event(s) does not involve professional entertainment,
2. the organization is not engaged in a trade or business and is not otherwise required to have a seller's permit and
3. when no more than three events involving sales of admissions or tickets were conducted by the organization in the previous calendar year and no more than three are anticipated during the current calendar year and such events do not fall on more than seven different days within the calendar year.

### B. Meals, food and beverages.

Sales of meals, food, food products and all beverages for direct consumption at an event (e.g., church supper, refreshment stand at a fair, etc.) by a neighborhood association, church, civic group, garden club, social club, or similar organization are exempt occasional sales if:

1. such organization is not engaged in a trade or business and not otherwise required to have a seller's permit, and

2. when no more than three events involving sales of meals, food, food products and beverages were conducted by the organization in the previous calendar year and no more than three are anticipated during the current year and such events do not fall on more than seven days within the calendar year.

### C. Other sales of tangible personal property and services.

Sales of tangible personal property (e.g., light bulbs, Christmas trees, candy) and services (e.g., parking) - other than admissions and food discussed in A. and B. above - by a neighborhood association, church, civic group, garden club, social club or similar organization are exempt occasional sales if:

1. the organization is not engaged in a trade or business and not otherwise required to have a seller's permit, and
2. the gross receipts from these sales of tangible personal property and services do not exceed \$1,000 within a calendar year.

If an organization exceeds the exempt occasional sales standards in any category (A., B., or C., above), it must obtain a seller's permit and pay a tax on all of its sales.

### Identification of Wisconsin Department of Revenue Employees

Several retailers have reported that a person posing as an employee of this department has entered their places of business and has asked to "examine the books". All of our field men carry identification cards with their picture shown on its front side. To protect your interests we suggest you ask for identification, whenever you have any doubts about the identity of the person asking to examine your records and who states he is employed by this department.