



# TAX REPORT

SALES/USE TAX

WISCONSIN DEPARTMENT of REVENUE

JUNE 1972

## TAXABLE TRANSPORTATION CHARGES

When a retailer charges a purchaser for the delivery of goods (sales of which are subject to the tax), the retailer's total charge, including any transportation charge, is subject to the 4% sales or use tax. The total gross receipts of a seller are taxable, including transportation charges. It is immaterial whether delivery is made by the seller's vehicle, a common or contract carrier, or the United States Postal Service.

The correct tax computation to be shown on an invoice where the retailer charges the purchaser for delivery of the goods is as follows:

Carton of Merchandise	\$100.00
Delivery Charge	<u>10.00</u>
Subtotal	\$110.00
Tax at 4% (\$110 x 4%)	4.40

A Wisconsin consumer who purchases, for use in Wisconsin, taxable goods without tax, is subject to the 4% tax based on the "sales price" of the goods to him. The "sales price" includes transportation charges paid by the Wisconsin consumer to his supplier for shipment of the goods to him.

## CHANGES IN THE SALES TAX LAW

(a) Chapter 215, Laws of 1971 amended s. 77.54 (23m) of the law to provide that motion picture film or tape sold, leased or rented to a radio or television station is exempt from the sales and use tax effective July 1, 1972. Previously only motion picture theatre film was exempt.

(b) Effective July 1, 1972 the gross receipts from sales of tangible personal property by vocational, technical and adult education schools, exempt from payment of the Wisconsin income tax, are exempt from the sales tax (Chapter 154, Laws of 1972).

## CAMPGROUND RECEIPTS

The sale or furnishing of camping privileges is subject to the 4% sales tax if the campground operator furnishes a place with facilities such as: club house, swimming pool or other swimming facilities, electrical service, fire place, laundry room, water system, toilets, playground, or other improvements designed to attract campers.

Some campground operators lease space on a seasonal or annual basis and the purchaser of this privilege parks his trailer, mobile home, etc. in a particular place during the summer season. He may also leave the unit there during the entire year, but only use it on weekends or during the summer season. The fees received from these leases are subject to the 4% tax, regardless of the period covered by the lease. However, the lease of space to a mobile home owner who uses the mobile home as his permanent residence is not subject to the 4% tax.

## COMPUTER TIME-SHARING

Charges made for the use of automatic data processing equipment on a time-sharing basis, where access to the equipment is by means of remote facilities, are not taxable leases of the equipment. A taxable lease of the equipment is involved, however, when a person secures for a consideration the use of equipment which is not on his premises, if that person (lessee) or his employees, while on the premises where the equipment is located, operate the equipment or direct and control its operation.

## DRY CLEANERS' PURCHASES

Dry cleaners are the consumers of solvents, soaps, detergents, spotting compounds, water repellents, disinfectants, fabric softeners, starch, fire repellent compounds and marking tags they use for identification purposes. The tax applies to the sale of these items to the dry cleaner. If the tax is not imposed on the sale to the dry cleaner (e.g. the items are purchased from an out-of-state source) the dry cleaner must report and pay the 4% use tax directly to the state on line 7 of his Sales and Use Tax Return.

Dry cleaners may purchase the following items without tax by using a Resale Certificate provided these items are transferred to the customers with the clean clothes; hangers, handkerchiefs, bags, boxes, shirt boards, shoulder guards, twisters and pins.

## TAX COLLECTION FROM CUSTOMERS

The department has adopted a "bracket system" which you must use if you desire to separately state and pass the tax on to your customers. You must post the "bracket system" cards in a conspicuous place in your establishment to satisfy the department that the sales tax has been added to the total amount of the sales price, unless a receipt is issued which separately itemizes the tax.

The "bracket system" is a method of tax collection designed so that the total amount of tax passed on to the customer should approximate 4% of the taxable gross receipts. However, the law provides that the gross sales tax payable is based on 4% of the taxable gross receipts, regardless of the amount of tax collected from customers by using the "bracket system".

The bracket system to be used by retailers in computing the amount of tax which may be collected from their customers is shown below.

Amount of Taxable Sale	Tax Collectible
\$.01 including \$ .12	None
.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 of the sales price plus the tax shown above for the applicable fractional part of a dollar.

The tax collected is based upon the sales price of the item when one item is sold; and when more than one item is sold in a single transaction, **upon the sum of the aggregate sales prices of the items sold.** There have been complaints that some retailers are not observing this procedure.

#### WHEN THE AUDITOR CALLS

The Sales and Use Tax Law and other tax laws administered by the department authorize the department to examine records and property of any persons subject to these laws, and make investigations to verify the accuracy of returns or verify the tax liability of such person or of another person.

When the auditor or his supervisor contacts you regarding an audit, he will attempt to arrange the time and place of the audit at your convenience within the scope of his normal working hours and other assignments. The purpose of his examination is usually to verify returns which you have filed by comparing these returns with your books and records and supporting documents such as invoices,

exemption certificates, cash register tapes and other documents of original entry supporting the books of account. Schedules or working papers which have been used in the preparation of the tax returns will assist in this verification.

The auditor will attempt to complete the audit with the least possible inconvenience to you. If additional information is needed before the audit can be completed, you will be informed as to the nature of the information and given a reasonable period of time to assemble it.

Upon the completion of the audit, the auditor will discuss his findings with you or anyone you designate, and will answer any questions you may have concerning the audit or concerning the application of the law relating to your business activities. He will explain the appeal procedures, which include a review of the audit with other members of the department, in the event you are not in agreement with the auditor's findings.

Because of the importance of your books and records and supporting documents in confirming the accuracy of tax returns which you have filed, it is important that you retain these documents for at least 4 years from the due date of the annual information return.

#### TAX INFORMATION AVAILABLE

The department issues policy decisions on sales, income and withholding tax matters and makes them available to the public on a subscription basis. They are called Technical Information Memoranda. The cost of a subscription is \$2.00 per year. If you wish to receive all the memoranda relating to the general sales tax law (over forty have been issued), the initial charge is \$4.00 for the back issues and the current year's subscription price is an additional \$2.00. Send your request with the appropriate sum of money to the Department of Administration, Document Sales Section, Room B-237, State Office Building, One West Wilson Street, Madison, Wisconsin 53702.