



TAX REPORT

SALES/USE TAX

WISCONSIN DEPARTMENT OF REVENUE

MARCH 1981

ARE YOU CORRECTLY REPORTING WISCONSIN USE TAX?

The Wisconsin Sales and Use Tax Return, Form ST-12, has been substantially revised. One of the major changes is the entry areas for reporting **use tax on purchases**. (See lines 7 and 8 on back side of Form ST-12.) To assist you in reporting the correct amounts of use tax, this Tax Report explains what a use tax is and how it differs from a sales tax. Also included in this Tax Report are examples of common use tax situations requiring an entry on lines 7A through 7G of Form ST-12.

WHAT IS THE DIFFERENCE BETWEEN A SALES TAX AND A USE TAX?

Sales Tax: The Wisconsin sales tax is a 4% tax imposed on the retail sales price or the rental charge for tangible personal property or taxable services. **The sales tax applies to retail sales.** All sales are generally considered retail sales, unless the buyer purchases the property or service for the purpose of reselling it.

Common examples of retail sales include the following:

- A clothing store selling a dress to a customer (the sale of the dress by the clothing manufacturer to the retail clothing store is not a retail sale because the clothing store is going to resell the dress).
- A car dealer selling a car to a customer for his or her use.
- A lumber yard selling lumber to a carpenter who uses the lumber to construct a house or other real estate.

Use Tax: The Wisconsin use tax is a 4% tax imposed on the purchase price of tangible personal property or taxable services that are to be used, stored, or consumed within Wisconsin, **upon which a sales tax is not imposed.** If Wisconsin did not have a use tax, persons could buy items in another state to avoid paying Wisconsin sales or use tax on such purchases.

Use tax generally applies in the following situations:

- Property to be used in Wisconsin is purchased outside the state and the property would have been subject to sales tax if purchased in Wisconsin. (Example: A Wisconsin company purchases an office machine for \$10,000 from an Illinois seller who has no business activities in Wisconsin. The machine is used in Wisconsin. The buyer

(Wisconsin company) is liable for Wisconsin use tax of \$400 ($\$10,000 \times 4\% = \400) on the purchase price of this machine.

- Property is purchased for resale (to sell to others) or for a nontaxable use and is then used by the purchaser in a taxable manner. No sales tax was charged when purchasing the property. (Example: A furniture store buys desks to resell to customers. The furniture store gives the seller of desks a "resale certificate", therefore, no sales tax is charged on the sale of desks to the store. A desk costing \$500 is then taken from the furniture store inventory and used by the store bookkeeper. The store owes \$20 use tax ($\$500 \times 4\% = \20) on the desk.
- Property is purchased and is then furnished free of charge to the buyer's customers. No sales tax was charged when purchasing the property. (Example: A bank or savings and loan company purchases for \$10,000 clocks, blankets, etc., which it gives to its customers if they deposit a specified amount in an account. The bank or savings and loan then owes \$400 use tax ($\$10,000 \times 4\% = \400) on such items.)

HOW TO REPORT USE TAX ON FORM ST-12

If you are liable for use tax, lines 7 and 8 of Form ST-12 are used to compute the amount of use tax you owe. The information below gives examples of purchases subject to use tax that must be entered on each of lines 7A through 7F of Form ST-12.

Line 7A - Asset Additions. Enter on this line the purchase price of asset additions which are subject to sales or use tax, but which (a) you acquired without payment of Wisconsin sales tax and (b) which will be used by you in Wisconsin, rather than being sold. Examples of asset additions you may have purchased without sales tax for your own use are:

- Office furniture and office equipment, such as desks, chairs, couches, writing tables, typewriters, adding machines, computer and other office machines
- Aircraft
- Trailers and semi-trailers
- Laundry and dry cleaning equipment
- Vending machines and amusement devices
- Equipment purchased by barbers and beauty shops and persons in medical professions
- Counters, shelving and scales used in businesses

Line 7B - Repair and Supply Expense. Enter on this line the purchase price of repair and supply items you purchased, without payment of Wisconsin sales tax, for use by you in repairing your property or equipment or as supplies. Examples of such purchases are:

- Repair parts purchased by a company to repair its own fork lift truck, motor vehicle or other taxable personal property
- Lumber removed from inventory by a lumber dealer to repair its own building
- An auto parts wholesaler's use of auto parts from its inventory to repair its own vehicles
- A company's purchases of repair parts for its office equipment from an out-of-state person
- Office supplies such as paper, pens, erasers, envelopes, paper clips, staplers, folders and all other non-capital asset additions used in an office
- Cleaning supplies for all buildings, including office, warehouse, garage and manufacturing buildings

Line 7C - Promotional Material. Enter on this line the purchase price of promotional material you purchased without payment of Wisconsin sales tax and which was given away free or sold at cost or less than cost. Examples of promotional items which may have been acquired without sales tax are:

- A bank's or savings and loan's purchases of coin savings banks, commemorative medals, calendars, playing cards, or other items to be given free (or sold at cost or less than cost) to the customer. Checking account or savings account forms furnished to customers free of charge are also subject to use tax.
- A retailer's, such as a department store's, purchases of advertising materials which are distributed free of charge to customers.
- A retailer's purchases of Christmas gifts or grand opening gifts which are distributed free to customers.
- A paint retailer's purchases of color cards which are distributed free to customers.

Line 7D - Construction Materials. Enter on this line the purchase price of construction materials (lumber, shingles, cement, bricks, nails, drywall, etc.) you purchased without payment of any Wisconsin sales tax and which materials are used by you in constructing real property, such as a house or commercial building. If a contractor constructs buildings and also makes retail sales of construction materials and the contractor doesn't know how the materials will be used, (in buildings or resold to others), the contractor may purchase such materials without payment of sales tax by giving a resale certificate to the seller. However, if the materials are used by the contractor for any purpose other than for resale, as illustrated below, the contractor must report the purchase price of such materials on line 7D.

- Constructing a new building
- Constructing a new residence or remodeling an existing home for a homeowner
- Constructing a new building for a church, school or other governmental unit
- Completely replacing a space heating furnace
- Installing a partition attached to realty in an office
- Repairing an elevator in a building
- Installing a swimming pool partially or wholly underground
- Other work which results in the repairing or remodeling or improving real estate

Line 7E - Research Material. Enter on this line the purchase price of research materials you purchased without payment of Wisconsin sales tax. As an example, in certain instances under a research and development contract the information cannot be developed without the production of a prototype. When this occurs, the researcher owes use tax on the materials used to construct the prototype because the prototype is used to compile the data, designs, drawings and whatever else is provided the customer.

Another example is a company purchasing chemicals and other supplies without payment of sales tax and such items are used to test the company's products.

Line 7F - Other. Enter on this line the purchase price of other items, not specifically applicable to lines 7A - 7E, you purchased which are subject to Wisconsin sales or use tax but which (a) are purchased without payment of Wisconsin sales tax and (b) which are used, stored or consumed by you in Wisconsin but are not included in lines 7A through 7E. Examples of such items which may have been purchased without tax are:

- Records purchased by an operator of jukeboxes
- Tapes and records purchased by a person providing background music
- Mailing lists
- Computer programs

If you still have questions about use tax, help is available at any of the following Department of Revenue offices: Appleton, Baraboo, Barron, Beaver Dam, Beloit, Eau Claire, Elkhorn, Fond du Lac, Grafton, Green Bay, Green Lake, Hayward, Hudson, Janesville, Kenosha, La Crosse, Lancaster, Madison, Manitowoc, Marinette, Marshfield, Milwaukee, Monroe, Oshkosh, Park Falls, Racine, Rhinelander, Shawano, Sheboygan, Superior, Tomah, Watertown, Waukesha, Waupaca, Wausau, West Bend and Wisconsin Rapids.

The Appleton, Eau Claire, Madison and Milwaukee offices are open Monday through Friday, while the other offices are open only on Mondays to answer your questions.