



# TAX REPORT

SALES/USE TAX

WISCONSIN DEPARTMENT OF REVENUE

1-82

## IMPORTANT NOTICE

The Wisconsin Legislature passed new sales and use tax laws which become effective May 1, 1982. This Tax Report explains the new laws and the requirement for persons filing on a quarterly or annual basis to file an extra return (see Part II of this Tax Report).

### I. NEW SALES AND USE TAX LAWS

**Tax Rate Increases From 4% to 5% on May 1, 1982.** The Wisconsin sales and use tax rate increases from 4% to 5%, beginning May 1, 1982. The 5% tax applies to sales of tangible personal property and taxable services made on and after May 1, 1982, except for building materials made a part of real estate in fulfilling certain construction contracts as explained below.

**Real Estate Construction Contracts Entered Into Before May 1, 1982** — The sales and use tax rate continues to be 4% (rather than 5%) on building materials purchased on or after May 1, 1982 if the following 2 conditions are met:

1. The buyer of the building materials entered into a written contract or made a formal written bid before May 1, 1982 to construct, alter, repair or improve real estate for another person. The written contract is for a fixed price that cannot be changed or the formal written bid cannot be altered or withdrawn.
2. The building materials purchased on or after May 1, 1982 are affixed and made a part of real estate in fulfilling such a written contract or formal written bid.

A seller should not sell building materials on or after May 1, 1982 at the 4% rate unless the seller first obtains from the buyer a completed form entitled, "Construction Contract Entered Into Before May 1, 1982". This form may be obtained from any department office.

If building materials are sold at the 4% rate on or after May 1, 1982, the seller should enter on line 2H ("Other" deduction) of his or her sales and use tax return, 1/5 of the sales price of such materials sold at the 4% rate. (Example: If building materials

of \$100 are sold at the 4% rate, enter \$20 (1/5 of \$100) on line 2H of the return, Form ST-12.)

If on or after May 1, 1982 a buyer (construction contractor) is subject to 4% use tax on building materials affixed to real estate pursuant to a pre-May 1, 1982 contract as mentioned above, the buyer should enter 80% of the purchase price of such materials on line 7D of Form ST-12. (Note: The buyer is liable for use tax if the building materials were purchased without payment of any Wisconsin sales tax to the seller.)

**New Services Subject to Sales and Use Tax.** Sales of the following services are taxable, beginning May 1, 1982.

- Interstate telegraph service
- Interstate telephone service which originates from and is charged to a telephone located in Wisconsin
- Landscaping and lawn maintenance services, including landscaping planning and counseling, lawn and garden services such as planting, mowing, spraying and fertilizing and shrub and tree services

Note: If any of these services are furnished under a written contract entered into before May 1, 1982, and the seller is unconditionally obligated to provide the services for the amount fixed in the contract, the seller is exempt from sales or use tax on the services until the contract is terminated, extended, renewed or modified. A seller claiming that any of these services are exempt from tax because of such a contract, should enter the amount of these exempt sales on line 2H ("Other" deduction) of the Form ST-12.

From the time these services became taxable on May 1, 1982 until the contract is terminated, extended, renewed or modified, the purchaser must pay use tax to the department on the services purchased under the contract. However, the seller may as a convenience to a purchaser, and with the purchaser's approval, collect the 5% tax from the purchaser and remit the tax to the department. If this occurs, the purchaser will not be required to report this use tax on a return and remit the tax to the department.

## II. FILING RETURNS - CALENDAR YEAR TAXPAYERS

**Quarterly Filers:** Because of the rate increase from 4% to 5% on May 1, 1982, persons filing on a quarterly basis must file two returns for the quarter April - June, 1982. If you file on a quarterly basis, the enclosed return only covers the period April 1-30, 1982 and must be filed by May 31, 1982. The tax rate on the enclosed return is 4%. The return for May 1 - June 30, 1982, which will show a 5% tax rate, will be sent to quarterly filers about July 1, 1982.

**Annual Filers:** Persons filing on an annual basis must file two returns for 1982. If you file on an annual basis for calendar year 1982, the enclosed return covers the period January 1 - April 30, 1982 and must be filed by May 31, 1982. The second return for 1982, covering the months May - December, 1982, will be sent to annual filers about January 1, 1983 and will show a 5% tax rate.

**Monthly Filers:** If you file on a monthly basis, the enclosed return for April, 1982, shows a 4% tax rate and indicates the filing due date on the return. The return for May, 1982, which will show a 5% tax rate, will be sent to monthly filers about June 1, 1982.

Note: If you have a fiscal year, the enclosed return shows the period covered and the due date for filing on the front of the return. The next return sent to you will show a 5% tax rate.

## III. THE BRACKET SYSTEM FOR THE 5% RATE

The bracket system to be used by retailers in collecting the 5% tax from their customers is as follows:

Amount of Taxable Sale	5% Tax Collectible
\$ .01 to \$ .09	\$ .00
.10 to .29	1¢
.30 to .49	2¢
.50 to .69	3¢
.70 to .89	4¢
.90 to 1.09	5¢

On sales exceeding \$1.00, the tax is 5% of each full dollar plus the tax shown above for the applicable fractional part of a dollar. For example, the tax on a sale of \$5.50 is 28¢ (5% x \$5.00 = 25¢ plus 3¢ = 28¢).

## IV. IMPORTANT NOTICE TO RETAILERS HOLDING CIGARETTE INVENTORIES

Wisconsin's cigarette tax will increase on May 1, 1982. If you sell cigarettes, but have not received cigarette inventory tax forms from the department, please call the Excise Tax Bureau at (608)266-6701. If on May 1, 1982 you still do not have the forms, take an inventory of the number of packages of cigarettes on hand, so that you may later complete the reporting form and mail it and the tax due to the Department of Revenue by June 15, 1982.

## V. ANY QUESTIONS?

If you have any questions, visit or telephone any Department of Revenue office. You can find the address and telephone number of the office nearest you in your telephone directory. If you write, address your letter to: Wisconsin Department of Revenue, Compliance Bureau, P.O. Box 8902, Madison, Wisconsin 53708.