



TAX REPORT

SALES/USE TAX

WISCONSIN DEPARTMENT OF REVENUE

2-86

NEW SALES AND USE TAX LAWS

In 1985 and Spring of 1986, the Wisconsin Legislature enacted the following new sales and use tax laws which become effective in 1986 and 1987:

1. Exempt Additional Farm Purchases (Amend s. 77.54(3m), create s. 77.54(33) and (34), effective July 1, 1986)

The following items are exempt:

- Medicines used on farm livestock, not including workstock.
- Animal bedding used exclusively in farming.
- Milk house supplies used exclusively in producing and handling milk on dairy farms. This includes milk filters, soaps, detergents, udder washes and balms, pipeline cleaners, manual cleaners, acid cleaners, sanitizers (iodine and chlorine), teat dips, teat dilators, paper towels, insect strips, cloth udder towels, udder sponges, brushes and brooms, window cleaners and water softener salt. The exemption for milk house supplies does not include equipment such as dispensers, jug and barrel pumps, sinks, faucets, washup hoses and nozzles, buckets and pails, milk cans, strainers for milk cans or coolers, and electricity.

2. Exempt 35% of Selling Price of New Mobile Homes and Total Selling Price of Used Mobile Homes (Create ss. 77.51(11)(b)6 and (12)(b)5 and 77.54(31), effective January 1, 1987)

An exemption is provided for:

- 35% of the total amount for which a new mobile home that is a primary housing unit is sold. No credit may be allowed for trade-ins. The exemption does not apply to a lease or rental.
- The full amount for which used mobile homes that are primary housing units are sold.

Example: If a new mobile home has a selling price of \$10,000 and the purchaser is allowed \$5,000 for a trade-in, the tax is computed as follows:

Selling Price of New Mobile Home	\$10,000
Less 35%	<u>3,500</u>
Measure of the Tax	\$6,500
Tax Payable (\$6,500 x 5%)	\$325

Note that the trade-in is not taken into consideration in the tax computation when a new mobile home is sold.

3. Exempt Peat and Fuel Cubes (Amend s. 77.54(30)(a)1 and (f), effective April 2, 1986)

Peat and fuel cubes produced from solid waste used as a fuel for a residence are exempt.

4. Exempt Rentals of Mobile Homes (Create s. 77.54(33), effective July 1, 1986)

An exemption is provided for receipts from the rental for a continuous period of one month or more of a mobile home, as defined in s. 66.058(1)(d), that is used as a residence. Section 66.058(1)(d) defines a mobile home as follows:

"Mobile home' is that which is, or was as originally constructed, designed to be transported by any motor vehicle upon a public highway and designed, equipped and used primarily for sleeping, eating and living quarters, or is intended to be so used; and includes any additions, attachments, annexes, foundations and appurtenances, except that a house trailer is not deemed a mobile home if the assessable value of such additions, attachments, annexes, foundations and appurtenances equals or exceeds 50 percent of the assessable value of the house trailer."

5. Exempt Safety Attachments for Manufacturing Machines (Amend s. 77.54(6)(a), effective June 1, 1986)

Safety attachments for exempt machines and specific processing equipment used exclusively and directly by a manufacturer in manufacturing tangible personal property are exempt.

6. Clarify Exemption for Controlled Circulation Publications Sold to Commercial Publishers (Amend s. 77.54(15), effective September 1, 1983)

The exemption for controlled circulation publications is clarified as publications sold to commercial publishers for distribution without charge or regularly distributed by or on behalf of publishers without charge or mainly without charge to the recipient. A definition of "controlled circulation publication" is added to s. 77.54(15) and it provides that a controlled circulation publication means "a publication that has at least 24 pages, is issued at regular intervals not exceeding 3 months, that devotes not more than 75% of its pages to advertising and that is not conducted as an auxiliary to, and essentially for the advancement of, the main business or calling of the person that owns and controls it."

NEW "COMPUTER INDUSTRY" RULE

Effective March 1, 1986, rule Tax 11.71, titled "Computer industry," became part of the Wisconsin Administrative Code. This new rule provides that retail sales, leases and rentals of "custom programs", as defined in the rule, are not subject to the Wisconsin sales/use tax. The sale, lease or rental of a "prewritten" or "canned program" is taxable. Anyone interested in obtaining a copy of the "Computer industry" rule should write to the Wisconsin Department of Revenue, Technical Services Staff, P.O. Box 8933, Madison, Wisconsin 53708.

ALL-TERRAIN VEHICLES

Occasional or nonretailer sales of all-terrain vehicles are subject to the 1/2% county tax, effective July 1, 1986. However, it should be noted that occasional sales of all-terrain vehicles are not subject to the 5% Wisconsin sales/use tax.

THE RECYCLING EXEMPTION

Section 77.54(5)(c) and (26m), 1983 Wis. Stats., provides sales/use tax exemptions for waste reduction or recycling machinery and equipment, effective July 1, 1984. The exemptions are for waste reduction or recycling machinery and equipment, including parts therefor, exclusively and directly used in waste reduction or recycling activities, which reduce the amount of solid waste generated, reuse solid waste, recycle solid waste, compost solid waste or recover energy from solid waste.

The Department has advised taxpayers that the following types of equipment qualify for this exemption if the purchaser uses the item purchased exclusively and directly in the activity described.

Exempt Equipment

1. Equipment used in a foundry to clean sand so that the sand can be reused. Also, equipment used to remove impurities from lubricating oil used in manufacturing machines so that the oil can continue to be used by the manufacturer. These cleaning processes reduce the amount of solid waste produced.
2. Vending machines, located in parking lots, which collect aluminum cans and sort and crush the cans. Persons depositing the cans are paid based on the weight of the cans deposited. The sorting for recycling constitutes a process beyond mere compacting.
3. Equipment used to produce fuel cubes. This equipment shreds waste paper and cardboard, removes foreign objects, blends the materials with a binding agent, adds moisture if necessary and then compresses the materials into fuel cubes which are burned by homeowners or others to replace wood. This equipment recycles solid waste.
4. A roto-mill which is a large piece of construction machinery that mines old pavement, whether it is asphalt or concrete, and grinds up these mined materials. The materials recovered are reused in construction activities so that the recovered materials do not end up in a landfill.

The following types of equipment do not qualify for this exemption.

Taxable Equipment

1. A can crusher used in a household.

2. Large steel waste collection containers (dumpsters) that are often found near business establishments or at construction sites. These large trash containers may be picked up and dumped into waste collection trucks, or hauled away on flat-bed trucks. They may also mechanically compact the waste in the container. They are used for the collection, storage and transportation of solid wastes, not in recycling or waste reduction.

3. A paper shredder in an office used to destroy confidential records.

4. A chain saw used to cut down diseased trees for firewood.

5. Shelving in a used bookstore or any retail store that sells used goods.

REALTY VS. PERSONAL PROPERTY

The sale and installation of communication equipment, which includes telephone equipment, in business, industrial or commercial buildings is the sale of personal property which is subject to the sales tax. (Subsection (6)(a)2 of rule Tax 11.68, titled "Construction contractors.")

The sale and installation of a telephone system, except handsets or other plug-in units, are deemed real estate improvements when installed in residential buildings, including apartment houses. Sales of personal property used in making such real estate improvements to the installer-contractor are taxable, but the installer-contractor's gross receipts from the job are not taxable. The sales and installation of handsets and other plug-in telephone units, are sales of tangible personal property which are subject to the sales tax.

The sale and affixation of a satellite dish at a commercial, industrial or other business site is a taxable sale of personal property (except for the concrete foundation) under subsection (6)(a)2 of rule Tax 11.68. The sale and affixation of a residential satellite dish to a concrete foundation is regarded as a real property construction activity for sales/use tax purposes.

NEW DIPLOMATIC EXEMPTION PROGRAM

The United States Department of State implemented a new program for granting diplomatic exemption from sales and use taxes imposed by Wisconsin and other states, effective on February 15, 1986. The Department of State issued tax exemption cards to the diplomatic missions and mission personnel they deemed exempt under the new program. The new exemption cards have a photograph of the individual to whom issued, the mission name, relevant personal data for proper identification, an expiration date, a tax exemption number, and a color stripe to indicate the extent of exemption. Retailers making exempt sales to diplomats should keep a record of the tax exemption number of the purchaser.

BLANK VIDEOTAPE PURCHASES

Motion picture film or tape sold, leased or rented to a motion picture theater, radio or television station is exempt under s. 77.54(23m), Wis. Stats. The exemption applies to a commercial television or radio station's purchases of blank or raw tape as well as copyright tape.

DID YOU KNOW?

- (1) Sales of video club memberships are taxable.
- (2) Video taping is a taxable service.
- (3) Charges for plowing snow are not taxable.