

# TAX REPORT

1-91

Sales/Use Tax

MARCH 1991

## I. FORTY COUNTIES HAVE 1/2% COUNTY TAX

As of April 1, 1991, there will be a 1/2% county sales and use tax in 40 counties. Bayfield, Chippewa, Crawford, Dane, Douglas, Iron, Jefferson, Kenosha, Milwaukee, Ozaukee, Pepin, and Washburn are the twelve new counties which have adopted the tax effective April 1, 1991. Listed below are the 40 counties and the effective date for each county's tax.

County	Effective Date	County	Effective Date
Ashland	4/1/88	Marathon	4/1/87
Barron	4/1/86	Marquette	4/1/89
Bayfield	4/1/91	Milwaukee	4/1/91
Buffalo	4/1/87	Monroe	4/1/90
Burnett	4/1/89	Oneida	4/1/87
Chippewa	4/1/91	Ozaukee	4/1/91
Columbia	4/1/89	Pepin	4/1/91
Crawford	4/1/91	Pierce	4/1/88
Dane	4/1/91	Polk	4/1/88
Door	4/1/88	Portage	4/1/89
Douglas	4/1/91	Richland	4/1/89
Dunn	4/1/86	Rusk	4/1/87
Iowa	4/1/87	St. Croix	4/1/87
Iron	4/1/91	Sawyer	4/1/87
Jackson	4/1/87	Shawano	4/1/90
Jefferson	4/1/91	Vilas	4/1/88
Kenosha	4/1/91	Walworth	4/1/87
La Crosse	4/1/90	Washburn	4/1/91
Langlade	4/1/88	Waupaca	4/1/89
Lincoln	4/1/87	Waushara	4/1/90

Retailers who make sales which are subject to the 1/2% county tax in these 40 counties will collect 5 1/2% sales tax on such retail sales - 5% state sales tax and 1/2% county tax.

### A. SALES AND USE TAX RETURN REVISED

Both the state tax and the county tax are reported by retailers on their sales and use tax returns which are filed with the Department of Revenue. The return has been revised to include entry areas for county sales and use tax for each of the 40 counties.

*Monthly Filers* - The revised return will first be filed by monthly filers beginning for the month of April 1991. The April 1991 return will be sent to monthly filers during the last week of April 1991.

*Quarterly Filers* - The revised return will be filed for quarterly periods ending in April 1991 and thereafter. It will be sent to quarterly filers during the last week of the quarterly period.

*Annual Filers* - The revised return will be filed for years ending in April 1991 and thereafter. It will be sent to annual filers during the last week of the reporting year.

### B. HOW COUNTY TAX APPLIES TO YOU

Read the December 1990 TAX REPORT which was sent to you in late December 1990. It describes the types of property and services which are subject to county taxes, and which retailers are liable for county taxes.

Retailers who are not located in any of the 40 taxable counties may still be subject to the county tax if they deliver property or taxable services into these counties or are in some other way engaged in business in any of these counties. Part III.B. of the December 1990 TAX REPORT explains when a retailer is "engaged in business" in a taxable county.

### C. SPECIAL PROVISIONS

**Contractors** A contractor is liable for county use tax on tangible personal property used in constructing, altering, repairing, or improving real property and which becomes a component part of real property in a taxable county, unless the contractor paid Wisconsin county sales tax or similar local sales tax of 1/2% in another state to the seller when purchasing the tangible personal property.

**Motor Vehicles, Boats, Etc.** A county use tax is imposed upon every motor vehicle, boat, snowmobile, mobile home 45 feet or less in length, trailer, semi-trailer, all-terrain vehicle, or aircraft if (a) that property must be registered or titled with the State of Wisconsin and (b) that property is to be customarily kept in a taxable county.

### D. KEEP ACCURATE RECORDS

Retailers engaged in business in a taxable county must keep records showing the amount of their taxable receipts subject to sales tax and purchases subject to use tax for each of the taxable counties.

### E. ANY QUESTIONS

If you have any questions about the state or county sales or use tax, call or visit any local office of the Department of Revenue or write to: Wisconsin Department of Revenue, Post Office Box 8902, Madison, WI 53708; or call our Madison office at (608) 266-2776.

## II. DON'T FORGET TO REPORT USE TAX ON RETURN

Failure to properly report use tax is the most common error on sales and use tax returns. Make sure use tax is correctly reported on lines 21 through 23 of your sales and use tax return.

The 5% use tax is 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 or paid.

Common examples involving use tax include:

- Property to be used in Wisconsin is purchased outside Wisconsin and the property would have been subject to sales tax if purchased in Wisconsin.

*Example:* A Wisconsin company purchases an office machine from an Illinois seller who does not charge sales or use tax. The machine is used in Wisconsin. The Wisconsin company is liable for Wisconsin state use tax on the purchase price of this machine.

- Building materials are purchased by a nonresident contractor from a seller located in a state other than Wisconsin and the seller either does not charge sales tax, or charges a tax at a rate less than 5%. The nonresident contractor uses the materials on a job in Wisconsin.

*Example:* A contractor located in Illinois purchases building materials in another state and pays that state's 3% sales tax on the materials. The contractor uses the materials in constructing a building in Wisconsin. The contractor owes the 5% Wisconsin use tax on the purchase price of the materials used in Wisconsin. The contractor is allowed a credit for the sales tax paid to the other state on the return filed with Wisconsin.

- Property is purchased for resale (to sell to others) or for a nontaxable use and then is 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 a "resale certificate," therefore, no sales tax is charged on the sale of the desks to the furniture store. A desk is then taken from the furniture store's inventory and used by the store bookkeeper. The store owes use tax on the desk.

- Property is purchased outside Wisconsin without payment of sales tax and is then brought into Wisconsin and given away free.

*Examples:* 1) A bank's or savings and loan's purchase of coin banks, calendars, or other items to be given free to customers.

2) A department store's purchase of advertising materials which the retailer distributes free of charge to Wisconsin customers.

3) A company's purchase of Christmas gifts or grand-opening gifts which are distributed free to customers.

4) A paint store's purchase of color cards which are distributed free to customers.

**Note:** For information about the 1/2% county use tax, refer to the December 1990 *Tax Report*.

## III. TRANSPORTATION CHARGES

When a retailer sells tangible personal property or taxable services which are subject to tax and the retailer charges the purchaser for the delivery, the retailer's total charge, including the transportation charge, is taxable. It is immaterial whether delivery is made by the seller's vehicle, common or contract carrier, or the United States Postal Service.

The correct state tax computation to be shown on an invoice when the retailer charges the purchaser for delivery of the tangible personal property in a county that does not have the county tax is as follows:

Merchandise	\$100.00
Delivery charge	10.00
Subtotal	<u>\$110.00</u>
Tax at 5%	5.50
Total	<u>\$115.50</u>

A Wisconsin customer who purchases taxable property or taxable services for use in Wisconsin without tax, is subject to the sales or use tax based on the "sales price" of the merchandise. The "sales price" includes transportation charges paid by the Wisconsin consumer to the supplier or a common carrier for shipment of the merchandise when sold for a delivered price.

*Example:* A Wisconsin business purchases lumber from an Illinois supplier for \$10,000. It is delivered into Wisconsin by the supplier or common carrier for \$200. The 5% use tax applies to the sales price of \$10,200 which includes the price of the lumber (\$10,000) and transportation charges (\$200), regardless of whether the transportation charges are paid directly to the supplier or the common carrier.

## IV. NEW INDEX TO WISCONSIN TAX INFORMATION AVAILABLE

The Wisconsin Department of Revenue has published a new index to help you find information pertaining to Wisconsin tax questions. The new *Topical and Court Case Index* is a two-part index. The first part (a Topical Index) will help you find the particular Wisconsin Statute, administrative rule, Wisconsin Tax Bulletin tax release, private letter ruling, or Attorney General opinion that deals with your questions. The second part of the index (a Court Case Index) will help you find court decisions relating to your questions.

The *Topical and Court Case Index* is available for \$14 (plus sales tax) per copy. That price includes an addendum of updated information which will be provided in May. Copies can be purchased from: Wisconsin Department of Administration, Document Sales, P.O. Box 7840, Madison, WI 53707 (telephone (608) 266-3358).

## V. SPEAKERS BUREAU

The department's Speakers Bureau provides speakers to professional organizations and community groups throughout Wisconsin. If you would like a speaker to address your group, please call the Speakers Bureau at (608) 266-8640.

Subjects that may be discussed include updates on income, corporate, and sales tax, homestead credit laws, audit procedures, common taxpayer errors, how tax laws apply to exempt organizations, sales tax problems of contractors or manufacturers, etc.

There is no charge for services provided by the Speakers Bureau.