

SALES AND USE TAX REPORT

1-96

March 1996

I. DON'T FORGET USE TAX

Failure to report use tax is the most common error on sales and use tax returns. Make sure use tax is correctly reported on your sales and use tax return (Form ST-12).

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.**

Common examples involving use tax include:

- Property 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 Wisconsin sales or use tax. The machine is used in Wisconsin. The Wisconsin company is liable for Wisconsin 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 in real property construction 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.

- 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 is paid when the property is purchased.

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.

II. TAXES ON LODGING SERVICES

Gross receipts from furnishing lodging to a person for a continuous period of less than one month are subject to the following taxes:

- Wisconsin state sales and use tax — 5%
- County sales and use tax (applicable in those counties that have adopted the county tax) — 0.5%
- Stadium sales and use tax (applicable in Milwaukee, Ozaukee, Racine, Washington, and Waukesha counties) — 0.1%
- Local exposition room taxes — 2% (applicable in municipalities located wholly or partially in Milwaukee County) and 7% (applicable in the City of Milwaukee)
- Municipal room tax (applicable in municipalities that have adopted an ordinance) — rates vary

Gross receipts from the following sales of lodging are exempt from the above taxes (this list is not all-inclusive):

- A. Sales to the federal government.
- B. Sales to Wisconsin governmental units, including Wisconsin counties, cities, villages, towns, public schools, and school districts.
- C. Sales to nonprofit organizations that hold a certificate of exempt status (CES) from the Wisconsin Department of Revenue.
- D. Sales by public schools, colleges, universities, hospitals, sanitoriums, or nursing homes.
- E. Sales by agency camps (i.e., camps operated by corporations or associations organized and operated exclusively for religious, charitable, or educational purposes when no part of the net earnings inures to the benefit of any private shareholder or individual).

III. CONTRACTOR PUBLICATION REVISED

Wisconsin Publication 207, *Sales and Use Tax Information for Contractors*, has been revised to reflect the changes

described below. The revised Publication 207 with a revision date of "2/96," replaces Publication 207 with a revision date of "7/94."

The following revisions have been made (the page number where the item appears in the revised Publication 207 is given):

- A. Information has been added regarding the Business Tax Registration fee (pages 1 and 2).
- B. Information has been added regarding the stadium tax (pages 1 and 10).
- C. Persons questioning the treatment of property installed in jails are asked to contact the Department of Revenue (page 4).
- D. County tax information has been updated for counties that have adopted the county tax since 7/94 (pages 9 and 10).
- E. Items have been added and changed in the chart that appears on pages 17 through 20 (see below for more information on the chart changes).

Chart Changes

Four new items have been added to the chart in Publication 207, which explains the characterization (real property (RE) vs. personal property (P)) of various items. The four new items that have been added and the pages they appear on in the publication are as follows:

- Faucets (not in bathrooms) - page 18
- Faucets (in bathrooms) - page 18
- Railroad Signs and Signals - page 19
- Street Identification Signs - page 20

In addition, the characterization of five items previously listed in the chart on pages 17 - 20 of Publication 207 has changed from either real property (RE) to personal property (P), or personal property (P) to real property (RE). The items in Publication 207 (2/96) as changed are as follows:

- Cabinets (in bathrooms) - Residential and Commercial - Real Estate Function - Repair - P (previously listed as RE in Publication 207 (7/94))
- Incinerators - Commercial - Process Function - Install - P (previously listed as RE in Publication 207 (7/94))
- Sinks (other than bathroom fixtures) - Commercial - Real Estate Function - Install - RE (previously listed as P in Publication 207 (7/94))
- Thermostats (wall-mounted) - Residential and Commercial - Real Estate Function - Repair - RE (previously listed as P in Publication 207 (7/94))
- Traffic Signs and Signals - Residential and Commercial - Install and Repair - P (previously listed as RE in Publication 207 (7/94))

For information on how the changes in characterization from RE to P and P to RE of these five items in Publica-

tion 207 apply for periods prior to April 1, 1996, that are open to adjustment, see *Wisconsin Tax Bulletin 96* or contact any Wisconsin Department of Revenue office.

IV. REMINDERS FOR LOCAL EXPOSITION TAX FILERS

When reporting local exposition taxes (0.25% food and beverage tax, 3% rental car tax, and 2% and 7% room taxes), do all of the following:

- Use only the orange pre-printed forms that are provided by the Department of Revenue (Form EX-12).
- Be sure you are using the form with the correct reporting period printed at the top. (Each July, you are sent local exposition tax forms for each of the next four quarters of your fiscal or calendar year.)
- Write only in the boxes provided on the form.
- Send correspondence and name, address, ownership, and other account changes to the Department of Revenue separate from your local exposition tax return.

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