

SALES AND USE TAX REPORT

3-98

September 1998

I. EAU CLAIRE AND WASHINGTON COUNTIES ADOPT COUNTY TAX

Beginning January 1, 1999, the 0.5% county tax will be in effect in Eau Claire and Washington Counties. More information about the county tax will be provided in the December issue of the *Sales and Use Tax Report*.

II. MOTOR VEHICLE DEALERS' MEASURE OF USE TAX INCREASED TO \$104

Wisconsin licensed motor vehicle dealers are permitted to report use tax on a certain dollar amount per plate per month for the use of motor vehicles assigned to certain employees and dealership owners.

Effective January 1, 1999, the amount subject to use tax is increased from \$102 to \$104 per plate per month. (Note: The use tax per plate per month is not \$104. Rather, \$104 is multiplied by the use tax rate (5%, 5.1%, 5.5%, or 5.6%) to arrive at the use tax due per plate per month.)

The Department of Revenue, by law, annually adjusts the amount subject to use tax to reflect the annual percentage change in the U.S. Consumer Price Index for All Urban Customers, U.S. City Average, as determined by the U.S. Department of Labor for the 12 month period ending June 30. The percentage change for the period July 1997 to June 1998 was 1.8% ($\$102 \times 1.018 = \104 rounded to the nearest whole dollar).

III. APPLICATION OF \$10 LATE FILING FEE

A sales and use tax return that is not timely filed is subject to a \$10 late filing fee, unless the return was filed late because of one of the following:

- A. Reasonable cause and not because of neglect (effective for returns filed for periods beginning on or after January 1, 1999).
- B. Death of the person required to file (effective for notices mailed on or after May 6, 1994).
- C. The Department of Revenue failed to issue a seller's permit or use tax registration certificate within 30 days of the receipt of an application for the permit or certificate accompanied by the business tax registration fee and security, if required (effective May 10, 1980).

If a person files its sales and use tax return late, the person may receive a notice from the Department of Revenue showing imposition of the \$10 late filing fee. If the return was filed late for any of the three reasons stated above, an appeal may be filed with the department within 60 days of the person's receipt of the notice imposing the \$10 late filing fee.

IV. WHEN DOES COUNTY USE TAX APPLY?

A county use tax of 0.5% is imposed upon every person storing, using, or consuming personal property or services in a county with a county tax, with the following three exceptions:

1. No county use tax will be imposed if (a) a receipt indicates county sales tax has been paid, or (b) county use tax has been paid as described in the "Contractors" and "Motor Vehicles, Boats, Etc." parts that follow.
2. No county use tax will be imposed if the buyer purchased property in a sale consummated in a Wisconsin county that does not have a county tax and the property is later brought by the

buyer into a county with a tax. (see exceptions for "Contractors" and "Motor Vehicles, Boats, Etc." that follow).

Example: Company A, located in Milwaukee County, purchases a computer in Waukesha County (i.e., Company A takes possession of the computer in Waukesha County). Company A brings the computer to Milwaukee County where it is used. Company A is not subject to Milwaukee County use tax on its purchase of the computer because the sale was consummated in Waukesha County, which does not have a county tax.

- 3. If the buyer has paid a similar local tax in another state on the purchase of the same property or services, that tax may be credited against the county use tax.

Example: Company B, located in a county with a county tax, purchases an office machine for \$10,000 from an Ohio seller who has not charged the 5% Wisconsin use tax of \$500 or the 0.5% county use tax of \$50. Any Ohio sales tax paid by Company B to the seller may be credited against the \$500 Wisconsin use tax. If a county sales tax of an Ohio county was also paid by Company B, that tax may be credited against the \$50 Wisconsin county use tax.

Contractors: County use tax is imposed on tangible personal property that is used in constructing, altering, repairing, or improving real property and that becomes a component part of real property in any of the counties with a county tax. However, there will be no county use tax if the contractor paid county sales tax in Wisconsin. A similar local sales tax paid in another state is allowed as a credit in computing the Wisconsin county use tax.

Example: Company B is hired to build a retail store in Milwaukee County. Company B purchases (takes possession of) building materials for constructing the retail store in a county that does not have the county tax. Company B is subject to county use tax on its purchase of building materials it uses in real property construction in Milwaukee County.

Motor Vehicles, Boats, Etc.: County use tax is imposed upon every motor vehicle, boat,

snowmobile, mobile home 45 feet or less in length, trailer, semitrailer, 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 county with a county tax.

Example: "A" buys a car for \$5,000 from "B", who is not a motor vehicle dealer. "A" is a resident of Dane County and will keep the car at his residence. "A" must file an Application for Title/Registration (Form MV-1) with the Department of Transportation and include with this form the 5% state use tax of \$250 and the 0.5% Dane County use tax of \$25.

Example: "A" (the resident of Dane County) buys a car for \$5,000 from "C," who is a motor vehicle dealer in a county which does not have the county tax. "C" must remit the 5% state sales tax of \$250 and the county use tax of \$25 to the Department of Revenue.

V. WISCONSIN/MINNESOTA SALES TAX SEMINARS

The Wisconsin and Minnesota Departments of Revenue will again present a series of joint sales and use tax seminars this fall. The seminars will include information on differences between the two states' laws as they apply to general businesses. (Note: Seminars for contractors will likely be scheduled in the spring of 1999.)

You are invited to attend any of these seminars, free of charge. All three seminars are from 9:00 a.m. to 12:30 p.m. To register or for more information, call the Minnesota Department of Revenue at 1-800-888-6231.

October 6, 1998 - Duluth, MN
Minnesota Department of Revenue Office
2711 West Superior Street

October 13, 1998 - Hudson, WI
Hudson House
1616 Crestview Drive

October 20, 1998 - Winona, MN
St. Mary's University
700 Terrace Heights Drive
