

F. SALES/USE TAXES

1. Exempt Personal Property Brought Into Wisconsin by New Residents (1987 Act 27, amend s. 77.53(18), effective for property registered on or after August 1, 1987.)

Wisconsin law provides a use tax exemption for household goods and motor vehicles brought into Wisconsin when the owner moves here, if they were purchased outside this state 90 days or more before they were brought into Wisconsin.

Beginning with property registered on or after August 1, 1987, this exemption is expanded to include aircraft, boats, snowmobiles, mobile homes, trailers, semitrailers and all-terrain vehicles, for personal use.

2. Exempt Wood Residue Used for Fuel in a Business Activity (1987 Act 27, create s. 77.54(30)(a)(4), effective September 1, 1987.)

A sales/use tax exemption is provided for wood residue used for fuel and sold for use in a business activity. Wood residue includes slash, sawdust, shavings, edgings, slabs, leaves, wood chips, bark and wood pellets manufactured primarily from wood or primarily from wood residue.

3. Exempt "911" Receipts (1987 Act 27, create s. 77.54(37), effective August 1, 1987.)

The gross receipts from revenues collected in establishing an emergency phone system ("911" telephone number system) under s. 146.70(3) are exempt from Wisconsin sales/use tax.

4. Impose Sales/Use Tax on Occasional Sales of All-Terrain Vehicles (1987 Act 27, amend ss. 77.51(13)(am), 77.53(17), 77.54(7) and 77.61(1)(a) and (c), effective September 1, 1987.)

Occasional sales of all-terrain vehicles are subject to Wisconsin sales and use tax. In addition, no all-terrain vehicle shall be registered or titled in Wisconsin unless the sales and use tax has been paid.

5. Impose Sales Tax on Repairs of Nonresidents' Motor Vehicles and Other Property (1987 Act 27, amend s. 77.52(2)(a)10, effective September 1, 1987.)

The repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance in Wisconsin of motor vehicles, truck bodies and other property of nonresidents are subject to sales tax.

6. Allow Department to Issue Temporary Seller's Permits (1987 Act 27, amend s. 77.52(11)(a) and (12), effective August 1, 1987.)

If the department suspends or revokes a permanent permit, it may grant a temporary permit that is valid for one month and may then grant additional temporary permits if the person pays all amounts owed under Chapter 77 for the month for which the previous temporary permit was issued.

Persons who receive a temporary permit waive the notice requirement under s. 77.61(2).

7. Change Effective Date of and Notification Requirements Relating to Ordinances Repealing County Sales Taxes (1987 Act 27, amend s. 77.70, effective August 1, 1987.)

The repeal of any ordinance to impose county sales and use taxes shall be effective on December 31. A certified copy of a repeal ordinance shall be delivered to the Secretary of Revenue at least 60 days before the effective date of the repeal. Previously, the repeal of the ordinance was the date designated in the repeal ordinance and notice of the repeal was required at least 30 days before the effective date of the repeal.

8. Allow Credit for Local Sales Taxes Paid in Other States (1987 Act 27, amend s. 77.71(3) and (4), effective April 1, 1986.)

Under current law, a contractor may claim a credit for a $\frac{1}{2}$ % county sales tax previously paid in another county of Wisconsin in computing the use tax payable on construction materials used to improve realty in a county which has adopted the county $\frac{1}{2}$ % tax. Effective April 1, 1986, the county sales and use tax law is expanded to allow a credit for local sales tax paid in another state in computing the use tax payable.

In addition, the new law clarifies that persons storing, using or otherwise consuming a motor vehicle, boat, snowmobile, mobile home not exceeding 45 feet in length, trailer, semitrailer, all-terrain vehicle or aircraft may claim a credit for a similar $\frac{1}{2}$ % local sales tax paid in another state when computing the use tax payable if the property must be registered or titled in Wisconsin and is kept in a county having the county sales tax.

9. Provide Cross Reference Change (1987 Act 27, amend s. 77.51(14g)(g) effective for taxable year 1987 and thereafter.

Due to federalization of the corporate franchise/income tax, the reference to s. 71.368 of the Wisconsin Statutes has been changed to section 368 of the Internal Revenue Code.

G. INHERITANCE AND GIFT TAXES

1. Phase Out Inheritance and Gift Taxes (1987 Act 27, amend ss. 72.18 (intro.) and 72.83, effective for deaths occurring on or after January 1, 1988, and gifts occurring on or after January 1, 1988.)

The inheritance tax as computed by using the rates under s. 72.18 and the gift tax as computed pursuant to s. 72.83 shall be reduced by 20% for transfers because of deaths occurring or gifts made during 1988, by 40% because of deaths occurring or gifts made during 1989, by 60% because of deaths occurring or gifts made during 1990, by 80% because of deaths occurring or gifts made during 1991 and by 100% because of deaths occurring or gifts made during 1992 and thereafter.

2. Repeal Inheritance and Gift Taxes (1987 Act 27, repeal subch. I (title), subch. II (title), subch. III (title) and subch. IV of ch. 72, ss. 16.007(6)(b)2, 72.01(3), (10), (12), (14), (15), (15m) and (17), 72.05, 72.07, 72.12 to 72.20, 72.21(3), 72.22(4), 72.23 (title), 72.23(2), 72.25, 72.26, 72.28, 72.29, 72.30(1) (title), (1)(b), (2), (3)(a), (3)(b),

(3)(bm), (3)(d), (3)(e), (5) and (6), 72.31 (title), 72.31(2)(b), 72.33(4), 72.34(1) to (5) and (6)(a), 72.61 to 72.64, 867.01(3)(e) and 867.02(2)(e), and nonstatutory provision, effective for deaths occurring on or after January 1, 1992, and gifts occurring on or after January 1, 1992.)

All provisions of Chapter 72 relating to the imposition of inheritance and gift taxes are repealed effective for deaths occurring on or after January 1, 1992, and for gifts made on or after January 1, 1992. (Also see Item G.3.)

3. Impose Estate Tax (1987 Act 27, renumber s. 72.23(1) to 72.23, 72.30(1)(a) to 72.30(1), 72.30(3)(c) to 72.30(3), 72.31(1) and (2) (title), (a) and (c) to 867.05(5) and (6) (title), (a) and (c), 72.34(6)(b) to 72.34 and 72.60 to 72.005 and amend ss. 72.23, 72.30(1) and (3), 867.05(5)(intro.) and (a) and (6)(a), 72.34 and 72.005 as renumbered; amend ch. 72(title), ss. 66.30(2m)(e), 72.01(11), 72.06, 72.22(1) and (3), 72.30(4) and (7), 72.33(1) and (2)(intro.), 73.03(20), 75.521(3)(am)2, 112.06(9), 182.24, 601.415(6), 613.81(1), 701.09(3) and (4), 701.20(12)(d)5, 705.06(1)(intro.) and (1)(d), 851.17, 851.70, 859.01(3), 863.27, 865.16(1)(b), 865.20(2), 867.01(3)(a)2 and (3)(f), 867.02(2)(g), 867.045(4) and 893.33(5); repeal and recreate s. 71.05(1)(g); create s. 72.02, and nonstatutory provision, effective for deaths occurring on or after January 1, 1992.)

For deaths occurring on or after January 1, 1992, an estate tax is imposed upon the transfer of all property that is subject to a federal estate tax and that has a taxable situs in Wisconsin. The tax imposed is equal to the credit allowed for state death taxes against the federal estate tax as finally determined.

4. Update Reference to Internal Revenue Code for Power of Appointment, Qualified Retirement Plans and Installment Payments (1987 Act 27, amend ss. 72.01(17), 72.12(4)(c)1 and 72.22(4)(a), effective for transfers because of deaths occurring on or after August 1, 1987.)

For deaths occurring on or after August 1, 1987, the references to the Internal Revenue Code relating to power of appointment, qualified retirement plans and installment payments are updated to December 31, 1986. Amendments to the Internal Revenue Code enacted after December 31, 1986, do not apply to taxable year 1987 and thereafter.

5. Clarify Deductibility of Expenses of Administering an Estate (1987 Act 27, amend s. 72.14(1)(c), effective August 1, 1987.)

Expenses of administration incurred because of a decedent's death not claimed as a deduction for income tax purposes are allowed for inheritance tax purposes. These expenses include personal representative fees, guardian ad litem fees, court filing fees, personal representative bonds and similar expenses but not including inheritance and estate taxes paid to any other state, territory, district or country; expenses of care, maintenance or repair of real property or tangible personal property incurred or accrued after a decedent's death; interest on obligations of the decedent or the estate incurred or accrued after the decedent's death; and expenses incurred or accrued in the sale of property unless the proceeds are necessary to pay other allowable claims or deductions.

6. Change Inheritance Tax Exemptions for Contributions to Cemeteries (1987 Act 27, amend ss. 72.15(1)(a)2 and 72.17(4)(b), effective for transfers because of deaths occurring on or after August 1, 1987.)

Transfers to qualified charitable cemeteries are exempt from Wisconsin inheritance tax to the extent the transfer is not for the benefit of the decedent or of any other designated person. If the transfer is to a nonprofit cemetery for the specified benefit of the decedent or of any other person designated by the decedent, the transfer is exempt from Wisconsin inheritance tax to the extent of \$500.

Under prior law, transfers of property to charitable organizations including certain cemeteries were exempt from inheritance tax. However, if the transfer was to a cemetery in which the decedent is buried, the transfer was exempt to the extent of \$500.

H. EXCISE TAX RULES

1. Increase Motor Vehicle Fuel Taxes (1987 Act 27, amend ss. 78.01(1), 78.14 and 78.40(1), create ss. 78.017 and 78.407, effective August 1, 1987.)

Effective August 1, 1987, the motor fuel and special fuel tax rates are increased by 2¢ per gallon from 18¢ to 20¢.

2. Transfer Collection of Interstate Fuel Taxes to Department of Transportation (1987 Act 27, amend ss. 78.73(1)(d) and (4) and 78.79, renumber s. 78.76 (title) to s. 341.45 (title), renumber ss. 78.76(1) to 341.45(1g) and 78.76(2) and (3) to 341.45(2) and (3) and amend s. 341.45(1g), (2) and (3) as renumbered, and nonstatutory provision effective August 1, 1987.)

The functions relating to the reporting, collection, and auditing of the taxes required to be paid on motor fuel and special fuel imported into Wisconsin in fuel supply tanks of motor vehicles are transferred from the Department of Revenue to the Department of Transportation.

3. Provide for Certain License Issuances (1987 Act 27, create s. 125.51(4)(n) and (o), effective August 1, 1987.)

Exceptions are made for towns and villages to exceed their quotas for the issuance of alcohol beverage licenses if certain conditions are met.

4. Permit Indoor Horseshoe-Pitching Facilities to Remain Open After Closing Hours (1987 Act 27, create ss. 125.32(3)(c) and 125.68(4)(c)4, effective August 1, 1987.)

Present law permits certain types of businesses to remain open after closing hours for the conduct of their regular business but may they not sell intoxicating liquor during closing hours. Indoor horseshoe-pitching facilities are now included in the type of businesses allowed to remain open after closing hours.

5. Increase Cigarette Tax Rate (1987 Act 27, amend s. 139.31(1)(a) and (b), effective September 1, 1987.)

The cigarette tax rate is increased from 25¢ to 30¢ per package of 20 cigarettes.

I. PROPERTY TAX DEFERRAL LOAN PROGRAM

1. Forgive the General Fund Loan (1987 Act 27, repeal ss. 20.566(8)(wc), 20.855(4)(fb), amend s. 25.38(1)(a) and (2), effective August 1, 1987.)

The \$2,500,000 general fund loan to the elderly property tax deferral program will not be repaid to the general fund.

2. Change Insurer to Lien Holder (1987 Act 27, amend s. 77.65(3), effective for policies issued on or after October 1, 1987.)

Persons whose property is subject to the property tax deferral program must insure that property naming the department as a lien holder rather than as an insured.

3. Clarify Statutory Lien (1987 Act 27, amend s. 77.66(9), effective August 1, 1987.)

Liens the department files in regard to property in the property tax deferral program apply to all loans made under that program including the initial loan and all subsequent loans.

J. OTHER

1. Limit Notification About Marital Property Agreements (1987 Act 27, amend s. 71.01(1g), effective for taxable year 1986 and thereafter.)

The department must notify a taxpayer whose separate return is under audit that a marital property agreement or unilateral statement is effective for any period during which both spouses are domiciled in Wisconsin only if it is filed with the department before any assessment resulting from the audit is issued. Previously the department had to notify a taxpayer for any return under audit.

2. Eliminate Information Return Reporting Requirements for Interest and Dividends (1987 Act 27, amend ss. 71.10(1)(a) and (15) and 71.11(25), effective for taxable year 1987.

Corporations, individuals, estates and trusts are no longer required to file information returns for payments of interest, dividends, and liquidating dividends.

3. Eliminate Refunds and Balances Due of Less Than \$1 (1987 Act 27, amend s. 71.10(10)(c), create s. 71.10(9)(f), effective for taxable year 1987 and thereafter.)

No income or franchise tax refunds of less than \$1 will be made. Income or franchise taxpayers need not pay a balance due of less than \$1. Under prior law, no income or franchise tax refunds of less than \$2 were paid unless the taxpayer requested payment.

4. Authorize Assessments in the Alternative With Combined Docket Hearings (1987 Act 27, create ss. 71.11(21)(f) and 73.01(4)(i), effective for taxable year 1986 and thereafter.)

The department may make assessments of the entire tax liability under Chapter 71 against more than one taxpayer when, in the department's opinion, more than one taxpayer could be held liable. Additionally, as the purpose of a hearing is primarily to determine which party is liable for the tax on the income, when such alternative assessments are issued, the Tax Appeals Commission will consolidate the appeals and hear them on a combined docket basis.

5. Change Statute of Limitations for Internal Revenue Service Adjustments and Amended Returns (1987 Act 27, amend ss. 71.10(10)(a) and (bn) and 71.11(21)(g)2, effective for taxable year 1987 and thereafter.)

If a taxpayer does not report adjustments made by the Internal Revenue Service to the department within 90 days after the final determination or amended returns filed with the Internal Revenue Service within 90 days of the filing date, the department may make an assessment against the taxpayer or a refund to the taxpayer within 4 years after discovery by the department.

Under prior law, the department could (in the above situation) make an assessment against the taxpayer within 10 years after the date which the original tax return was filed or within 2 years after the date when the federal determination of tax became final, whichever was later.

6. Clarify That Withholding Does Not Apply to Exempt Wages (1987 Act 27, amend s. 71.19(5)(intro.), effective January 1, 1988.)

This provision clarifies that "wages" does not include the amount of remuneration not subject to tax under Chapter 71 of the statutes.

7. Clarify Allocation Between Spouses of Withholding From Marital Income (1987 Act 27, create s. 71.20(25), effective for taxable year 1986 and thereafter.)

Wisconsin income tax withheld from marital income must be allocated between taxpayers in the same manner that income is allocated or would be allocated.

8. Extend Deadlines for Persons Serving in Combat Zones (1987 Act 27, create ss. 73.01(4)(h) and 73.03(34), effective August 1, 1987.)

An individual serving in the Armed Forces or serving in support of the Armed Forces in an area designated as a combat zone is allowed an extension of time for payment of tax, instituting Commission proceedings, filing refund claims, etc., for which a time limit is prescribed. The extension is for the period which a member of the Armed Forces is in a combat zone or is continuously hospitalized outside the United States as a result of injuries received in a combat zone and the next 180 days.

9. Allow for Collection of Fee for Issuing a Warrant (1987 Act 27, create s. 73.03(33), effective August 1, 1987.)

The department may collect an administrative fee of \$3, each time it issues a warrant under s. 71.13(3)(a), from the person against whom the warrant is filed.

10. Allocate Delinquent Tax Collection Fees to Department (1987 Act 27, create s. 20.566(1)(hq), effective August 1, 1987.)

All monies received from fees for issuing a warrant and from the reimbursement by delinquent taxpayers of costs incurred by the Department of Revenue to pay court costs and fees under Chapter 814 are to be appropriated to the Department of Revenue.

11. Require Withholding Study (1987 Act 27, nonstatutory provision, effective August 1, 1987.)

The department is required to study the need for changes in the withholding tables for the individual income tax due to state law changes affecting taxable years 1986 and 1987. Notwithstanding s. 71.20(2m), Wis. Stats., adjusted withholding tables may not be issued before completion of the study.

RPT/M030547B