



# Wisconsin TAX BULLETIN

[www.dor.state.wi.us](http://www.dor.state.wi.us)

Number 125

July 2001



FOCUS ON . . .

## Sales Internet Process

(see article on page 5, publication on page 35)

## New Tax Laws Pending

The Governor's 2001-2003 Budget Bill and other bills affecting Wisconsin taxes were still pending at the time this Bulletin went to press. If any of these bills become law, a special issue of the *Wisconsin Tax Bulletin* will be published to provide information about the tax law changes. [☞](#)

## Marinette County Adopts County Tax

Effective October 1, 2001, the county sales and use tax will be in effect in Marinette County. This brings to 55 the number of counties that have adopted the 1/2% county tax.

Retailers were notified about Marinette County's adoption of the county tax in the June 2001 *Sales and Use Tax Report* (number 1-01). The Report was sent in late June and early July to all persons registered for Wisconsin sales and use tax purposes. A copy of the Report appears on pages 33 and 34 of this Bulletin.

For additional information about the county tax, see Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII, on pages 36 to 42. Publication 201 is available from any Department of Revenue office. See the article titled "Tax Publications Available" on page 8 of this Bulletin for information about how to obtain copies of Publication 201 by mail, e-mail, fax, or the Internet. [☞](#)

## Federal Refunds Used to Offset State Tax Delinquencies

The Department of Revenue (DOR) has collected over \$1.6 million in delinquent income taxes through the Treasury Offset Program (TOP), a federal offset program implemented in Wisconsin in early February.

DOR certified approximately 25,000 delinquent income tax liabilities totaling over \$128 million to Financial Management Service, the branch of the U.S. Treasury that disperses federal payments, including federal income tax refunds. As of early June, over 2,300 delinquent taxpayers have had their federal refunds intercepted, either in whole or in part, as a result of this program.

TOP was first opened to state revenue departments in January 2000. To date, sixteen states have collected over \$72 million in delinquent income taxes through TOP. [☞](#)

## Streamlined Sales Tax Rolling

The national Streamlined Sales Tax Project (SSTP) is rolling down the tracks with a full head of steam. The SSTP is co-chaired by Diane Hardt, Administrator of the Income, Sales, and Excise Tax Division in the Department of Revenue. Consider:

- ★ The Wisconsin Legislature's Joint Information Policy & Technology Committee recommended passage of the Uniform Sales and Use Tax Administration Act (Senate Bill 152 and Assembly Bill 317) after hearing testimony from Ms. Hardt and representatives of AT&T, General Electric, the Wisconsin Grocers Association, and the Wisconsin Merchants Federation on May 9.
- ★ A total of 29 states have introduced the Model Act; 14 have already enacted the Model Act, including Arkansas, Florida, Indiana, Kentucky, Louisiana, Maryland, Nebraska, Nevada, North Dakota, Oklahoma, Tennessee, Texas, Utah, and Wyoming.

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Legislatures in Illinois and Rhode Island passed the Act and forwarded it on to their Governor for signature. Several other states, including Wisconsin, are expected to enact the SSTP model legislation later this year.

- ★ Forty states and many businesses, including multi-state giants such as Wal-Mart, Microsoft, General Electric, Penneys, and Federated Department Stores, were represented at the SSTP meetings on May 7-8 in Milwaukee and June 25-26 in Raleigh, North Carolina.
- ★ At the annual Federation of Tax Administrators meeting in Seattle, held on May 29-31, State of Washington Governor Locke expressed support for the SSTP, stating “it demonstrates that states can work together to streamline, simplify, and harmonize the sales tax, and reduce the burden of compliance on both remote sellers and brick and mortar businesses that operate in multiple states.”

The Streamlined Sales Tax Project is a 33-state effort (with more “observing” states) to simplify state sales tax laws so that they are more understandable to consumers and easier to administer by retailers, including mail order, Internet retailers, and bricks-and-mortar stores.

**The Project is:**

- ★ Devising standardized definitions. (States would retain the right to determine whether to tax any item and to set the rate of tax but the definition of each item would be consistent among the states.)
- ★ Developing software to automatically identify taxable products, apply the tax rate, and remit the proper amount to the taxing jurisdiction.
- ★ Proposing uniform sourcing, uniform audit procedures, one-stop registration, and simplification in rates. [Ⓞ](#)

**Wisconsin Tax Bulletin**

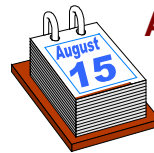
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**Automatic 4-Month Extension Expires August 15**

If your 2000 Wisconsin and federal individual income tax returns were due April 16 2001, but you filed an application for an automatic 4-month extension for filing your federal return with the Internal Revenue Service (IRS), both your federal and Wisconsin returns are due August 15, 2001. When you file your Wisconsin return, be sure to attach a copy of the federal extension application, Form 4868.

Any filing extension available under federal law may be used for Wisconsin purposes, even if you are not using

that extension to file your federal return. If you did not file a federal extension application but needed a 4-month extension for Wisconsin only, your 2000 Wisconsin return, ordinarily due April 16, 2001, must be filed by August 15, 2001.

If you are extending the time to file your Wisconsin return only, attach one of the following items to the 2000 Wisconsin return you file:

- A statement indicating that you are filing under the federal automatic 4-month extension provision; or
- A copy of federal Form 4868 with only the name, address, and social security number completed.

**Note:** You were not required to pay your 2000 taxes by April 16, 2001, as a condition for receiving an extension of time to file your Wisconsin tax return. [☞](#)



### Wisconsin/Minnesota Sales Tax Seminars

The Wisconsin and Minnesota Departments of Revenue will again present a series of joint sales and use tax seminars in October. The seminars will include information on differences between the two states' laws. All of the October seminars are for general businesses. Seminars for contractors will likely be held in the spring.

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

October 2, 2001 – Duluth, Minnesota  
Minnesota Department of Revenue Office  
2711 West Superior Street

\*\*\*\*\*

October 16, 2001– Hudson, Wisconsin  
Hudson House  
1616 Crestview Drive

\*\*\*\*\*

October 23, 2001 – Onalaska, Wisconsin  
Onalaska Omni Center  
225 Rider Club Road



### Electronic Funds Transfer Program Still Growing

More than 70,000 tax and unemployment insurance accounts are now registered in an electronic funds transfer (EFT) program that includes both the Department of Revenue and the Department of Workforce Development. This program allows taxpayers to make EFT payments for both taxes and unemployment insurance.

The Department of Revenue has offered the EFT payment method since 1993. In October 1999, an administrative rule, section Tax 1.12, became effective. The administrative rule authorizes the Department of Revenue to mandate the use of EFT payments for taxpayers whose tax payments exceed certain amounts. The rule provides that taxpayers not required to pay by EFT may elect to do so.

Mandatory EFT is being gradually phased in by tax type. EFT notices have been sent to taxpayers mandated for the following tax types: withholding, sales, cigarette, tobacco, alternative fuels, liquor and wine, and fermented malt beverages.

Taxpayers that meet the criteria to be mandated for EFT payments for corporation income and franchise estimated tax will receive an invitation to register for EFT in August 2001. Taxpayers that meet the criteria to be mandated for EFT payments for individual income estimated tax will receive an invitation to register in September 2001. The department is sending invitation letters to taxpayers so they can register and get acquainted with EFT program requirements prior to the mandate. Mandate notices will be mailed about sixty days after the invitation letters. Upon receipt of the mandate notice, taxpayers have ninety days to register for EFT and must begin using EFT on the first tax due date following the ninety day registration period.

The intent of the administrative rule is to improve the department's operational efficiency, and to maximize collections by having funds available on tax due dates. EFT collections continue to grow as the mandatory requirements of the administrative rule are implemented. In fiscal year 2000, \$3.1 billion was collected by EFT, which is 27% of total collections. In fiscal year 1997, \$1.8 billion was collected, representing 19% of total collections.

If you have questions regarding the department's EFT program or if you wish to register for EFT, you may call the EFT information line at (608) 264-9918 or write to Wisconsin Department of Revenue, EFT Unit, Mail Stop 3-14, PO Box 8912, Madison WI 53708-8912. You

may also visit the department's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us) for general EFT information and EFT information for financial institutions. Click on the "E-services" tab to access EFT information. [↗](#)

## Many "Summer Services" Are Subject to Sales Tax

Many seasonal services are subject to Wisconsin sales tax. Taxable seasonal services include:

- Landscaping and lawn maintenance services, such as landscape planning and counseling;
- Lawn and garden services, such as planting, mowing, spraying, and fertilizing;

- Shrub and tree services, such as tree trimming and removal;
- Swimming pool cleaning and maintenance; and
- Repair services to boats, motorcycles, and bicycles.

Persons in the business (or part-time business) of providing these services must hold a Wisconsin seller's permit. If you know of someone who provides these services but does not hold a seller's permit, contact any Department of Revenue office so registration information can be sent to that person. [↗](#)

## Contractors - Don't Forget Use Tax

Under the Wisconsin sales and use tax law, contractors making real property improvements are subject to Wisconsin sales or use tax on their purchases of materials used in making those improvements. If the seller of the materials does not charge Wisconsin sales tax on the sale of the materials, the contractor is subject to use tax.

The use tax is the same rate as the sales tax (5% state, 0.5% county, and 0.1% or 0.5% stadium). Exemptions that apply to the sales tax also apply to the use tax.

### *What are some examples of real property improvements?*

The following items, when installed by a contractor in new home construction or home remodeling projects, are real property improvements:

- Bathroom fixtures
- Burglar alarm systems
- Cabinets
- Ceiling fans
- Central air conditioning
- Communications wiring
- Dishwashers (built-in)
- Doors
- Electrical wiring
- Fencing
- Fire alarm fixtures
- Fireplaces (built-in)

- Flooring
- Furnaces and duct work
- Garage doors
- Insulation
- Light fixtures
- Roofs
- Sinks
- Walls
- Water heaters
- Water lines
- Water softeners
- Windows

A contractor's purchases of the above items it installs in making a real property improvement are subject to Wisconsin use tax if the seller did not charge sales tax. More information about real property improvements can be found in Wisconsin Publication 207, *Sales and Use Tax Information for Contractors*.

### *Why wouldn't a seller charge tax?*

There are primarily two reasons why a seller would not charge tax on sales to contractors:

1. The seller is located outside the state and is not required to collect Wisconsin tax.

**Example:** Contractor A purchases light fixtures from Company B, an out-of-state mail order company. Company B did not charge Wisconsin sales tax. Contractor A installs the light fixtures in a new

home being constructed. Contractor A owes Wisconsin use tax on his purchase of the light fixtures.

2. The seller has on file an exemption certificate from the contractor.

**Example:** Contractor A purchases materials from Company B on a regular basis. Most of these materials are resold by Contractor A without installation. Contractor A gave Company B an exemption certificate claiming resale, so that Company B would not charge sales tax on the sale of materials to Contractor A. Contractor A checked the box on the exemption certificate indicating the certificate was continuous (i.e., applies to all purchases by Contractor A until revoked). Rather than reselling all of the materials, Contractor A uses some of them in making real property improvements. Contractor A owes Wisconsin use tax on its purchase of the materials it used in real property construction and did not resell as tangible personal property.

### ***How does a contractor report use tax to the Department of Revenue?***

There are several ways to report use tax:

1. If the contractor holds a seller's permit or use tax number issued by the Department of Revenue, use tax is reported on the sales and use tax return the contractor files (Form ST-12, lines 11a – 11d).
2. If the contractor does not regularly make purchases subject to use tax that would require the contractor to have a seller's permit or use tax number, use tax can be reported on the:
  - a) Form UT-5, Consumer Use Tax Return; or
  - b) Individual income tax return, if the contractor is a sole proprietor.

**Important:** Failure to report use tax is the most common error made by taxpayers and one of the main reasons why a penalty may be imposed if a taxpayer is audited. Don't forget the use tax!

If you have any questions, you may contact your local Department of Revenue office or call (608) 266-2776 for assistance. [☞](#)



### **Focus on Publications: E-file Sales Tax Returns**

What is "SIP" (Sales Internet Process), and how is it used to file sales and use tax returns electronically? How do I get started with e-filing, and what's in it for me? These and other questions are answered in the department's newest publication, Wisconsin Publication 227, *E-file Sales Tax returns with S.I.P.*

Publication 227 provides information about how to use SIP to file sales and use tax returns electronically and to

make tax payments by EFT (Electronic Funds Transfer). It provides guidelines for minimum hardware and software requirements, discusses the benefits of SIP, and lists lots of ways to obtain additional information.

A copy of Publication 227 appears on pages 35 to 37 of this Bulletin. Additional copies, as well as copies of any of the other department publications, can be obtained at any Department of Revenue office, or by mail, e-mail, fax, or the Internet. See the article titled "Tax Publications Available" on page 8 of this Bulletin for details. [☞](#)

### **Any Suggestions for 2001 Tax Forms?**

Do you have suggestions for improving Wisconsin's tax forms or instructions? Can you think of ways the forms or instructions could be made easier to understand? If so, the department would like to hear from you. In past years, many suggestions from taxpayers and tax professionals have been used in developing tax forms and instructions.

Please take a few moments to put your ideas in writing, and mail them to Wisconsin Department of Revenue, Administration Technical Services, Mail Stop 6-40, PO Box 8933, Madison WI 53708-8933. If you prefer, you may fax your suggestions to (608) 261-6240, or e-mail them to [treid@dor.state.wi.us](mailto:treid@dor.state.wi.us). Your suggestions could help make "tax time" easier for taxpayers and practitioners. [☞](#)

## Delinquent Occupational License Holders in Jeopardy

Occupational license or credential holders that have Wisconsin tax delinquencies may have their licenses or credentials suspended or revoked. Initial or renewal applications may be denied if the applicant has a Wisconsin tax delinquency.

The Wisconsin Department of Revenue (DOR) is authorized to certify tax delinquencies to 13 Wisconsin agencies. Once certified, these agencies must deny initial or renewal applications, or suspend or revoke current licenses or credentials.

The current list of agencies participating in the “Occupational License Program” is as follows:

Administration - Division of Gaming  
Board of Commissioners of Public Lands  
Commerce  
Commissioner of Insurance  
Ethics Board  
Financial Institutions  
Health and Family Services  
Natural Resources  
Public Instruction  
Regulation and Licensing  
Revenue - SLF Division  
Transportation  
Workforce Development

The above-listed agencies, examining boards, and affiliated credentialing boards issue certain professional and occupational licenses or credentials. Most licenses or credentials renew on a periodic basis, either yearly or every two years. License/credential holders go through a screening process, at initial issuance, upon renewal, or by a periodic match program, to identify individuals and businesses with Wisconsin tax delinquencies. Individuals or businesses with delinquent tax liabilities are notified and allowed ten days to pay their delinquent accounts.

An individual or business whose initial or renewal application has been denied, or whose license or credential has been either suspended or revoked, is entitled to a hearing before DOR, provided the hearing request is

made in a timely manner as specified by Wisconsin Statutes. This hearing is limited to questions of: a) mistaken identity of the license/credential holder; and b) whether the license/credential holder has paid the delinquent taxes for which the person or the business is liable.

If, after the hearing, DOR affirms its certification that the license/credential holder is liable for delinquent taxes, the agency issuing the license or credential must affirm its denial, suspension, or revocation of the holder’s license or credential. The license/credential holder or applicant may then seek judicial review in the Dane County Circuit Court.

If a license/credential holder’s license or credential is denied, revoked, or suspended because of delinquent taxes and the license/credential holder reapplies for the license or credential, the issuing agency must deny the reapplication until DOR sends the agency a clearance certificate, indicating the delinquent tax issue is resolved. If a license/credential holder or applicant owes delinquent tax and cannot pay the balance in full, DOR may accept installment payments on the balance. Before the license or credential will be released, the license/credential holder must provide financial information, have ALL outstanding tax returns filed up-to-date, and make a down payment.

Individuals or businesses that have delinquent tax accounts and have questions relating to applying for or renewing an occupational license or credential, or to resolving the delinquent accounts, should contact DOR as follows:

1. Those that wish to resolve their delinquent accounts before applying for or renewing a license or credential, and that have not yet received a notice of denial, suspension, or revocation of the license or credential, may either contact their nearest DOR office or call the Madison Central Collection office at (608) 266-7879.
2. Those that have received a notice that their license or credential will be denied, suspended, or revoked should contact the Madison Central Collection office at the telephone number listed above. [☞](#)

**Information or Inquiries?**

Listed below are telephone numbers to call if you wish to contact the Department of Revenue about any of the taxes administered by the Income, Sales, and Excise Tax Division. A comprehensive listing of telephone numbers and addresses appears in *Wisconsin Tax Bulletin 124* (April 2001), pages 39 to 42.

**Madison — Main Office**  
Area Code (608)

Appeals.....	266-0185
Audit of Returns: Corporation, Individual, Homestead.....	266-2772
Beverage Tax.....	266-6702
Cigarette, Tobacco Products Taxes.....	266-8970
Copies of Returns.....	267-1266
Corporation Franchise and Income Taxes .....	266-1143
Delinquent Taxes.....	266-7879
Electronic Filing:	
Individual Income Tax .....	264-9959
Sales Tax .....	261-6261
Electronic Funds Transfer .....	264-9918
Estimated Taxes .....	266-9940
Fiduciary, Estate Taxes .....	266-2772
Forms Request:	
Taxpayers .....	266-1961
Practitioners.....	267-2025
Fax-A-Form.....	261-6229
Homestead Credit.....	266-8641
Individual Income Tax .....	266-2486
Motor Vehicle Fuel Tax .....	266-3223
Refunds.....	266-8100
Sales, Use, Withholding Taxes .....	266-2776
TTY .....	267-1049

**District Offices**

Appleton.....	(920) 832-2727
Eau Claire.....	(715) 836-2811
Milwaukee:	
General .....	(414) 227-4000
Refunds.....	(414) 227-4907
TTY .....	(414) 227-4147



**Wisconsin Tax Bulletin Annual Index Available**

Once each year the *Wisconsin Tax Bulletin* includes an index of materials that have appeared in past Bulletins. The index will help you locate reference materials including articles, court case summaries, tax releases, and private letter rulings, to research questions about Wisconsin taxes.

The latest *Wisconsin Tax Bulletin* index available appears in *Wisconsin Tax Bulletin 123* (January 2001), pages 49 to 79. It includes information for issues 1 to 122 (through October 2000). [↗](#)



**Take Advantage of the Speakers Bureau**

Are you planning a meeting, workshop, conference, or training program? The Department of Revenue’s Speakers Bureau provides speakers, free of charge, who can provide information to business, community, and educational organizations.

Department representatives are available to speak on a variety of topics that can be targeted to your group’s particular areas of interest, including:

- New sales/use, income, and corporate tax laws.
- How sales tax affects contractors, manufacturers, nonprofit organizations, or businesses in general.
- Homestead credit.
- Audit and appeal procedures.
- Common errors discovered in audits.
- Recordkeeping requirements.
- Tax delinquencies and petitions for compromise.
- Manufacturing property assessment.
- Electronic filing of individual income tax returns.

To arrange for a speaker, you may write to Wisconsin Department of Revenue, Speakers Bureau, Mail Stop 6-40, PO Box 8933, Madison WI 53708-8933; fax your request to (608) 261-6240; call (608) 266-1911; or fill out the online request form by accessing the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us), and clicking on “Events/Training.” [↗](#)



## Tax Publications Available

Listed below are more than 65 publications that are available, free of charge, from the Department of Revenue. Copies are available at any department office, or by mail, e-mail, fax, or the Internet.

### By Mail

Write to Wisconsin Department of Revenue, Forms Request Office, Mail Stop 5-77, PO Box 8951, Madison WI 53708-8951; call (608) 266-1961; or fax a request to (608) 261-6913.

### By E-Mail

You may e-mail your request to [forms@dor.state.wi.us](mailto:forms@dor.state.wi.us).

### Via Your Fax Machine

Use the department's Fax-A-Form system by calling (608) 261-6229 from a fax telephone and entering the retrieval code "10" plus the publication number.

### Via the Internet

Access the department's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us), and click on "Publications" and then "Tax Publications."

**Note:** The numbers of some publications are followed by an asterisk. These are publications that are new or have been revised since the last issue of the *Wisconsin Tax Bulletin*.

### Income and Franchise Taxes

- |  |  |
|--|--|
| <p>102 Wisconsin Tax Treatment of Tax-Option (S) Corporations and Their Shareholders (12/00)</p> <p>103 Reporting Capital Gains and Losses for Wisconsin by Individuals, Estates, Trusts (11/00)</p> <p>104 Wisconsin Taxation of Military Personnel (9/00)</p> <p>106 Wisconsin Tax Information for Retirees (1/01)</p> <p>109 Tax Information for Married Persons Filing Separate Returns and Persons Divorced in 2000 (11/00)</p> <p>112 Wisconsin Estimated Tax and Estimated Surcharge for Individual, Estates, Trusts, Corporations, Partnerships (1/99)</p> <p>113 Federal and Wisconsin Income Tax Reporting Under the Marital Property Act (2/00)</p> | <p>116 Income Tax Payments Are Due Throughout the Year (12/95)</p> <p>119 Limited Liability Companies (LLCs) (11/00)</p> <p>120 Net Operating Losses for Individuals, Estates, and Trusts (11/00)</p> <p>121 Reciprocity (2/01)</p> <p>122 Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 2000 (11/00)</p> <p>123 Business Tax Credits for 2000 (11/00)</p> <p>125 Credit for Tax Paid to Another State (11/00)</p> <p>126 How Your Retirement Benefits Are Taxed (10/00)</p> <p>600 Wisconsin Taxation of Lottery Winnings (1/01)</p> <p>601 Wisconsin Taxation of Pari-Mutuel Wager Winnings (1/01)</p> |
|--|--|

### Sales and Use Taxes

- |  |
|--|
| <p>200 Electrical Contractors - How Do Wisconsin Sales and Use Taxes Affect Your Business? (3/98)</p> <p>201 Wisconsin Sales and Use Tax Information (1/01)</p> <p>202 Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs (11/00)</p> <p>203 Sales and Use Tax Information for Manufacturers (7/00)</p> <p>205 Use Tax Information for Individuals (1/99)</p> <p>206 Sales Tax Exemption for Nonprofit Organizations (6/00)</p> <p>207 Sales and Use Tax Information for Contractors (10/00)</p> <p>210 Sales and Use Tax Treatment of Landscaping (4/01)</p> <p>211 Cemetery Monument Dealers - How Do Wisconsin Sales and Use Taxes Affect You? (6/00)</p> <p>212 Businesses: Do You Owe Use Tax on Imported Goods? (1/99)</p> <p>213 Travelers: Don't Forget About Use Tax (4/99)</p> <p>214 Businesses: Do You Owe Use Tax? (4/99)</p> <p>216 Filing Claims for Refund of Sales or Use Tax (11/00)</p> |
|--|



217 Auctioneers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (1/00)

219 Hotels, Motels, and Other Lodging Providers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (2/01)

220 Grocers - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (10/98)

221 Farm Suppliers and Farmers - How Do Wisconsin Sales and Use Taxes Affect Sales to Farmers? (4/97)

222 Motor Vehicle Fuel Users: Do You Owe Use Tax? (3/00)

223 Bakeries - How Do Wisconsin Sales and Use Taxes Affect Your Business? (2/98)

224 Veterinarians - How Do Wisconsin Sales and Use Taxes Affect Your Business? (6/99)

225 Barber and Beauty Shops - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (4/01)

226 Golf Courses - How Do Wisconsin Sales and Use Taxes Affect Your Operations? (3/00)

227\* E-file Sales Tax returns with S.I.P. (3/01)

#### Other Taxes and Credits

127 Wisconsin Homestead Credit Situations and Solutions (11/00)

128 Wisconsin Farmland Preservation Credit Situations and Solutions (11/00)

400 Wisconsin's Recycling Surcharge (10/00)

403 Premier Resort Area Tax (2/98)

410\* Local Exposition Taxes (5/01)

503 Wisconsin Farmland Preservation Credit (1/01)

508\* Wisconsin Tax Requirements Relating to Nonresident Entertainers (5/01)

W-166 Wisconsin Employer's Withholding Tax Guide (4/00)

#### Audits and Appeals

501 Field Audit of Wisconsin Tax Returns (9/99)

505 Taxpayers' Appeal Rights of Office Audit Adjustments (12/99)

506 Taxpayers' Appeal Rights of Field Audit Adjustments (9/99)

507 How to Appeal to the Tax Appeals Commission (7/98)

515 Non-Statistical Sampling (1/01)

#### Other Topics

111 How to Get a Private Letter Ruling From the Wisconsin Department of Revenue (2/01)

114 Your Wisconsin Taxpayer Bill of Rights (2/00)

115 Handbook for Federal/State Electronic Filing (12/00)

117 Guide to Wisconsin Information Returns (2/01)

124 Petition for Compromise of Delinquent Taxes (5/00)

130 Fax A Form (12/00)

140 A Tax Practitioner's Guide to Electronic Filing (6/00)

401 Extensions of Time to File (1/99)

500 Tax Guide for Wisconsin Political Organizations and Candidates (3/01)

502 Directory of Wisconsin Tax Publications (3/01)

504 Directory for Wisconsin Department of Revenue (2/00)

509 Filing Wage Statements and Information Returns on Magnetic Media (2/01)

700 Speakers Bureau presenting . . . (6/00)



## Question and Answer ?

### (Sales and Use Tax)

**Q** One of my customers gave me a “tax number” and told me I should not charge her Wisconsin sales tax on items she will be reselling. Do I need to obtain an exemption certificate from her, or is her “tax number” sufficient documentation for the exemption?

**A** You must obtain a properly completed exemption certificate (Form S-211) from your customer. Obtaining only the customer’s tax number is not sufficient.

**Q** One of my customers gave me an “exempt number” and told me I should not charge her Wisconsin sales tax because the customer is a nonprofit organization. Do I need to obtain an exemption certificate from the nonprofit organization, or is the “exempt number” sufficient documentation for the exemption?

### (Homestead Credit)

**Q** One of my landlords for last year will not sign a rent certificate. I paid rent to him for five months. May I claim that rent on my homestead credit claim?

**A** You may claim the rent that you can verify, provided you attach the following two items to your Schedule H:

1. An unsigned rent certificate. Complete lines 1 to 13b yourself. Include your estimate of the value of the items listed on line 12 that your landlord provided (or fill in –0– if none of the items were provided), and write “Landlord Refuses to Sign” at the top of the certificate; and
2. Copies of whatever cancelled checks or money order receipts you have to verify the rent paid. Only verified rent will be allowed.

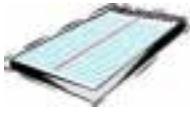
**A** You may obtain any one of the following from the nonprofit organization:

- A properly completed exemption certificate (Form 211).
- The nonprofit organization’s Certificate of Exempt Status (CES) number, which you record on your copy of the invoice or other billing document you keep.
- A purchase order (from federal and Wisconsin governmental units only).

**Caution:** A Certificate of Exempt Status (CES) number is issued by the Wisconsin Department of Revenue and is a one- to six-digit number (e.g., ES – #####). A CES number does not include a federal employer identification number (e.g., 39 - #####) or a social security number (e.g., ### – ## – #####).

**Q** As a volunteer in the Senior Companion Program, I receive amounts for supportive services, plus mileage reimbursement. These amounts are nontaxable for income tax purposes. Are the payments considered income for homestead credit?

**A** No. Under “Title II of the Domestic Volunteer Service Act of 1973,” nontaxable amounts received from the Senior Companion Program may not be included in household income for homestead credit purposes. (Note: This Act also provides that nontaxable payments received from the Foster Grandparents Program and the Retired Senior Volunteer Program [“RSVP”] may not be included in household income for homestead credit purposes.) [☞](#)



## Index of Reference Material Available

Are you looking for an easy way to locate reference material to research a Wisconsin tax question? The *Wisconsin Topical and Court Case Index* may be just what you need.

This two-part index will help you find reference material relating to income, franchise, withholding, sales/use, estate, and excise taxes.

The “Topical Index” portion lists by tax type, alphabetically by subject, references to Wisconsin statutes, administrative rules, tax releases, private letter rulings, Wisconsin tax publications, *Sales and Use Tax Reports*,

Attorney General opinions, and *Wisconsin Tax Bulletin* articles.

The “Court Case Index” lists by tax type, alphabetically by subject, decisions of the Wisconsin Tax Appeals Commission, Circuit Court, Court of Appeals, and Wisconsin Supreme Court.

The *Wisconsin Topical and Court Case Index* is available by subscription for \$18 per year, plus sales tax. This includes a volume published in January and an addendum published in June. To order your copy, complete the order blank on page 39 of this Bulletin. The Index is also on the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us). Just click on “Publications.” [↗](#)

## Don’t Ignore Department of Revenue Inquiries

If a client receives a letter or notice from the Department of Revenue (DOR) asking that they file a tax return, or estimating the client’s tax liability, don’t ignore that letter or notice. It is important to respond timely in order to avoid an estimated assessment and the possibility of a collection fee (minimum of \$35) and other collection actions.

When the DOR believes that a required tax return has not been filed, the department may either send a letter to the taxpayer requesting the missing return, or issue an estimated tax assessment. If no return is required, the taxpayer should send a response to the department, explaining why no return is required. In the case of a business, the business should notify the department when a Wisconsin seller’s permit or Wisconsin employer identification number is no longer needed. As long as a seller’s permit or employer identification number is considered active, sales tax returns or withholding tax deposit reports are required to be filed, even if there are no sales to report or withholding deposits to be made.

An estimated assessment is issued if a timely response to a request for a return is not received. Estimated assessments are generally much higher than the taxpayer’s actual liability, because the estimates are based on incomplete information, and credits are not allowed. For example, in cases involving individual income tax, the estimate may not take into account Wisconsin tax withheld from wages.

If there is no response to an estimated assessment, a delinquent account is established and the amount of the assessment is subject to delinquent interest of 1.5% per month, as well as a minimum \$35 collection fee. The \$35 fee will be cancelled if a tax return or information is subsequently furnished **and** the tax return or information indicates that there is no filing requirement.

After a delinquent account has been established, collection action will be initiated, including, but not limited to, filing a tax lien, requiring an employer to withhold additional money from an employee’s pay, and seizing assets such as bank accounts. The tax lien is public information, which creates a potential for credit agencies to obtain access to the information. This could adversely affect a taxpayer’s credit rating.

These types of actions are the reason it is vital to respond to letters and notices from the DOR. There may not be a need for a tax return, and even if a return is due, the taxpayer may not owe Wisconsin tax. But the department will never know unless a response is received.

Each letter or notice requesting that a return be filed includes a telephone number to call with questions. Also, employees located in any of the department’s offices throughout the state are available to provide assistance.

For a list of department office locations and hours, or for further information regarding delinquent tax collection, you may access the department’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us) and click on “FAQs” (frequently asked questions). [↗](#)

## Bankruptcy Attorney Charged With Tax Crimes

John V. Asher, 48, a former Brookfield bankruptcy attorney, was charged in May 2001, with failure to file a 1998 State income tax return and with theft of withholding tax money. The complaint alleges that between July 1997 and January 1999 Asher deducted and withheld State income taxes from his employees' wages but failed to remit this tax money to the Wisconsin Department of Revenue. Asher faces up to 13½ years in prison and \$40,000 in fines if convicted on all counts.

Asher had previously been charged with theft of bankruptcy filing fees in March of 2001. In that complaint it was alleged that he had hundreds of thousands of dollars flowing through at least 14 bank accounts, and that he was making monthly payments for a Mercedes Benz, along with leasing an airplane. However, by late 1998 and early 1999, Asher's bank accounts were closed out with nothing left in them. Asher was also forced out of his Dousman, Wisconsin home last year when he defaulted on a \$434,000 mortgage.

Asher had operated the now-defunct Christian Law Center, which was located in Brookfield, Wisconsin, and which handled filings of personal bankruptcies. This operation ceased after Asher and the business filed for bankruptcy in 1999.

In addition to the criminal charges, Asher lost his law license after he was charged with more than 200 counts of professional misconduct for alleged unethical and illegal treatment of his clients.

Wisconsin law provides for substantial civil penalties on the tax liability in addition to the criminal penalties. Assessment and collection of the taxes, penalties, and interest follows the conviction for criminal violations.

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In June 2001, Sharon M. Richards, 50, of Spooner, was charged in Chippewa County Circuit Court with two counts of making false statements in motor vehicle title applications, and two counts of falsely reporting the sales tax on those applications. According to the criminal complaint:

- Richards is a licensed motor vehicle dealer and the owner of Turtle Lake Auto Sales and Turtle Lake Auto Salvage.
- She falsely reported the purchase price of two wreckers she purchased in August 1999, as \$125 and \$200.

- Documents obtained from the parties who sold the vehicles to Richards showed actual purchase prices of \$7,500 and \$11,000.

Richards evaded \$999.63 in state and county sales taxes as a result of the false statements. She faces a total of 10 years and two months imprisonment and \$11,000 in fines if convicted on all counts.

The charges against Richards are the result of a joint investigation by the Wisconsin Department of Transportation and the Fraud Unit of the Wisconsin Department of Revenue.

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Amy C. Banks, 31, Evansville, was ordered in June 2001, to serve one year in the county jail for embezzling money from her employer and filing two fraudulent Wisconsin income tax returns. Banks is the former bookkeeper of Regent Mental Health Group in Madison.

Between January 1998 and July 1999, Banks took over \$60,000 from Regent Mental Health Group and did not report any of the stolen money on her Wisconsin income tax returns. As part of a plea agreement in March 2001, she was found guilty of two felony counts of theft in a business setting and one felony count of income tax evasion.

Dane County Circuit Court Judge Steven Ebert withheld sentence and placed Banks on probation for five years, with several conditions. Among the conditions are that Banks must spend one year in either the Dane or Rock County Jail. In addition, she must pay restitution to the Wisconsin Department of Revenue and perform 200 hours of community service. Banks has made restitution to Regent Mental Health Group.

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Thomas Swanson, Sr., 57, was sentenced in June 2001, for one count of filing a false homestead credit claim. Kenosha County Circuit Court Judge David M. Bastianelli sentenced Swanson to three years in prison and ordered him to make restitution of \$2,998 to the State.

According to the criminal complaint, Swanson filed a 1997 Wisconsin income tax return that included the false homestead credit claim. He also claimed a false dependent, false IRA deduction, and fraudulent earned income credit, and underreported income by \$10,000.

Filing a fraudulent homestead credit claim is a crime punishable by up to five years imprisonment and up to \$10,000 in fines. [✎](#)