



TAX REPORT

SALES / USE TAX

WISCONSIN DEPARTMENT of REVENUE

MARCH 1975

UNPAID POSTAGE ON TAX RETURNS

As of November 17, 1974, the U. S. Postal Service discontinued delivering mail which does not bear the proper postage. Under this new policy, the Postal Service will endorse unpaid mail "returned for postage" and return it to the sender instead of delivering it postage due. If the sender's return address is not shown, the letter will be sent to the dead letter office.

This Postal Service announcement should be of concern to you when you mail your tax return to this department. Returns are considered to be received as of the postmark date only if the postage has been properly prepaid. If you mail an unstamped tax return on time and the postal authorities return it to you for postage, the postmark on the second, postage prepaid, mailing will determine whether the return is delinquent and whether penalty and interest will accrue.

Therefore, please be certain to mail your tax return on time in an envelope which bears the proper amount of postage and shows your full return address.

THE PENNY SHORTAGE

In response to the current penny shortage, some retailers have adopted a practice of rounding the sales tax reimbursement to the next highest nickel. For example, on a sale for \$2.75 tax is charged at 15¢ rather than the 11¢ which is proper at the 4% rate.

This practice constitutes the collection of excess sales tax reimbursement and is not in accordance with the Sales and Use Tax Law.

TRADING IN GOLD

Now that it is legal to buy and sell gold bullion the department has received many inquiries regarding the sales tax status of these transactions. Under the law sales of every type of tangible personal property are subject to the tax and this includes gold coins and bullion.

Wisconsin is entitled to a sales tax on the sale of gold bullion only if the bullion is physically located in Wisconsin at the time of the sale. This would be true whether the sales contract is entered into in Wisconsin or in any other state and does not require the taking of physical possession by the purchaser. However, if a Wisconsin retailer sells bullion located out-of-

state to a Wisconsin purchaser for future delivery in Wisconsin, the tax will apply and be due at the time the gold is delivered into Wisconsin.

If the bullion is located in Wisconsin at the time of the sale, but the tax is not paid by an out-of-state seller because he is not subject to the state's jurisdiction, the purchaser is then subject to a Wisconsin use tax. Purchases made outside Wisconsin by Wisconsin residents are subject to the Wisconsin tax only if the bullion is subsequently shipped or brought into Wisconsin. However, if the purchase of the bullion is subject to a sales tax in another state in which the purchase was made, the amount of tax so paid shall be applied as a credit against any Wisconsin use tax due.

Trading in contracts for the future delivery of gold (futures) is regarded as dealing in intangible property and is not subject to a sales or use tax, except in those instances where the option or contract is ultimately closed out by delivery of the gold.

TAXABLE TRANSPORTATION CHARGES

When a retailer charges a purchaser for the delivery of goods (sales of which are subject to the tax), the retailer's total charge, including any transportation charge, is subject to the 4% sales or use tax. The total gross receipts of a seller are taxable, including transportation charges. It is immaterial whether delivery is made by the seller's vehicle, a common or contract carrier, or the United States Postal Service.

The correct tax computation to be shown on an invoice where the retailer charges the purchaser for delivery of the goods is as follows:

Carton of Merchandise	\$100.00
Delivery Charge	<u>10.00</u>
Subtotal	\$110.00
Tax at 4% (\$110 X 4%)	4.40

A Wisconsin consumer who purchases, for use in Wisconsin, taxable goods without tax, is subject to the 4% tax based on the "sales price" of the goods to him. The "sales price" includes transportation charges paid by the Wisconsin consumer to his supplier for shipment of the goods to him.

CREDIT SALES

If tangible personal property is sold on credit, under a security agreement or otherwise, the entire amount of the retailer's

gross receipts from the sale are taxable, and must be reported on the tax return for the period in which the sale is made. A sale involving the transfer of ownership of property is deemed to have been completed at the time and place where possession is transferred by the seller or his agent to the purchaser or his agent. The law also provides that the tax must be reported on taxable gross receipts on the accrual basis, except where the department is satisfied that an undue hardship would exist, in which case some other basis may be authorized by the department.

No deduction is allowable in the event that property sold on credit is repossessed except where the entire consideration paid by the purchaser is refunded to him or where a credit for bad debts is allowable.

BAD DEBTS

A retailer is relieved from the liability for the tax from retail sales insofar as the measure of the tax is represented by accounts found worthless and charged off for income tax purposes or, if the retailer, such as a church, is not required to file income tax returns, charged off in accordance with generally accepted accounting principles. Only a retailer who has previously paid sales or use tax to the state on such accounts may claim the bad debt deduction.

If the amount of an account found to be worthless and charged off is comprised in part of nontaxable receipts such as interest, financing, insurance, or other charges exempt from sales or use tax, and in part of taxable receipts upon which tax has been paid, a bad debt deduction may be claimed only with respect to the unpaid amount upon which tax has been paid. In determining that amount, all payments and credits to the account must be applied ratably against the various charges comprising the amount the purchaser contracted to pay.

If any accounts found worthless and charged off are thereafter in whole or in part collected by the retailer, the amount so collected shall be included in the first return filed after such collection and the amount of the tax thereon paid with the return.

No deduction is allowable for expenses incurred by the retailer in attempting to enforce collection of any account receivable, or for that portion of a debt recovered that is retained by or paid to a third party as compensation for services rendered in collecting the account. A retailer permitted to report his gross receipts on a cash basis for sales tax purposes is not entitled to

a bad debt deduction nor is a contractor whose receipts are from real property construction activities.

GROCERS' SALES

The sales and use tax law provides an exemption for the basic food items for human consumption purchased for the home preparation of meals. However, many of the items purchased in grocery stores are subject to the tax and a few examples of such taxable items are: beauty aids, beer and soft drinks, beer and wine making supplies, bird and pet food and supplies, breath mints, candy, candy apples, canning and freezer supplies, charcoal and starter, chewing gum, cold remedies, coloring extracts, confections, Cracker Jacks, detergents and soaps, Dixie cups, Fiddle Faddle, Fizzies, flowers and seeds, fudgesicles, heated foods and beverages, ice, ice cream bars and cones, Kool Aid, lozenges, medicinal preparations, mineral tablets, nuts and raisins (chocolate coated), paper products, popcorn, popsicles, sandwiches (hot or cold), soda water beverages, taffy apples, tobacco products (except cigarettes), tonics, vitamins and water (spring and distilled).

A detailed list of the kinds of items sold in grocery stores that are taxable and exempt is included in the department's Technical Information Memorandum S-9.1, "Grocer's Guidelist." The department will mail a copy of this TIM to a grocer or other interested party upon request.

EDITOR'S NOTE

Tax Reports are issued three times a year with an issue in March, June and September and are sent to all registered vendors who file monthly or quarterly sales tax returns. They are also now being sent to all persons who subscribe to this department's Technical Information Memorandums (TIM's) service.

These TIM's reflect the department's policy decisions, and are intended to clarify complex areas of the income, withholding and sales tax laws.

If you are interested in subscribing to a service, so that you automatically receive all TIM's as they are issued, you may do so for \$2.00 per year. If you wish to receive all the memoranda relating to the general sales tax law, the initial charge is \$4.00 for the back issues and an additional \$2.00 for the current year's subscription. Send your request with the appropriate sum of money to the Department of Administration, Document Sales Section, Central Services Building, 202 South Thornton Avenue, Madison, Wisconsin 53702.