the University Avenue retail liquor store business including tangible personal property, the value of which was assessed by the department for sales taxes on the grounds that the taxpayer held or was required to hold a seller's permit at the time of said sale.

The sole issue was whether taxpayer's surrender of permit number 9726A was effective to qualify the sale of the University Avenue property as exempt from sales tax as an occasional sale under s. 77.51 (10) (a), Wis. Stats.

The Commission concluded that even though taxpayer properly surrendered his Wisconsin seller's permit on December 28, 1979, for the business operation on University Avenue, at the time the sale of the University Avenue property became effective, on January 1, 1980, the fact that taxpayer held a seller's permit on the Mineral Point Road retail liquor store business on the date o the sale constituted a holding of a seller's permit as that terminology is meant in s. 77.51 (10) (a), Wis. Stats. Therefore, the sale of the taxpayer's business on January 1, 1980, was taxable as assessed and did not qualify as an exempt occasional sale under s. 77.51 (10) (a).

The taxpayer has not appealed this decision.

TAX RELEASES

("Tax Releases" are designed to provide answers to the specific tax questions covered, based on the facts indicated. However, the answer may not apply to all questions of a similar nature. In situations where the facts vary from those given herein, it is recommended that advice be sought from the Department. Unless otherwise indicated, Tax Releases apply for all periods open to adjustment. All references to section numbers are to the Wisconsin Statutes unless otherwise noted.)

INCOME TAXES

I. Federal Farm Credit Bank Securities

Facts & Question: A Wisconsin resident receives interest income from a "Federal Farm Credit Banks Consolidated Systemwide Security". Is the interest income received from this security income from a federal security which is exempt from Wisconsin income tax under s. 71.05 (1) (b) 1, Wis. Stats.?

Answer: Yes. Interest income which an individual receives from system-wide securities issued by the Federal Farm Credit System is considered to be interest from a U.S. Government security which is exempt under s. 71.05 (1) (b) 1, Wis. Stats.

II. Money Market Trust Distributions

Facts & Question: A Wisconsin resident invests in a money market trust (the trust qualifies as a mutual fund under the Internal Revenue Code) which invests exclusively in U.S. Government securities. Are the distributions which are received from the money market trust considered income from a federal security which will be exempt from Wisconsin income tax under s. 71.05 (a) (b) 1, Wis. Stats.?

Answer: No. An individual who has invested in and receives distributions from a money market trust (mutual fund) has not received interest directly from a federal obligation which would be considered exempt from taxation by Wisconsin. The trust cannot pass through to the investor the tax-exempt character of income it receives from federal securities.

III. Addition to Tax Exception Based on Prior Year's Income — Person Was a Nonresident or Part-Year Resident in Prior Year

Facts & Question: Individuals subject to Wisconsin income tax must make installment payments of estimated tax if they expect to have a balance of $100 or more of tax due on their return for a year. If required installment payments of estimated tax are not made by prescribed due dates or if insufficient amounts are paid, a 9% "addition to the tax" penalty may be imposed. The penalty is computed on the basis of the number of days that an installment (or a portion of an installment) was not paid.

Section 71.21 (14) (b), Wis. Stats., provides that the 9% penalty will not be imposed if timely estimated tax payments for the taxable year equal or exceed an amount determined by recomputing the tax shown on the return for the immediate preceding year. To figure this exception to the penalty, the tax on the prior year's return is recomputed by using the current year's tax table and then the current year's personal exemption credit is subtracted. If the estimated tax payments for the current year are at least as much as the resulting amount (recomputed tax minus personal exemption credits), no penalty may be applied.

Is an individual who was a part-year resident or a nonresident during the prior year allowed to use the s. 71.21 (14) (b) exception? If so, must the prior year's income be annualized when the tax for that year is recomputed?

> Example: A self-employed single individual with no dependents reports on the calendar year basis. During 1979 this person was a part-year resident (moved into Wisconsin August 1, 1979) and reported Wisconsin taxable income of $12,000 on a 1979 return. For 1980 this individual was a full-year Wisconsin resident.

Answer: Yes, part-year Wisconsin residents and nonresidents of Wisconsin are allowed to use this exception. The prior year's income to be used in recomputing the tax of that year is the amount of Wisconsin taxable income on the prior year's return. The income does not have to be annualized.

The individual in the above example would be required to make estimated tax payments of at least $669 for 1980 to meet the exception to the 9% penalty provided by s. 71.21 (14) (b). The minimum payment amount is computed as follows:

$12,000	1979 Wisconsin taxable income
689	Tax computed on 1979 Wisconsin taxable income using 1980 tax table
(20)	Less 1980 personal exemption credit
$ 669	Recomputed 1979 tax

IV. Determining Gain Or Loss On Assets Acquired Prior To Becoming A Wisconsin Resident

HOWICK DECISION

On February 2, 1981 the Wisconsin Supreme Court issued a decision in Romain A. Howick vs. Wisconsin Department of Revenue, 100 Wis. 2d 274. The issue was how a loss was to be determined for Wisconsin income tax purposes when a Wisconsin resident sells an asset which was acquired prior to the time he or she became a Wisconsin resident. The department contended that only the decrease in the value of an asset which occurs after the time Wisconsin residency is established can be deducted in determining Wisconsin taxable income. Conversely, the department maintained that only increases in value occurring after residency are to be considered income taxable by Wisconsin. The proper amount of gain or loss for Wisconsin was to be determined by using the fair market value of the asset as of the date the owner became a Wisconsin resident, in the manner prescribed by Wis. Adm. Code section Tax 2.30 and 2.97. However, the Supreme Court found that the rules were incorrect, and that a loss was to be measured by the value at the time of acquisition as a nonresident. (A summary of the Howick case can be found on page 2 of this bulletin.)

'n a concurring opinion, three of the Supreme Court justices discussed how gains are to be determined with respect to dispositions of assets acquired before Wisconsin residency is established. In their opinion, they state that income is realized only when an individual disposes of an asset. Fluctuations in the value of the asset which occur prior to disposition may not be considered in determining either gain or loss at the time of disposition. As a result of the Howick decision, the principles set forth in Wis. Adm. Code section Tax 2.30 and 2.97 no longer apply. Instead, the amount of gain or loss on assets acquired prior to becoming a Wisconsin resident and disposed of while a Wisconsin resident will usually be the same for Wisconsin and federal purposes; however, there are exceptions as noted in a later section of this article.

The purpose of this article is to identify those taxpayers who will be affected by this decision and to provide examples of how their gains and losses are to be determined.

WHO IS AFFECTED BY THE HOWICK DECISION?

Individuals affected by the Howick decision are those persons who were nonresidents, and at the time of becoming Wisconsin residents owned assets having market values either higher or lower than their adjusted cost basis as determined under the Internal Revenue Code. It doesn't matter whether the assets are brought into Wisconsin or continue to be located outside Wisconsin. Once an individual establishes residency in Wisconsin all gains or losses realized from the disposition of property (whether the property is located inside or outside of Wisconsin) are reportable to Wisconsin pursuant to s. 71.07 (1), Wis. Stats. Section 71.07 (1) provides that all income or loss of resident individuals follows their residence.

EFFECT OF HOWICK DECISION

Interpretation Prior to the Howick Decision (Wis. Adm. Code section Tax 2.30 and 2.97): It was the department's position that when a Wisconsin resident disposed of property which had been acquired while a nonresident of Wisconsin, gain or loss includable in Wisconsin taxable income was limited to the lesser of:

(a) Gain or loss reportable for federal income tax purposes; or

(b) Gain or loss determined by comparing the selling price with the fair market value of the property on the date Wisconsin residency was established. (Any depreciation allowed or allowable during the period of Wisconsin residency would first be subtracted from the fair market value.)

If a gain was calculated by one of the above methods and a loss by the other, then no gain or loss was reportable for Wisconsin purposes.

When method (b) above was used to determine the gain or loss reportable to Wisconsin, appropriate addition or subtraction modifications were required to be made to federal income.

In addition to rule Tax 2.30 and 2.97, this interpretation has also been explained in various instructional materials.

New Interpretation After the Howick Decision: The gain or loss on the disposition of property acquired prior to becoming a Wisconsin resident must be determined in the same manner for Wisconsin as for federal purposes, except for those situations explained in the next section of this article. In other words, the amount of gain or loss reportable for federal is also includable in Wisconsin taxable income. No addition or subtraction modification may be made to adjust such amount for fluctuations in value which occurred prior to the time Wisconsin residency was established.

The following examples illustrate how gains and losses were determined before the Howick decision and how they must now be determined:

	Federal Cost Basis of Stock Purchased While A Nonresident of Wisconsin	Fair Market Value on Date of Wisconsin Residency	Selling Price (After Becoming a Wisconsin Resident)	Wisconsin Gain or (Loss) Before Howick Decision	Wisconsin Gain or (Loss) Per Howick Decision
(a)	$11,000	$5,000	$4,000	($1,000)	($7,000)
(b)	5,000	7,000	9,000	2,000	4,000
(c)	3,000	6,000	5,000	-0-[1]	2,000

[1] Under the prior rules whenever a loss was determined by comparing the selling price ($5,000) with the fair market value ($6,000) and a gain was determined by comparing the selling price ($5,000) with cost ($3,000), neither a gain nor loss was reportable to Wisconsin.

EXCEPTIONS IN WHICH GAIN OR LOSS FOR WISCONSIN WILL DIFFER FROM THE AMOUNT FOR FEDERAL WITH RESPECT TO ASSETS ACQUIRED WHILE A NONRESIDENT

For the following assets which were acquired before the individual became a resident of Wisconsin, the gain or loss includable in Wisconsin income may be different than the federal gain or loss:

(a) Property which was sold in an installment sale while a nonresident of Wisconsin.

Wis. Adm. Code section Tax 2.30 (in paragraph (3) (c) 2) indicates that gain realized from an installment sale of property located outside of Wisconsin while an individual was a nonresident of Wisconsin is not taxable for Wisconsin purposes. This policy continues to apply. It is assumed that for Wisconsin purposes an individual elects to report the entire gain in the year of sale, when none of such amount would have been taxable to Wisconsin. Any such gain included in federal adjusted gross income is to be excluded from Wisconsin taxable income via a subtraction modification.

Example: Mr. X sells real estate in Iowa on the installment basis while an Iowa resident. Installment reporting of the gain is elected for federal income tax purposes. Subsequently, Mr. X becomes a Wisconsin resident. Any gain which Mr. X is required to include in his federal income from the installment sale of the Iowa property may be excluded from his Wisconsin income each year. (Note: Interest received from the land contract may not be excluded from Wisconsin income.)

(b) Property acquired in an involuntary conversion while a nonresident of Wisconsin.

The gain from an involuntary conversion of property located outside of Wisconsin while an individual was a nonresident, which gain was postponed for federal income tax purposes, is not taxable for Wisconsin purposes. It is assumed that for Wisconsin an individual elects to report such gain in the year the transaction occurred. Any such gain included in federal adjusted gross income is to be excluded from Wisconsin taxable income via a subtraction modification.

Example: Mr. Y, a resident of Ohio, owned rental property in Ohio which was condemned for public use. His adjusted basis in the property was $25,000 and he received a condemnation award of $45,000. He realized a gain of $20,000 from the condemnation.

Mr. Y elected to postpone paying tax on the gain and timely purchased a replacement property (also in Ohio) for $47,000. His basis in the new property for federal income tax purposes is $27,000 ($47,000 cost, minus $20,000 gain postponed).

Subsequent to the involuntary conversion, Mr. Y becomes a Wisconsin resident. Several years later (while still a Wisconsin resident) Mr. Y sells the Ohio rental property for $65,000. For federal income tax purposes, a gain of $43,000 ($65,000 selling price, minus $22,000 adjusted basis) is determined. The portion of gain ($20,000) attributable to the involuntary conversion which occurred before Mr. Y became a Wisconsin resident may be excluded from his Wisconsin taxable income.

In addition to the above two types of transactions, there may be other situations in which federal income tax law allows individuals to defer paying tax on gains until a later date. Questions concerning these types of transactions should be referred to Wisconsin Department of Revenue, Director of Technical Services, P.O. Box 8910, Madison, Wisconsin 53708

CAUTION: In cases where an individual sells a Wisconsin home and replaces it with a home located outside of Wisconsin, the entire gain realized on the sale (including any amounts attributable to deferred gains from prior sales of homes made when the individual was a nonresident) must be included in Wisconsin taxable income. No adjustment may be made to remove deferred gains relating to such sales which take place before an individual becomes a resident of Wisconsin. Federal income tax law does not permit individuals to elect to report gain from selling a home in the year of sale if a qualifying replacement residence is being acquired. When an individual qualifies, postponement of the gain is mandatory. Therefore, deferred gains from selling a home may not be treated in the same manner described above for deferred gains resulting from an involuntary conversion.

Because of the Howick decision, information included in the department's Publication 101 (in paragraph D of Par VIII) regarding the sale of a home located in Wisconsin by a part-year resident is no longer correct and should be disregarded. Such transactions should now be reported in the manner described in this article.

DOES THE HOWICK DECISION APPLY RETROACTIVELY?

The Supreme Court's decision in the Howick case, including the new interpretation explained in a previous portion of this article, applies prospectively as well as retroactively to all prior taxable years. However, under the provisions of ss. 71.10 (10) (bn) and 71.11 (21), Wis. Stats., adjustments to returns filed for prior years are generally prohibited unless made within 4 years of the date the return was filed (4 years of the due date of the return in the case of refunds). For example, claims for refunds for the calendar year 1976 may not be filed after April 15, 1981.

In certain instances, transactions which occurred during years which are now closed to adjustment by the statute of limitations in s. 71.10 (10) (bn) and s. 71.11 (21) still have an effect on income computed for years which may be adjusted. An example would be a loss from a prior year available as a capital loss carryforward. Although the closed years may not be adjusted, adjustments to amounts carried forward to open years may be made to report such amounts in accordance with the Howick decision.

Example: In 1973 Mrs. A, a Wisconsin resident, sold stock which had been acquired before she became a resident of Wisconsin. For federal income tax purposes she computed a loss of $30,000 on this sale. For Wisconsin purposes a loss of only $2,000 was allowable (the stock

ad decreased $28,000 in market value at the time Mrs. . moved into Wisconsin).

The loss deductible for Wisconsin was used up on Mrs. A's 1973 and 1974 Wisconsin returns. On her 1975 through 1980 Wisconsin returns Mrs. A made addition modifications to remove amounts of carryforward loss from the 1973 sale which were included in her federal adjusted gross income.

As a result of the Howick decision, Mrs. A's loss on the 1973 sale for Wisconsin purposes is now determined to be the same as her federal loss. Therefore, no addition modifications to federal income are required by her in 1975 and subsequent years. However, adjustments to Mrs. A's 1975 and subsequent year's Wisconsin returns to remove addition modifications reported in such years may only be made if the year is open to adjustment under s. 71.10 (10) (bn) or s. 71.11 (21).

CORPORATION INCOME/FRANCHISE TAX

I. Deductible Dividends

Facts & Question: Corporation B holds 50% of the capital stock of Corporation A. Corporation A files income/franchise tax returns with Wisconsin on a January 31 fiscal year. Corporation B files on a calendar year basis. On January 15, 1980 Corporation A pays a $100,000 cash dividend to its parent, Corporation B. Corporation A does business in several states and files Wisconsin income tax ;eturns using apportionment. For its fiscal year ended anuary 31, 1979 Corporation A reported 60% of its net .icome as being attributable to Wisconsin, whereas, in its year ended January 31, 1980 its net income attributed to Wisconsin equaled 40% of its total income. May Corporation B deduct on its 1980 income tax return the $100,000 of dividends received from A on January 15, 1980 under s. 71.04 (4) (a), Wis. Stats.?

Answer: For the dividends from Corporation A to be deductible by Corporation B under s. 71.04 (4) (a), Wis. Stats., the following conditions must be met: (1) Corporation A must have filed Wisconsin income or franchise tax returns as required and Corporation A's income must have been subject to the Wisconsin income tax or have been included in income used to measure the franchise tax, (2) the dividends must not have been deducted from gross income by Corporation A in determining its net income (for example, dividends (interest) paid by savings and loan associations), and (3) the principal business (e.g., 50% or more of total net income on Wisconsin basis) of Corporation A must have been attributable to Wisconsin and used in computing "A's" net income for the taxable year preceding the taxable year in which the dividends are paid. Since the $100,000 of dividends were paid in "A's" January 31, 1980 fiscal year and "A" reported 60% of its net income to Wisconsin in its January 31, 1979 fiscal year and assuming that "A" met conditions (1) and (2), the dividends are deductible by Corporation B in its 1980 taxable year.

II. Estimated Tax Payments of Corporations

a. Who Must File (s. 71.22 (1), Wis. Stats.)

Every corporation whose Wisconsin estimated tax is expected to be $2,000 or more is required to file Form 4-ES and make estimated tax payments. A corporation's estimated tax is the amount of its expected tax liability less its allowable tax credits. The allowable credits include the manufacturer's sales tax credit and the farmland preservation credit.

b. Time and Amount of Payments (s. 71.22 (2), (3) and (4), Wis. Stats.)

The due dates of payments and the amount of installments to be paid are determined as follows:

If the $2,000 requirement is first met:

(1) On or before the 15th day of the third month of the tax year, four installments are due; or

(2) After the 15th day of the third month but before the 16th day of the sixth month, three installments are due; or

(3) After the 15th day of the sixth month but before the 16th day of the ninth month, two installments are due; or

(4) After the 15th day of the ninth month through the end of the taxable year, one installment is due.

The following chart indicates the portion of a corporation's estimated tax that should be paid on or before the 15th day of each of the third, sixth and ninth months of the tax year and the first month following the close of the tax year:

Installments	3rd Mo.	6th Mo.	9th Mo.	1st Mo.
4	25%	25%	25%	25%
3	—	33-1/3%	33-1/3%	33-1/3%
2	—	—	50%	50%
1	—	—	—	100%

Example 1 - The corporation is a calendar year taxpayer that first met the requirement for making estimated tax payments on March 10, 1981, with $12,000 estimated tax. The corporation must pay the estimated tax in four $3,000 installments: On March 15, June 15, September 15, 1981 and January 15, 1982.

Example 2 - Assume the corporation in Example 1 first met the requirement on July 1, 1981. In that case, the corporation would make estimated tax payments in two $6,000 installments: On September 15, 1981 and January 15, 1982.

Example 3 - The corporation has a fiscal year beginning April 1, 1981 and ending March 31, 1982. It first meets the requirement for making estimated tax payments on August 15, 1981, with $6,000 in estimated tax. The estimated tax must be paid in three $2,000 installments: On September 15, 1981, December 15, 1981, and on April 15, 1982.

c. Amended Estimated Tax (s. 71.22 (5), Wis. Stats.)

If, after computing and making estimated tax payments, a corporation determines that its estimated tax is substantially larger or smaller than originally estimated, it should recompute the tax before the

next installment to determine the amount of its remaining payments.

Example - A calendar year corporation determined that its estimated tax for 1981 is $20,000. The corporation pays the first two installments on March 15 and June 15 in the amount of $5,000 each (25% of $20,000). On August 5, 1981 the corporation discovers that its estimated tax can reasonably be expected to be $40,000. The installments payable on September 15, 1981 and January 15, 1982 will be $15,000 each, computed as follows:

Recomputed estimated tax	$40,000
Less: Prior estimated tax payments made	10,000
Unpaid Balance	$30,000
Amount of remaining installment payments (unpaid balance $30,000) divided by number of remaining installments (2)	$15,000

d. Failure to Make Required Payments — Addition to the Tax (s. 71.22 (8), (9), (10) and (11), Wis. Stats.)

A corporation may be assessed an amount as "addition to the tax" for failure to pay an installment of estimated tax on or before its due date. The rate is 9% per year on the amount of underpayment for the period of underpayment.

The underpayment is the difference between the installment payment (if any) and the amount of the installment that would be required if the estimated tax were equal to 80% of the tax that would be due on the corporation's tax return for the year.

Exceptions to Addition to the Tax: A corporation will not be subject to the "addition to the tax" for any installment if the total amount paid by each due date equals or exceeds the amount that would have been required to be paid on or before that due date if the estimated tax were the lowest of the following amounts:

Exception 1. An amount equal to the tax shown on the corporation's return for the preceding year, provided a return covering a period of 12 months and showing a tax liability was filed for that year (s. 71.22 (10) (a), Wis. Stats.); or

Exception 2. An amount equal to the tax computed at the current year's rates, but otherwise on the basis of the return of the corporation for and the law applicable to the preceding year (s. 71.22 (10) (b), Wis. Stats.); or

Exception 3. An amount equal to 80% of the tax for the year, computed by annualizing taxable income for the months preceding an installment date. (To annualize income, the corporation should multiply its taxable income for the period by 12 and divide the resulting amount by the number of months in the period.) (s. 71.22 (10) (c), Wis. Stats.); or

Exception 4. An amount computed by multiplying 90% times the net tax determined on the basis of actual taxable income for periods starting from the first of the year to the end of the mont' preceding each month in which an installment is payable (s. 71.22 (11), Wis. Stats.).

CAUTION: Corporations wishing to avoid the addition to the tax by the application of any of the four exceptions must timely pay current year installments at least equal to the amounts computed under the exceptions being claimed. This is true whether or not a declaration was required to be filed for the prior year.

Also exceptions 1 and 2 are not available to corporations that failed to file a return for the preceding taxable year.

The following are examples of the above four exceptions:

Example of Exception 1 - The corporation filed a 1979 return which was for the entire 12 months and reported income resulting in a 1979 tax liability of $1,200. The 1980 tax liability was $10,000 and no tax credits were claimed. Although the tax liability for 1980 was $10,000, the corporation made declaration of estimated tax payments for 1980 of only $300 for each of the four installment periods. Since a 1979 return covering a period of 12 months was filed and timely made 1980 payments equaled the tax shown on the 1979 return of $1,200, no addition to the tax is due, even though the corporation had a balance due of $8,800 with the 1980 return.

Example of Exception 2 - The corporation r ported a taxable income for 1979 of $10,000. The gross tax on this income was $570 and a $200 sales tax credit was claimed resulting in a net tax of $370.

The 1980 return shows a $12,000 tax liability and no 1980 credits are claimed.

Since the corporate tax rates did not change from 1979 to 1980,the corporation could have paid as little as $370 in timely 1980 installments and no addition to the tax would be due.

Example of Exception 3 - The corporation earned $4,000 for the first two months of its 1980 taxable year, $8,000 for the first five months, $12,000 for the first eight months, and $30,000 for the entire 1980 taxable year. There are no credits allowable for either farmland credit or for the manufacturer's sales tax credit and the 1980 tax liability is $2,150.

If the corporation wishes to rely on exception 3 to ensure that no addition to the tax will be due for the 1980 taxable year, the following procedure should be followed:

EARNING PERIOD — FIRST	2 Mos.	5 Mos.	8 Mos.
Actual Income	$ 4,000	$ 8,000	$12,000
Annualization Factor	12/2	12/5	12/8
Annualized Income	$24,000	$19,200	$18,000
Tax on Annualized Income	$1,676.00	$1,296.80	$1,202.00

80% of Annualized Tax	1,340.80	1,037.44	961.60
Required Percentage	25%	50%	75%
Required Cumulative Payments	$ 335.20	$ 518.72	$ 721.20

No addition to the tax will be due for the 1980 taxable year, provided the total of all payments made are at least equal to $335.20 as of the due date of the first installment, $518.72 as of the second installment, $721.20 as of the third installment and $1,720 (80% of the 1980 tax liability of $2,150) as of the due date of the fourth installment.

Example of Exception 4 - The corporation files returns on a calendar year basis. For the 1980 taxable year, net income was $10,000 at the end of the first two months, $12,000 at the end of the first five months, $20,000 at the end of the first eight months and $28,000 for the entire year. The corporation had no farmland credit or manufacturer's sales tax credit for 1980 and the 1980 net tax liability was $1,992.

The corporation can compute the minimum amount of installment payments required in order to qualify for exception number 4 as follows:

EARNING PERIOD — FIRST	2 Mos.	5 Mos.	8 Mos.
Actual Income for Period	$10,000	$12,000	$20,000
Tax on Actual Income	570	728	1,360
90% of Tax	513	655.20	1,224

The least amount that the corporation may have paid in and qualify for exception 4 is $513 as of the due date of the installment due March 15, 1980, $655.20 as of June 15, 1980, $1,224 as of September 15, 1980 and $1,593.60 (80% of the 1980 tax liability of $1,992) as of January 15, 1981.

e. Use of Form 4U

Form 4U is available to enable corporations to determine if they paid the correct amount of estimated tax by the due date. This form is included in the corporation tax booklets and is also available at any Department of Revenue office.

Form 4U should be completed and attached to Form 4 or Form 5 by corporations having an addition to the tax or when claiming exceptions to the addition to the tax.

SALES/USE TAX

I. Boarding Animals

Facts & Question: A kennel trains dogs which the kennel also boards for 6 to 8 weeks until such time as the dogs are properly trained. The customer is billed a monthly training fee of $150 to $200, depending on the type of dog, which fee includes the cost of boarding the dog. The normal boarding fee is $3.75 per day. Is any part of the $150-$200 training fee taxable as a charge for boarding the dog under s. 77.52 (2) (a) 10, Wis. Stats.?

Answer: Yes, the portion of the monthly training fee equal to the normal boarding fee for the dogs ($3.75 per day) is a taxable service even though it is not separately itemized on the customer's bill.

II. Fuel Used in a Cottage, Mobile Home or Travel Trailer

Facts & Question: Is propane or other fuel used in a cottage, mobile home or travel trailer, which is used by a family on weekends, exempt from the sales tax?

Answer: No, it is not exempt. Gross receipts from sales of fuel oil, propane, coal, steam and wood used for fuel in a person's "permanent residence" are exempt from the sales tax all twelve months of the year. This exemption became effective July 1, 1979. However, in the situation described above, the propane or other fuel is not used in the person's permanent residence as required under s. 77.54 (30) (b), Wis. Stats., therefore the sales tax exemption does not apply.