

## Question and Answer

**Q** I received a lump-sum distribution from my former employer's retirement plan. I qualify to compute my federal income tax on this distribution using 5-year or 10-year averaging on federal Form 4972. May I also use 5-year or 10-year averaging to compute the Wisconsin income tax on the lump-sum distribution?

**A** No, you may not use 5-year or 10-year averaging to compute your Wisconsin income tax on the lump-sum distribution. Wisconsin law does not provide for 5-year or 10-year averaging. You must include the entire taxable amount of the lump-sum distribution in your Wisconsin taxable income (use Schedule 1 on the back of Form 1).

**Q** The Form 1099-R I received for a lump-sum distribution from my employer's retirement plan shows that a portion of the taxable amount of the

distribution is due to capital gains. I will file federal Form 4972 and separately compute the tax on the capital gain portion on that form. Does the capital gain portion of the lump-sum distribution qualify for the Wisconsin 60% long-term capital gain exclusion?

**A** No. The capital gain portion of a lump-sum distribution does not qualify for the Wisconsin capital gain exclusion. Both the capital gain portion and the ordinary income portion (less any allowable death benefit exclusion) of the lump-sum distribution must be included in your Wisconsin taxable income (use Schedule 1 on the back of Form 1).

**Q** Is the service of snow removal subject to Wisconsin sales tax?

**A** No.

**Q** I sell firewood in Wisconsin. Is the sale of firewood subject to Wisconsin sales tax?

**A** Generally, sales of firewood in Wisconsin are taxable. An exemption is provided, however, for wood used for fuel sold for residential use. Residential use means use in a structure, or portion of a structure, which is a person's permanent residence.

You are not required to obtain an exemption certificate from a customer if 100% of the firewood sold to the customer is used as fuel for residential use and if you maintain adequate records to identify the sales that are exempt.

If the firewood sold to a customer is only partially exempt, you must obtain a properly completed exemption certificate, Form S-017, from your customer, to substantiate the exemption.

## Department of Revenue Recognized for Innovation

The Wisconsin Department of Revenue has been recognized by the Council of State Governments for two innovative programs: the delinquent tax collection fee and the motor vehicle fuel tax program. The Council received 230 nominations nationwide for their Innovations Award Program. Both department programs placed in the top 10 programs in the midwest region and the top 40 programs nationwide.

The Council of State Governments sponsors the Innovations Awards

Program to bring greater visibility to exemplary state programs and policies, and to facilitate transfer of successful programs to other states. The Innovations Awards Program is the only program in the nation that focuses exclusively on state programs and policies, and that selects winners based on evaluations by state government officials.

The delinquent tax collection fee was created in 1992 to fund the costs of the delinquent state tax collection program, and to cover start-up costs for the development of a new delinquent tax collection computer system and computer equipment for collection employees. This program origi-

nated in Wisconsin and has since been adopted in other states.

The motor vehicle fuel tax program involves a new motor vehicle fuel tax law which became effective April 1, 1994. The new law resulted from a cooperative effort between representatives of the motor fuel industry, legislators, and the Wisconsin Departments of Revenue and Transportation. Since the new law was enacted, the Department of Revenue has implemented new computer systems for a quick refund program, electronic filing, and electronic funds transfer. The department is now working on an automated program for tracking of fuel shipments.

## Tax Evaders Sentenced to Jail

Trevor resident Richard J. Kamin Sr., 57, was ordered to jail in September 1995, for criminal violations of state income tax laws. Kenosha County Circuit Court Judge Barbara Kluka placed Kamin on three years probation and sentenced him to thirty days in jail, with Huber privileges.

Kamin pled guilty to two counts of failure to file Wisconsin income tax returns for 1991 and 1992. During those years he had received wages of \$47,810 and \$23,560, respectively. He had not filed an income tax return since 1974. Kamin paid \$30,000 in restitution to the department for back taxes, interest, and penalties, and he was ordered to file all back returns and keep current on his filing and payment requirements.

In June 1995, Racine businessman John R. Balestrieri, 37, was sentenced to jail for felony theft of state sales taxes, after he collected but failed to remit nearly \$12,000 in state sales taxes between January 1992 and March 1994. Racine County Circuit Court Judge Wayne J. Marik ordered Balestrieri to serve four months in jail but suspended all but two weeks of the term. He also placed Balestrieri on three years probation, ordered him to pay about \$30,000 in restitution to the Department of Revenue, and ordered him to keep current on all his other tax filing and payment requirements. If these terms are violated he could still face up to two years in prison and up to \$10,000 in fines.

Also in June, Milwaukee restaurant owner Thomas B. Shepard, 50, was charged with failure to file Wisconsin income tax returns for 1991 to 1993, when he had gross income of over \$3,000,000. The criminal complaint

states that he has not filed state tax returns for 15 consecutive years.

If convicted on all charges, Shepard could be imprisoned for up to 27 months and fined up to \$30,000.

In July 1995, the probation of La Crosse dentist Frederick Kriemelmeyer was revoked by La Crosse County Circuit Court Judge Dennis Montabon, and Kriemelmeyer was jailed without work release privileges. He violated the terms of his probation when he recently filed improper state tax returns. They were rejected by the Department of Revenue because the tax liability was not calculated and the returns failed to provide sufficient information.

**"There's no good reason to allow you to continue earning money if you refuse to pay taxes."**

— Judge Dennis Montabon

Kriemelmeyer was convicted in the fall of 1994 of three counts of failing to file state income tax returns and was sentenced to 27 months in jail. He was placed on three years' probation, and 18 months of the jail term were suspended. He began serving the remaining jail term in April 1995 with work release privileges, but the order revoking probation also revoked the work release and reinstated the balance of the 27-month jail term.

Also in July, Grafton accountant Dan Davis and his wife, Jan H. Thiermann-Davis, were charged by the Ozaukee County District

Attorney's Office with two counts each of failure to file Wisconsin income tax returns. Dan Davis was also charged with two counts of failure to remit withholding taxes that he had withheld from an employee's wages.

According to the complaint, the Davises failed to file income tax returns for 1992 and 1993, when their combined gross incomes were \$119,382 and \$95,720, respectively. If convicted on all counts, Dan Davis faces up to three years in jail and up to \$40,000 in fines, and Jan Davis faces up to 18 months in jail and \$20,000 in fines.

In August 1995, Onalaska chiropractor Don Loeffler, 43, pled guilty in La Crosse County Circuit Court to two misdemeanor counts of failing to file state tax returns for 1992 and 1993. A third count for failing to file in 1991 was dismissed but considered at sentencing.

Judge John Perlich ordered a four-month jail term and three years probation. The jail time will include work release privileges as long as Loeffler meets the conditions of his probation, under which he is to: disclose all of his personal assets and income; file state and federal tax returns and pay all taxes, penalties, and interest owed for 1991 to 1993; pay all costs associated with the investigation and audit of his tax situation; and file timely state and federal tax returns during his probation.

Former Oshkosh car dealer William P. Doucas was charged in August 1995, with 25 counts of fraud and failure to pay sales tax. See the article on page 1 of this Bulletin for further details. □

## PartnerCare Enrollment Cards Mailed

In October 1995, the department is mailing PartnerCare enrollment cards and an explanatory flyer to approximately 16,000 individuals. The mailing is based on a listing of 1994 homestead credit claimants and their spouses age 65 or older, whose household income for 1994 did not exceed \$19,154, and who were not mailed a PartnerCare card by the department in 1992, 1993, or 1994.

PartnerCare is a program sponsored by the State Medical Society of Wisconsin and the Coalition of Wisconsin Aging Groups. Its purpose is to help low-income senior citizens get the medical care they need. Participating doctors volunteer to charge PartnerCare cardholders no more than the amount Medicare approves, for Medicare-covered services.

Prior to 1992, PartnerCare cards mailed by the department were temporary or "annual" cards, with an expiration date (the cards mailed in October 1991, for example, expired December 31, 1992). The cards mailed out beginning October 1992, however, are "permanent" cards, with no expiration date. Individuals are no longer issued a new card each year; those who were mailed a permanent card in October 1992, 1993, or 1994 will not receive one this year.

To enable more eligible persons to receive a PartnerCare card, the homestead credit claim, Schedule H, includes a check box near the box for the claimant's age. By checking the box if the claimant has a spouse age 65 or older, the department is able to issue a PartnerCare card to the spouse if applicable, as well as to the claimant.

## Over 1.8 Million Refunds Issued

Taxpayers were issued more than 1.8 million income tax refunds during January through July 1995 (primarily 1994 returns), for an average refund of \$327. The average refund for 1993 returns was \$320.

There were 2,608,000 Wisconsin individual income tax returns filed during the twelve months ending June 30, 1995. This compares to 2,593,000 returns for the prior year. The 2,608,000 returns, which included joint tax returns, were filed by 3,731,000 individuals.

An itemized deduction credit was claimed by 27% of the taxpayers on their 1994 returns. The average credit was \$360, compared to \$343 on 1993 returns.

There were 222,000 homestead credit claims filed during the year, and the average credit was \$456. This compares to 235,000 homestead credit claims averaging \$457 for the prior year. About 50% of the claimants were age 65 or older, 47% were renters, and 53% were homeowners.

About 25,500 farmland preservation credit claims, averaging \$1,288 per claim, were filed during the year ending June 30, 1995. During the prior year 24,300 farmland preservation credit claims were filed, and the average payment was \$1,240.

## Taxpayers Designate \$315,133 to State Election Campaign Fund

Wisconsin income tax returns, Forms WI-Z, 1A, 1, and 1NPR, include a box for taxpayers to designate \$1 to the State Election Campaign Fund. Checking the election box does not increase the tax liability or reduce a taxpayer's refund.

During July 1994 to June 1995 (primarily 1994 tax returns), taxpayers designated \$315,133 to the election campaign fund on their Wisconsin tax returns. This compares to \$359,662 for the prior year.

## Endangered Resources Contributions Total \$600,000



The 1994 Wisconsin income tax returns, Forms WI-Z, 1A, 1, and 1NPR, included a line for taxpayers to designate a contribution to the Wisconsin Endangered Resources Fund. These donations either reduce a taxpayer's income tax refund or increase the amount of income tax owed. Amounts contributed go to the Wisconsin Department of Natural Resources to help protect and care for Wisconsin's endangered species, nongame wildlife, and rare plant and animal habitats.

Donations to the Endangered Resources Fund can be made on both paper filed tax returns and electronically filed returns.

During July 1994 through June 1995 (primarily 1994 returns), 50,585 taxpayers contributed \$599,760 to the Endangered Resources Fund. This compares with 1993 income tax returns, where 54,052 taxpayers contributed \$614,000.

## Connecticut Offers Tax Amnesty

*Note: Information for this article was submitted by Gene Gavin, Commissioner, Connecticut Department of Revenue Services.*

Between September 1 and November 30, 1995, Connecticut is making an attractive offer to those who owe back taxes to Connecticut: Come forward and pay the tax and interest you owe under the Connecticut Tax Amnesty Program, and avoid penalties and possible criminal prosecution.

Some taxpayers may also be eligible for a reduced interest rate.

### Eligibility

The program applies to all taxes administered by the Connecticut Department of Revenue Services (DRS) including business taxes and individual taxes. Only taxes owed for periods ending on or before March 31, 1995 are eligible for Amnesty. Taxpayers will not be granted Amnesty if they are under audit or criminal investigation by the DRS or if they are involved in any criminal or civil litigation with the DRS.

Because Connecticut enacted a personal income tax in 1991, DRS expects that many nonresidents may have been unaware of their potential liability. Former residents who have moved out of Connecticut since 1991 may owe back taxes. Likewise, nonresidents who earned Connecticut source income, including income from the sale or rental of property located in Connecticut or income from work performed in Connecticut, may be liable for tax on the income.

### Applications

To receive an application for participating in the Amnesty Program, call DRS at (203) 566-7033 24-hours a day. You may also speak to a Taxpayer Services representative between 8:30 a.m. and 4:30 p.m., Eastern time. Application forms are also available on DRS's fax retrieval system, DRS TAX-FAX, by calling (203) 297-5698 24-hours a day. □

## TCMP: An Effective Tool For Increasing Voluntary Compliance

*Note: This article was submitted by John T. Ader, Director, Milwaukee District, Internal Revenue Service.*

Each week Americans don't pay over \$2 billion in federal income taxes they owe. Over a year's time, that's

a lot of money — enough to halve the deficit or fund important government programs.

Over the past 20 years, United States taxpayers have voluntarily paid approximately 83 percent of the tax dollars they owe. Our enforcement efforts bring in another three to four percent each year, making our total annual collection approximately 86 percent of federal taxes due.

As tax administrators, our mission is to collect the proper amount of tax at the least cost and ensure that our tax laws are fairly enforced.

We have set a short-term goal to collect 90 percent of the tax due by increasing voluntary compliance and enforcement. However, like all federal agencies in these lean-budget times, we have a finite number of resources to apply to this goal.

To improve voluntary compliance, we need to know where the problems are. For over 30 years, the Taxpayer Compliance Measurement Program (TCMP) has helped identify those problems. Through TCMP, IRS obtains statistically valid information on compliance behavior. That information allows us to focus our limited resources on the most productive and least compliant tax returns.

TCMP uses random sampling to select and examine tax returns to learn how correctly taxpayers are reporting and paying their federal income tax. In the proposed TCMP, we would audit approximately 153,000 tax returns nationwide — about 2,900 in Wisconsin.

The information from TCMP helps the IRS in many ways.

- It helps us update the formulas we use to select returns for routine audits. We are then better able to focus our routine audits toward areas of noncompliance.

- It helps us identify compliance problems that can be corrected through changes to the tax code.
- It helps us allocate our resources to those areas demonstrating the lowest compliance with the tax laws.
- It helps us estimate the tax gap — taxes owed versus taxes paid.

Past TCMPs have helped us improve compliance dramatically. For example, an earlier TCMP showed that Americans often lowered their taxes by listing non-existent dependents on their tax returns. Congress changed the rules to require social security numbers for all children claimed as exemptions on returns. The next year, over seven million children "disappeared" from tax returns. In tax year 1987 alone, tax receipts jumped by nearly \$3 billion.

Another TCMP success story began when taxpayers claiming the child care credit were required by The Family Support Act of 1988 to include the care provider's name, address, and social security number. The result? Credits claimed decreased 31 percent. Schedule Cs reporting income from providing child care increased almost 65 percent. The decreased credits added more than \$1.2 billion in tax on 1989 returns. The increased Schedule Cs produced about \$343 million in additional income and self-employment taxes.

The last TCMP was conducted in 1988. That means that the data we're now using for selecting cases for routine audits, assigning resources, and estimating compliance levels is at least seven years old. In our rapidly-changing world, seven-year-old data is just not good enough.

The proposed TCMP would include tax returns of individuals, corporations, S-corporations, and partnerships. The audits would be conducted over a 30-month period.

Although the proposed TCMP would be somewhat larger, we've made some major improvements that will make life easier for all of us. Our examiners will be able to perform a much more sophisticated analysis of the sample returns through the use of two improved examination tools: "Case Building" and the "Market Segment Specialization Program (MSSP)." These tools will dramatically improve the TCMP audit process and make it possible to conduct the highest quality audits and data gathering we have ever achieved. They will allow us to increase productivity while reducing the taxpayer burden traditionally associated with TCMP audits. In other words, TCMP audits will take less time.

In past TCMPs, taxpayers were asked to provide copies of their prior and subsequent year returns for the examiner to review. Now the examiner has that information before the audit begins. "Case Building" allows the examiner to use not only the tax return in question, but also copies of three prior years' returns. Because the examiner will be better equipped and more familiar with the taxpayers' overall tax and financial situation, there will be a real time and cost savings, both for taxpayers and for the IRS.

Another major improvement in the proposed TCMP is the use of a sample that statistically represents taxpayers both by market segment and by 30 geographic areas. Past TCMPs could provide statistically valid data only by the type of return filed (e.g. Form 1040, 1120, 1065, etc.) and by reported income/asset levels.

The Market Segment Specialization Program (MSSP) is a multifaceted approach to increase compliance by using education, industry liaisons, and enforcement. Our examiners' skills are enhanced through specialized training in the unique operating procedures, issues, and tax laws

specific to particular businesses, groups, industries, and professions.

Compliance issues vary by industry and geographic area. For example, inventory issues have very different characteristics and opportunities for noncompliance in manufacturing and retail businesses. For service firms, there may be no inventory issues at all. In the past, these variances could be lost through combining statistics nationally. Now we will be able to focus our resources more effectively and consistently.

The information obtained from TCMP examinations is, of course, valuable to the IRS. But taxpayers also benefit from these examinations. Before TCMP audits began 30 years ago, almost half the returns we picked for routine audits resulted in no change. That's an incredible waste of our resources. It also caused needless frustration for many taxpayers. The information we get from TCMP helps us narrow our audit focus so that we select only those returns that need to be audited. That means that taxpayers who file accurate returns are less likely to be bothered by an unnecessary audit.

With TCMP, we are able to keep from bothering the great majority of taxpayers who report information on their returns correctly. Great progress — but we'd like to audit even fewer taxpayers who file accurate returns. TCMP can help us reach that goal. □

### Administrative Rules in Process

Listed below are proposed new administrative rules and changes to existing rules that are currently in the rule adoption process. The rules are shown at their stage in the process as of October 1, 1995, or at the stage in which action occurred during the period from July 1, 1995 to October 1, 1995.

Each affected rule lists the rule number and name, and whether it is amended (A), repealed (R), repealed and recreated (R&R), or a new rule (NR).

### Rules Sent to Legislative Council Rules Clearinghouse

2.09	Reproduction of income tax forms-R&R
2.105	Notice by taxpayer of federal audit adjustments and amended returns-R&R
2.12	Amended income and franchise tax returns-R&R
3.94	Claims for refund-R
9.01	Definitions-A
9.06	Affixing of state revenue stamps-A
9.08	Cigarette tax refunds to Indian tribes-A
9.09	Cigarette sales to and by Indians on reservations of tribes that have not entered into a refund agreement with the department-A
9.11	Refunds-A
9.12	Refunds — military-R
9.16	Meter machines-R
9.17	Meter machine settings-R
9.19	Fuson machines and stamps-A
9.21	Shipments to retailers-A
9.22	Drop shipments-A
9.26	Trade or transfer of unstamped cigarettes-A
9.31	Sales out of Wisconsin-A
9.36	Displaying of cigarettes-A
9.41	Vending machines-A
9.46	Purchases by the retailer-A

- 9.47 Invoicing of sales, including exchanges of cigarettes-A
- 9.51 Samples-A
- 9.61 Warehousing of cigarettes-A
- 9.68 Ownership and name changes-A

#### Rules Sent for Legislative Committee Review

- 2.89 Estimated tax requirements for short taxable years-NR
- 2.96 Extensions of time to file corporation franchise or income tax returns-R&R
- 3.03 Dividends received deduction — corporations-R&R

#### Rule on Hold Pending Court Decision

- 11.04 Constructing buildings for exempt entities-A

#### Rules Adopted and in Effect (adoption date July 1, 1995)

- 11.13 Direct pay-NR
- 11.14 Exemption certificates, including resale certificates-A

#### Recently Adopted Rules Summarized

Summarized below is information regarding administrative rules, adopted or revised effective July 1, 1995. Included is information regarding two sales and use tax rules, secs. Tax 11.13 relating to direct pay permits, and Tax 11.14 relating to exemption certificates.

In addition to the summaries, the text of newly created sec. Tax 11.13 and recreated sec. Tax 11.14(12) is reproduced. Notes and examples appearing

in the rules are not reproduced here. See the order blank on page 65 of this Bulletin for information about obtaining the Revenue section of the Wisconsin Administrative Code.

**Tax 11.13 Direct pay.** Tax 11.13 addresses the direct pay method for reporting and paying Wisconsin sales and use taxes. Direct pay is allowed effective for taxable years beginning on or after January 1, 1995, as a result of the creation of sec. 77.52(17m), Wis. Stats., by 1993 Wisconsin Act 437. The text of Tax 11.13 is as follows:

**Tax 11.13 DIRECT PAY.** (s. 77.52(17m), Stats.) (1) DEFINITIONS. In this section:

(a) "Continuous" use of a direct pay permit means that the purchase without tax applies to the purchase being made from the retailer and subsequent purchases from that retailer and is considered a part of each order given to the retailer. The continuous use of the direct pay permit remains in force until the continuous use is voided by the direct pay permit holder.

(b) "Single purchase" use of a direct pay permit means that the purchase without tax applies only to the purchase being made from a retailer for which the direct pay permit is given.

(2) GENERAL. (a) The holder of a direct pay permit may purchase tangible personal property and taxable services, except those in sub. (6)(a) and (b), from a retailer without paying Wisconsin sales or use tax to the retailer.

(b) The direct pay permit holder shall report Wisconsin use tax on the sales price of tangible personal property or taxable services purchased from a retailer without tax using a direct pay permit if the property or service is subject to Wisconsin sales or use tax. The tax shall be reported on the direct pay permit holder's Wisconsin sales tax return for the period in which the taxable storage, use or consumption first occurs in Wisconsin.

(3) ISSUANCE. (a) The department shall issue a direct pay permit to those applicants who meet the qualifications set forth in s. 77.52(17m)(b), Stats.

(b) Persons who wish to obtain a direct pay permit shall apply to the department using the form prescribed by the department. A \$5 fee is required upon application.

(c) A direct pay permit shall be effective for purchases made beginning on the first day of the applicant's taxable year, for Wisconsin franchise or income tax purposes, after the permit is issued.

(4) REVOCATION OR CANCELLATION. (a) A direct pay permit issued by the department may be used indefinitely until it is revoked by the department or cancelled by the holder.

(b) A permit may be cancelled by the holder by mailing the permit to the department for cancellation. A letter shall be enclosed with the permit, indicating the holder's intention to cancel the permit.

(c) The cancellation of a direct pay permit shall become effective immediately following the last day of the holder's taxable year in which the permit is received by the department.

(5) USING DIRECT PAY. (a) *Documentation.* A direct pay permit holder shall provide one of the following to a retailer when purchasing without paying tax to the retailer using a direct pay permit:

1. A copy of its direct pay permit. The direct pay permit holder shall also provide to the retailer a written statement as to whether the direct pay permit is for a single purchase or is continuous.

2. A written document containing all of the following:

a. The name and address of the direct pay permit holder.

b. A statement that the direct pay permit holder is purchasing without Wisconsin sales or use tax using a direct pay permit.

c. The direct pay permit holder's direct pay permit number.

d. The effective date of the direct pay permit.

e. A statement as to whether the use of the direct pay permit is for a single purchase or is continuous.

f. The signature of the direct pay permit holder.

(b) *Continuous use.* 1. If a direct pay permit holder indicates in writing to a retailer that the use of the direct pay permit is continuous, that purchase and all subsequent purchases from the retailer, except those in sub. (6)(a) and (b), shall be made without paying Wisconsin sales or use tax to the retailer using the direct pay permit, unless the continuous use is voided by the direct pay permit holder. The direct pay permit holder may void the continuous use of its direct pay permit by furnishing the retailer a letter indicating that continuous use no longer applies.

2. If the use of a direct pay permit is continuous, it is necessary for the direct pay permit holder to provide the documentation in par. (a) to a retailer only at the time the direct pay permit holder begins making purchases without paying tax to that retailer using the direct pay permit, rather than at the time of each purchase.

3. While the use of a direct pay permit is continuous, all purchases from a retailer, except those in sub. (6)(a) and (b), shall be made using the direct pay permit even though a resale certificate, manufacturer's exemption certificate, certificate of exemption or other exemption requiring different documentation may apply.

(c) *Single purchase.* If a direct pay permit holder uses its direct pay permit for a single purchase, any subsequent purchase by the direct pay permit holder from that retailer is subject to Wisconsin sales or use tax unless the direct pay permit holder provides the information in par. (a) for that purchase or that purchase is otherwise exempt from tax.

(d) *Retailer records.* The retailer shall keep the information provided by the direct pay permit holder under par. (a) on file as authorization for the direct pay permit holder to make purchases without paying tax to the retailer.

#### (6) SERVICES AND PROPERTY NOT ELIGIBLE FOR DIRECT PAY.

(a) *Services.* A direct pay permit holder shall pay Wisconsin sales or use tax to a retailer on the retailer's sales of services to the direct pay permit holder under the following Wisconsin statutes:

1. Section 77.52(2)(a)1, Stats., relating to furnishing rooms or lodging.

2. Section 77.52(2)(a)2, Stats., relating to admissions to amusement, athletic, entertainment or recreational events, devices or facilities.

3. Section 77.52(2)(a)5, Stats., relating to telecommunications services.

4. Section 77.52(2)(a)9, Stats., relating to parking.

5. Section 77.52(2)(a)12, Stats., relating to cable television system services.

6. Section 77.52(2)(a)20, Stats., relating to landscaping services.

(b) *Property.* A direct pay permit holder shall pay Wisconsin sales or use tax to a retailer on the retailer's sale, lease or rental to the direct pay permit holder of the following tangible personal property:

1. Tangible personal property transferred to a purchaser in connection with the sale of landscaping services subject to tax under s. 77.52(2)(a)20, Stats.

2. Motor vehicles, boats, snowmobiles, mobile homes not exceeding 45 feet in length, trailers, semitrailers, all-terrain vehicles or aircraft.

3. Food, food products and beverages described in s. 77.54(20)(b), Stats.

4. Meals, food, food products and beverages subject to tax under s. 77.54(20)(c), Stats.

(c) *Exemptions.* Although not eligible to be purchased without paying Wisconsin sales or use tax to a retailer using a direct pay permit, the taxable services and tangible personal property described in pars. (a) and (b) may be purchased without Wisconsin sales or use tax if a resale, farming, manufacturing or other exemption applies. Documentation is required to purchase without tax, as provided in s. Tax 11.14.

#### (7) RETAILER'S LIABILITY — PERMIT REVOKED OR CANCELLED.

A retailer is not liable for sales or use tax on gross receipts from the sale of tangible personal property or taxable services, except those described in sub. (6)(a) and (b), to a person who has provided the retailer with the appropriate information under sub. (5)(a), until the earlier of the following:

(a) The date the retailer is notified by the direct pay permit holder or the department that the holder's direct pay permit has been revoked by the department. A direct pay permit is considered revoked on the date the holder receives the department's notice of revocation.

(b) The last day of the direct pay permit holder's taxable year in which the retailer is notified by the holder or the department that the holder's direct pay permit is being cancelled by the holder as provided in sub. (4)(b).

**Tax 11.14 Exemption certificates, including resale certificates.** Tax 11.14(2)(c) is amended to delete an obsolete statutory reference. Tax 11.14(3)(b), (3)(c), and (6)(b)4 are amended to reflect proper language and style. Tax 11.14(12) is repealed and recreated to address direct pay authorization. The text of Tax 11.14(12) is as follows:

11.14(12) DIRECT PAY PERMITS. The use of direct pay permits in Wisconsin is authorized under s. 77.52(17m), Stats. A person may apply to the department for a direct pay permit. □