



Tax Releases

"Tax releases" are designed to provide answers to the specific tax questions covered, based on the facts indicated. In situations where the facts vary from those given herein, the answers may not apply. 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.

The following tax releases are included:

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INDIVIDUAL INCOME TAXES

1 Interest Expense Used to Compute Itemized Deduction Credit

Statutes: Section 71.07(5), Wis. Stats. (1993-94)

Background: Section 71.07(5), Wis. Stats. (1993-94), provides a credit for individuals when the total of certain of their federal itemized deductions exceeds

their Wisconsin standard deduction. Not all federal itemized deductions are recognized for purposes of computing the Wisconsin itemized deduction credit. For example, sec. 71.07(5)(a)5 provides that interest expense incurred to purchase or refinance a residence that is not a principal residence and not located in Wisconsin may not be used to compute the credit.

Facts: Taxpayer A is a Wisconsin resident who owns a debt-free principal residence located in Wisconsin. Taxpayer A takes out a first mortgage on the principal residence in the amount of \$100,000. A portion (\$10,000) of the proceeds is used to reduce A's other debt and the remaining \$90,000 of the first mortgage is used to purchase a second home (this home will not be A's principal home) located outside Wisconsin. The entire amount of interest payable on the \$100,000 mortgage will be allowable as an itemized deduction on A's federal income tax returns.

Question: Can any portion of the interest paid on the \$100,000 mortgage on Taxpayer A's principal residence be used for purposes of computing the Wisconsin itemized deduction credit?

Answer: Yes, the entire amount of interest paid on this mortgage may be used for purposes of computing Taxpayer A's Wisconsin itemized deduction credit.

Section 71.07(5) provides that the Wisconsin itemized deduction credit is to be computed on the basis of amounts allowed as itemized deductions under the Internal Revenue Code with certain exceptions. One of the exceptions is that interest incurred to purchase or refinance a residence that is not a principal residence and is not located in Wisconsin may not be used to compute the Wisconsin itemized deduction credit. However, this exception does not apply in Taxpayer A's situation. The interest paid by Taxpayer A is incurred directly from a mortgage on a primary residence located in Wisconsin. Use of the mortgage proceeds is not a consideration with regard to whether this interest may be used to compute the Wisconsin itemized deduction credit. □

CORPORATION FRANCHISE AND INCOME TAXES

2 Carryforward of Unused Development and Enterprise Zones Tax Credits

Statutes: Sections 71.28(1dd) through 71.28(1ds) and 71.28(4), Wis. Stats. (1993-94), and as affected by 1995 Wisconsin Acts 27 and 209

Background: Section 71.28(1di)(b)3, Wis. Stats., provides that tax-option corporations may not claim the development and enterprise zones investment credit, but the eligibility for, and amount of, that credit shall be determined on the basis of their economic activity, not that of their shareholders. The corporation shall compute the amount of credit that may be claimed by each of its shareholders. The shareholders may claim the credit based on the corporation's activities in proportion to their ownership interest and may offset it against the tax attributable to their income from the corporation's business operations in the development or enterprise zone and against the tax attributable to their income from the corporation's directly related business operations.

Section 71.28(1di)(c), Wis. Stats., provides that if a credit computed is not entirely offset against Wisconsin franchise or income taxes otherwise due, the unused balance may be carried forward for 15 years. In the case of a change in ownership or business of a corporation, sec. 383 of the Internal Revenue Code (IRC) applies to unused credits. Internal Revenue Code sec. 383 limits the amount of credits that may be carried over when an ownership change, as described in IRC secs. 381 and 382, occurs.

Similar provisions apply for the other nonrefundable development and enterprise zones tax credits.

Facts: ABC Corporation has elected and qualified to be treated as an S corporation for federal income tax purposes and has not elected out of tax-option (S) status for Wisconsin franchise and income tax purposes for its taxable year beginning January 1, 1996. In 1996, the Wisconsin Department of Commerce certifies ABC Corporation for enterprise zone tax credits.

ABC Corporation computes the enterprise zone tax credits that flow through to its shareholders for 1996. The shareholders are unable to claim the total amount of the 1996 credits on their 1996 Wisconsin individual income tax returns because the credits exceed the tax

attributable to their share of the income from the corporation's business operations in the enterprise zone and its directly related business operations.

For its taxable year beginning January 1, 1997, ABC Corporation revokes its S corporation election and becomes a regular (C) corporation.

Question 1: Do the unused 1996 enterprise zone tax credits remain with the shareholders or return to ABC Corporation?

Answer 1: The unused 1996 enterprise zone tax credits remain with the shareholders. Since Wisconsin law prohibits a tax-option (S) corporation from claiming development or enterprise zones tax credits, any credits generated while ABC Corporation is a tax-option (S) corporation remain with its shareholders. The election to change from S corporation to C corporation status does not, in and of itself, constitute a change of ownership or business that would be subject to the credit carryover rules of IRC secs. 381, 382, and 383.

Question 2: If ABC Corporation computes new enterprise zone tax credits for its taxable year beginning January 1, 1997, may the corporation claim those credits?

Answer 2: Yes, ABC Corporation may claim any new enterprise zone tax credits it generates as a C corporation for its taxable year beginning January 1, 1997.

Question 3: Since the shareholders of ABC Corporation may offset the enterprise zone tax credits against the tax attributable to their income from the corporation's business operations in the enterprise zone and from the corporation's directly related business operations, is the salary paid to a shareholder/employee or dividends paid to shareholders treated as income from the corporation's business operations?

Answer 3: No, neither the salary paid to a shareholder/employee nor dividends paid to shareholders are income from the corporation's business operations for purposes of determining the amount of enterprise zone tax credits that may be claimed for a taxable year.

As a result, if ABC Corporation becomes a C corporation for 1997, a shareholder's unused 1996 enterprise zone tax credits will be lost unless ABC corporation reelects tax-option (S) corporation status within the 15-year carryforward period. □

3 Wisconsin Filing Requirements for Multi-Fund Regulated Investment Companies

Statutes: Sections 71.24(1) and 71.26(2)(b), Wis. Stats. (1993-94)

Background:

Federal Law: Section 851(a) of the Internal Revenue Code (IRC) defines a “regulated investment company” as any domestic corporation which, at all times during the taxable year,

- is registered with the Securities and Exchange Commission as a management company or investment trust under the Investment Company Act of 1940 (ICA),
- has an election in effect under the ICA to be treated as a business development company, or
- is a common trust fund or similar fund that is neither an investment company under sec. 3(c)(3) of the ICA nor a common trust fund as defined under sec. 584(a).

Under IRC sec. 851(b), to qualify as a regulated investment company (RIC), a corporation must make an election to be a RIC and must meet 6 other requirements with respect to its income, investments, and dividend payouts.

In the case of a RIC having more than one fund, IRC sec. 851(h)(1) provides that each fund is treated as a separate corporation under the Internal Revenue Code. Therefore, each fund must file a separate Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies, for federal income tax purposes.

A “fund” is defined in IRC sec. 851(h)(2) as a segregated portfolio of assets, whose beneficial interests are owned by the holders of a class or series of stock that is preferred over all other classes or series for that portfolio of assets.

Wisconsin Law: Section 71.24(1), Wis. Stats. (1993-94), requires every corporation, except corporations all of whose income is exempt from taxation, to file Wisconsin franchise or income tax returns.

Section 71.26(2)(b), Wis. Stats. (1993-94), as amended by 1995 Wisconsin Acts 27 and 380, provides that for a corporation which qualifies as a regulated investment company under the Internal Revenue Code as defined for Wisconsin purposes, “net income” means the federal regulated investment company taxable income as determined under the Internal Revenue Code as defined for Wisconsin purposes, with certain exceptions for depreciation and gain or loss on the disposition of assets.

Facts and Question: XYZ Funds, Inc., is a corporation which was organized in Wisconsin in 1992. The corporation is a series of 10 investment portfolios. For federal income tax purposes, each of the 10 investment portfolios files a separate federal income tax return, Form 1120-RIC.

Only XYZ Funds, Inc., is registered as a corporation with the Wisconsin Department of Financial Institutions, Division of Corporate and Consumer Services. The 10 investment funds are not separately registered with that state agency.

Is each of the 10 investment funds required to file a separate Wisconsin corporation franchise or income tax return?

Answer: No, each of the 10 investment funds is not required to file a separate Wisconsin tax return. Only XYZ Funds, Inc., must file a Wisconsin corporation franchise or income tax return, since only XYZ Funds, Inc., is registered as a corporation. In calculating its net income, XYZ Funds, Inc., must include the taxable income computed under the Internal Revenue Code of each of its 10 investment funds. XYZ Fund, Inc., must attach a copy of the 10 federal income tax returns, Form 1120-RIC, filed by the investment funds with its Wisconsin franchise or income tax return. □

SALES AND USE TAXES

Note: The following tax releases interpret the Wisconsin sales and use tax law as it applies to the 5% state sales and use tax. The 0.5% county and 0.1% stadium sales and use taxes may also apply. For information on sales or purchases that are subject to the county or stadium sales and use tax, refer to Wisconsin Publication 201, *Wisconsin State and County Sales and Use Tax Information*.

4 Credit for Sales and Use Taxes Paid to Other States and Local Units of Government

Statutes: Sections 77.53(16) and 77.71(2), (3), and (4), Wis. Stats. (1993-94 as amended through 1995 Wisconsin Act 61)

Introduction: Many persons located in Wisconsin, including individuals, corporations, and partnerships, purchase and take possession of items outside of Wisconsin and then store, use, or consume the items in Wisconsin. These persons may be required to pay the sales or use tax of another state or local unit of government when taking possession of the items in the other state.

Wisconsin sales and use tax law allows a credit against the Wisconsin state, county, and special district (stadium) use tax due for sales or use tax that is properly charged and paid to another state or local unit of government on items purchased outside Wisconsin, and brought into Wisconsin for storage, use, or consumption. The credit is limited to the amount of tax imposed under Wisconsin law on those same items. (**Note:** The local exposition district taxes are only imposed on the sales of certain property and services, and **not** on the storage, use, or consumption of the property and services subject to the local exposition taxes. No local exposition use tax is imposed.)

Information Contained in This Tax Release

I. Background: Applicable Wisconsin Statutes

II. Limitation on Amount of Credit for Sales or Use Tax Paid to Another State

III. Examples: Facts, Questions, and Answers

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2. State and Local Sales Tax Paid to Other State is More Than Wisconsin State and County Use Tax – Page 32.
3. State Sales Tax Paid to Other State is Less Than Wisconsin State Use Tax, But Local Tax Paid to Other State is More Than Wisconsin County Use Tax – Page 32.
4. State Sales Tax Paid to Other State is More Than Wisconsin State Use Tax, But Local Tax

Paid to Other State is Less Than Wisconsin County Use Tax – Page 33.

5. Other State's State Sales Tax Paid on Property is More Than Wisconsin State Use Tax and No Tax Paid to Other State on Labor Charges – Page 34.
6. Construction Contractors – Other State's State Sales Tax is More Than Wisconsin State Use Tax and No Local Tax Charged in Other State – Page 35.
7. Registered Vehicles – Other State's State Sales Tax is Less Than Wisconsin State Use Tax, But Other State's Local Sales Tax is More Than Wisconsin County Use Tax – Page 36.
8. Other State's State and Local Sales Tax Improperly Paid – Page 37.
9. Other State's State or Local Sales or Use Tax Imposed AFTER Wisconsin State or County Sales or Use Tax Imposed – Page 38.
10. Other State's Sales or Use Tax Paid on a Transaction Subject to Wisconsin State and County SALES Tax (not USE tax) – Page 38.
11. State and Local Sales Tax Paid to Other State is Less Than Wisconsin State, County, and Stadium Use Tax – Page 39.

I. Background: Applicable Wisconsin Statutes

In this tax release, all statutory references are to Wis. Stats. (1993-94 as amended through 1995 Wisconsin Act 61).

Credit for Other State's State Sales or Use Tax Paid: Section 77.53(16), Wis. Stats., provides that "If the purchase, rental or lease of tangible personal property or service subject to the tax imposed by this section was subject to a sales tax by another state in which the purchase was made, the amount of sales tax paid the other state shall be applied as a credit against and deducted from the tax, to the extent thereof, imposed by this section." In this subsection "sales tax" includes a use or excise tax imposed on the use of tangible personal property or taxable service by the state in which the sale occurred and "state" includes the District of Columbia but does not include the commonwealth of Puerto Rico or the several territories organized by congress." (Underlining added.)

Credit for Other State's Local Sales or Use Tax Paid – General: Section 77.71(2), Wis. Stats., provides that “An excise tax is imposed at the rate of 0.5% in the case of a county tax or at the rate under s. 77.705 in the case of a special district tax of the sales price upon every person storing, using or otherwise consuming in the county or special district tangible personal property or services if the property or service is subject to the state use tax under s. 77.53, except that a receipt indicating that the tax under sub. (1), (3) or (4) has been paid relieves the buyer of liability for the tax under this subsection and except that if the buyer has paid a similar local tax in another state on a purchase of the same property or services that tax shall be credited against the tax under this subsection and except that for motor vehicles that are used for a purpose in addition to retention, demonstration or display while held for sale in the regular course of business by a dealer the tax under this subsection is imposed not on the sales price but on the amount under s. 77.53 (1m).” (Underlining added.)

Credit for Other State's Local Sales or Use Tax Paid – Construction Contractors: Section 77.71(3), Wis. Stats., provides that “An excise tax is imposed upon a contractor engaged in construction activities within the county or special district, at the rate of 0.5% in the case of a county tax or at the rate under s. 77.705 in the case of a special district tax of the sales price of tangible personal property that is used in constructing, altering, repairing or improving real property and that becomes a component part of real property in that county or special district, unless the contractor has paid the sales tax of a county in the case of a county tax or of a special district in the case of a special district tax in this state on that property, and except that if the buyer has paid a similar local sales tax in another state on a purchase of the same property that tax shall be credited against the tax under this subsection.” (Underlining added.)

Credit for Other State's Local Sales or Use Tax Paid – Registered or Titled Items Including Automobiles, Boats, and Aircraft: Section 77.71(4), Wis. Stats., provides that “An excise tax is imposed at the rate of 0.5% in the case of a county tax or at the rate under s. 77.705 in the case of a special district tax of the sales price upon every person storing, using or otherwise consuming a motor vehicle, boat, snowmobile, mobile home not exceeding 45 feet in length, trailer, semitrailer, all-terrain vehicle or aircraft, if that property must be registered or titled with this state and if that property is to be customarily kept in a county that has in effect an ordinance under s. 77.70 or in a special district that has in effect a resolution under s.

77.705, except that if the buyer has paid a similar local sales tax in another state on a purchase of the same property that tax shall be credited against the tax under this subsection.” (Underlining added.)

Note 1: “Similar local sales tax” and “local tax” as used in this tax release means a sales or use tax imposed by a city, village, town, county, or other local unit of government in another state.

Note 2: The Wisconsin Sales and Use Tax Return line references in this tax release are references to the Wisconsin Sales and Use Tax Return with a revision date of 7/96.

II. Limitation on Amount of Credit for Sales or Use Tax Paid to Another State

The three charts below summarize the amount of credit for another state's state or local sales or use tax properly paid which may be claimed against the Wisconsin state, county, or stadium use tax due.

Chart 1 – Amount of Credit Allowed for Other State's State Sales or Use Tax Properly Paid Which May Be Claimed Against Wisconsin State Use Tax Due

(A) State Tax Rate Charged in Other State	(B) Amount of State Tax Paid to Other State Allowed as Credit Against Wisconsin State Use Tax Due
Less Than 5%	Amount of State Tax Paid to Other State *
Equal to or Greater Than 5%	Amount of Wisconsin State Use Tax Due *

Chart 2 – Amount of Credit Allowed for Other State's Local Sales or Use Tax Properly Paid Which May Be Claimed Against County Use Tax Due

(A) Local Tax Rate Charged in Other State	(B) Amount of Local Tax Paid to Other State Allowed as Credit Against County Use Tax Due
Less Than 0.5%	Amount of Local Tax Paid to Other State **
Equal to or Greater Than 0.5%	Amount of County Use Tax Due in Wisconsin **

Chart 3 — Amount of Credit Allowed for Other State's Local Sales or Use Tax Properly Paid Which May Be Claimed Against Stadium Use Tax Due

(A) Local Tax Rate Charged in Other State	(B) Amount of <i>Local Tax</i> Paid to Other State Allowed as Credit Against Stadium Use Tax Due
Less Than 0.1%	Amount of Local Tax Paid to Other State **
Equal to or Greater Than 0.1%	Amount of Stadium Use Tax Due in Wisconsin **

* Any other state's **state** sales or use tax which is paid in excess of the Wisconsin **state** use tax due may not be claimed as a credit and used to offset any **county** or **stadium** use tax due in Wisconsin.

** Any **local** sales or use tax paid to another state which is in excess of the combined **county and stadium** use tax due in Wisconsin may not be claimed as a credit and used to offset any Wisconsin **state** use tax due.

However, if the local tax paid to the other state is **equal to or greater than the combined** county and stadium use tax due in Wisconsin, the local tax may be used to offset **both** the Wisconsin county use tax and the Wisconsin stadium use tax due.

If the local tax paid to the other state is **less than the combined** county and stadium use tax due in Wisconsin, the local tax paid to the other state must be **allocated** between the Wisconsin county use tax and the Wisconsin stadium use tax due. An acceptable method to the department is to allocate the local tax paid to the other state on the ratio of 5/6 to the county use tax due and 1/6 to the stadium use tax due. See example 11 on page 39.

III. Examples

The following examples include various situations which persons may encounter with respect to Wisconsin state, county, and stadium sales and use taxes, if they purchase items outside of Wisconsin and are required to pay sales or use taxes to the other state. The examples provide information as to the amount of sales tax paid to the other state which may be claimed as a credit against the Wisconsin state, county, and stadium use taxes due and how to compute and report the Wisconsin state, county, and stadium use tax due.

Example 1: State and Local Sales Tax Paid to Other State is Less Than Wisconsin State and County Use Tax

Facts 1:

- Company A, located in Wisconsin, purchases equipment for \$1,000 from a supplier located in State B.
- Company A takes possession of the equipment in State B.
- Company A is properly charged State B's 4% state sales tax (\$1,000 x 4% = \$40) and State B's .25% local sales tax (\$1,000 x .25% = \$2.50).
- Company A brings the equipment into Wisconsin for use in a county that has adopted the 0.5% county sales and use tax, but has not adopted the 0.1% stadium sales and use tax.

Questions 1:

- a. May the 4% state sales tax (\$40) and the .25% local sales tax (\$2.50) paid to State B, be claimed as credits against the 5% Wisconsin state and 0.5% county use tax due?
- b. What amount of Wisconsin state and county use tax must be paid to Wisconsin on this transaction?
- c. How should Company A report the additional use tax due in Wisconsin on this transaction?

Answers 1:

- a. Yes. The amount of state sales tax paid to State B (\$40), may be claimed as a credit under sec. 77.53(16), Wis. Stats., against the 5% Wisconsin state use tax due. The amount of local sales tax paid to State B (\$2.50), may be claimed as a credit under sec. 77.71(2), Wis. Stats., against the 0.5% county use tax due.
- b. The net amount of Wisconsin state and county use tax due is computed as follows:

	State Use Tax	County Use Tax
Wisconsin Use Tax Due	\$50 (\$1,000 x 5%)	\$5.00 (\$1,000 x .5%)
Less: State B's Tax Paid	<u>40</u> (\$1,000 x 4%)	<u>2.50</u> (\$1,000 x .25%)
Net Tax Due to Wisconsin	<u>\$10</u>	<u>\$2.50</u>

c. Company A should report the additional Wisconsin state and county use tax due as follows:

» **Computation of Additional State Use Tax Due**

$$\frac{\text{Additional State Use Tax Due } (\$10)}{\text{State Tax Rate } (.05)} = \text{Measure of State Use Tax Due } (\$200)$$

The measure of additional state use tax due (\$200) should be entered on line 16 of the Wisconsin Sales and Use Tax Return.

» **Computation of Additional County Use Tax Due**

$$\frac{\text{Additional County Use Tax Due } (\$2.50)}{\text{County Tax Rate } (.005)} = \text{Measure of County Use Tax Due } (\$500)$$

The measure of additional county use tax due (\$500) should be reported on Schedule CT, column B, of the Wisconsin Sales and Use Tax Return, on the applicable county's line.

Example 2: State and Local Sales Tax Paid to Other State is More Than Wisconsin State and County Use Tax

Facts 2:

- Company C, located in Wisconsin, purchases equipment for \$10,000 from a supplier located in State D.
- Company C takes possession of the equipment in State D.
- Company C is properly charged State D's 6% state sales tax (\$10,000 x 6% = \$600) and State D's 1% local sales tax (\$10,000 x 1% = \$100).
- Company C brings the equipment into Wisconsin for use in a county that has adopted the 0.5% county sales and use tax but has not adopted the 0.1% stadium sales and use tax.

Questions 2:

a. May the 6% state sales tax (\$600) and the 1% local sales tax (\$100) paid to State D, be claimed as credits against the 5% Wisconsin state and 0.5% county use tax due?

b. What amount of Wisconsin state and county use tax must be paid to Wisconsin on this transaction?

Answers 2:

a. Yes. The amount of state sales tax paid to State D (\$600), may be claimed as a credit under sec. 77.53(16), Wis. Stats., against the 5% Wisconsin state use tax due. The amount of local sales tax paid to State D (\$100), may be claimed as a credit under sec. 77.71(2), Wis. Stats., against the 0.5% county use tax due. Each of the credits above is limited to the amount of Wisconsin state (\$500) and county (\$50) use tax due on that same purchase.

b. The net amount of Wisconsin state and county use tax due is computed as follows:

	State Use Tax	County Use Tax
Wisconsin Use Tax Due	\$500 (\$10,000 x 5%)	\$50 (\$10,000 x .5%)
Less: State D's Tax Paid *	<u>500</u> (\$10,000 x 5%)	<u>50</u> (\$10,000 x .5%)
Net Tax Due to Wisconsin	<u>\$ -0-</u>	<u>\$ -0-</u>

* **Note:** The amount of credit for the state and local sales tax paid to State D is limited to the amount of Wisconsin state and county use tax imposed on that same property or service.

Since the state and local sales tax paid to the other state is greater than the state and county use tax due to Wisconsin, no entry is required on the Wisconsin Sales and Use Tax Return to report the credit claimed for sales taxes paid to another state which offset the Wisconsin state and county use tax due.

Example 3: State Sales Tax Paid to Other State is Less Than Wisconsin State Use Tax, But Local Tax Paid to Other State is More Than Wisconsin County Use Tax

Facts 3:

- Company E, located in Wisconsin, purchases equipment for \$1,000 from a supplier located in State F.
- Company E takes possession of the equipment in State F.

- Company E is properly charged State F's 4% state sales tax (\$1,000 x 4% = \$40) and State F's 1% local sales tax (\$1,000 x 1% = \$10).
- Company E brings the equipment into Wisconsin for use in a county that has adopted the 0.5% county sales and use tax, but has not adopted the 0.1% stadium sales and use tax.

Questions 3:

- May the 4% state sales tax (\$40) and the 1% local sales tax (\$10) paid to State F, be claimed as credits against the 5% Wisconsin state and 0.5% county use tax due?
- What amount of Wisconsin state and county use tax must be paid to Wisconsin on this transaction?
- How should Company E report the additional use tax due in Wisconsin on this transaction?

Answers 3:

- Yes. The amount of state sales tax paid to State F (\$40), may be claimed as a credit under sec. 77.53(16), Wis. Stats., against the 5% Wisconsin state use tax due. The amount of local sales tax paid to State F (\$10), may be claimed as a credit under sec. 77.71(2), Wis. Stats., against the 0.5% county use tax due. The **local** sales tax paid to State F (\$10) in excess of the Wisconsin county use tax due (\$5) may not be claimed as a credit against the Wisconsin **state** use tax due.
- The net amount of Wisconsin state and county use tax due is computed as follows:

	State Use Tax	County Use Tax
Wisconsin Use Tax Due	\$50 (\$1,000 x 5%)	\$ 5 (\$1,000 x .5%)
Less: State F's Tax Paid *	<u>40</u> (\$1,000 x 4%)	<u>5</u> (\$1,000 x .5%)
Net Tax Due to Wisconsin	<u>\$10</u>	<u>\$-0-</u>

* **Note:** The amount of credit for the local sales tax paid to State F is limited to the amount of Wisconsin county use tax imposed on that same property or service. In addition, the excess **local** tax paid to State F may not be claimed as a credit against the Wisconsin **state** use tax due.

- Company E should report the additional Wisconsin state and county use tax due as follows:

» **Computation of Additional State Use Tax Due**

$$\frac{\text{Additional State Use Tax Due } (\$10)}{\text{State Tax Rate } (.05)} = \text{Measure of State Use Tax Due } (\$200)$$

The measure of additional state use tax due (\$200) should be entered on line 16 of the Wisconsin Sales and Use Tax Return.

» **Computation of Additional County Use Tax Due**

$$\frac{\text{Additional County Use Tax Due } (\$-0-)}{\text{County Tax Rate } (.005)} = \text{Measure of County Use Tax Due } (\$-0-)$$

Since the purchase of the equipment by Company E was subject to another state's local sales tax which is equal to or greater than the county use tax due in Wisconsin, the local tax paid to the other state is used to reduce the county use tax due in Wisconsin to zero. No entry is required on the Wisconsin Sales and Use Tax Return to report the credit claimed for local sales taxes paid to another state which offset the Wisconsin county use tax due.

Example 4: State Sales Tax Paid to Other State is More Than Wisconsin State Use Tax, But Local Tax Paid to Other State is Less Than Wisconsin County Use Tax

Facts 4:

- Company G, located in Wisconsin, purchases equipment for \$10,000 from a supplier located in State H.
- Company G takes possession of the equipment in State H.
- Company G is properly charged State H's 6% state sales tax (\$10,000 x 6% = \$600). No local sales or use tax is paid by Company G in State H.
- Company G brings the equipment into Wisconsin for use in a county that has adopted the 0.5% county sales and use tax, but has not adopted the 0.1% stadium sales and use tax.