

# TAX REPORT

Sales/Use Tax

MARCH 1987

1-87

## I. COUNTY TAX BEGINS APRIL 1, 1987 IN TEN ADDITIONAL COUNTIES

Beginning April 1, 1987, there will be a 1/2% county sales and use tax in ten additional counties - Buffalo, Iowa, Jackson, Lincoln, Marathon, Oneida, Sawyer, St. Croix, Rusk and Walworth. Barron and Dunn Counties had previously adopted the county tax beginning April 1, 1986. Retailers who make sales which are subject to the 1/2% county tax in these 12 counties will collect 5 1/2% sales tax on such retail sales - 5% state sales tax and 1/2% county tax.

### A. SALES AND USE TAX RETURN REVISED

Both the state tax and the county tax are reported by retailers on their sales and use tax returns which are filed with the Department of Revenue. The return has been revised to include entry areas for county sales and use tax for each of the 12 counties.

**Monthly Filers** - The revised return will first be filed by monthly filers beginning for the month of April 1987. The April 1987 return will be sent to monthly filers during the last week of April 1987.

**Quarterly Filers** - The revised return will be filed for quarterly periods ending in April 1987 and thereafter. It will be sent to quarterly filers during the last week of the quarterly period.

**Annual Filers** - The revised return will be filed for years ending in April 1987 and thereafter. It will be sent to annual filers during the last week of the reporting year.

### B. HOW COUNTY TAX APPLIES TO YOU

Read the December 1986 TAX REPORT which was sent to you in late December 1986. It describes the types of property and services which are subject to county taxes, which retailers are liable for county taxes and it also contains other important information.

Retailers who are not located in any of the 12 taxable counties may still be subject to the county tax if they deliver property or taxable services into one of these 12 counties or are in some other way engaged in business in these counties. Part III.B. of the December 1986 TAX REPORT explains when a retailer is "engaged in business" in a taxable county.

## C. OTHER SPECIAL PROVISIONS

### Contractors

A contractor is liable for the county use tax on any tangible personal property used in constructing, altering, repairing or improving real property which becomes a component part of real property in a taxable county.

### Motor Vehicles, Boats, Etc.

A county use tax is imposed upon every motor vehicle, boat, snowmobile, mobile home 45 feet or less in length, trailer, semi-trailer, all-terrain vehicle or aircraft if (a) that property must be registered or titled with the State of Wisconsin and (b) if that property is to be customarily kept in a taxable county.

Dealers of Motor Vehicles, Boats, etc.: See Part IV.C. of the December 1986 TAX REPORT which explains how the county tax applies to purchases from dealers.

## D. COLLECTING COUNTY TAX FROM CUSTOMERS - THE BRACKET SYSTEM

To separately state the 5% Wisconsin state tax and 1/2% county tax when passing these taxes on to customers, retailers must use the bracket system. See Part VI. of the December 1986 TAX REPORT for additional information on the bracket system.

## E. KEEP ACCURATE RECORDS

Retailers engaged in business in a taxable county must keep records showing the amount of their taxable receipts subject to sales tax and purchases subject to use tax for each of the taxable counties.

## F. ANY QUESTIONS

If you have any questions about the county tax, call or visit any local office of the Department of Revenue or write to: Wisconsin Department of Revenue, P.O. Box 8902, Madison, WI 53708; or call our Madison office at (608) 266-2776.

## II. NEW OR USED MOBILE HOME EXEMPTIONS

Effective January 1, 1987, the sales and use tax law was amended to provide an exemption for: (a) The total selling price of a used mobile home that is a primary housing unit, and (b) thirty-five percent (35%) of the total amount for which a new mobile home that is a primary housing unit is sold. No credit may be allowed for trade-ins, and leases and rentals of mobile homes are not affected.

The following examples explain the application of the sales/use tax to sales of mobile homes:

- A NEW mobile home is sold for \$24,000 and is placed in a mobile home park or on land not owned by the owner of the home (i.e., it does not qualify as an improvement to real property). The sales tax is calculated as follows:

$$\$24,000 \times .65 = \$15,600 \times .05 = \$780 \text{ sales tax}$$

If there is a trade-in involved, it does not change the tax payable on the transaction.

- A NEW mobile home is installed on private land by the seller and is considered an improvement to realty. The selling price is \$24,000, but the invoice cost to the seller-installer is \$20,000 (i.e., cost of the home to the retailer). The use tax is calculated as follows:

$$\$20,000 \times .65 = \$13,000 \times .05 = \$650 \text{ use tax}$$

- A USED mobile home is sold for \$10,000 and is placed either in a park where it is personal property or on private land where it is considered a realty improvement and it is sold with or without a "trade-in". The sale of the used home is exempt from the five percent sales tax or use tax, effective January 1, 1987.

## III. TAXABLE TRANSPORTATION CHARGES

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

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

Merchandise	\$100.00
Delivery Charge	10.00
Subtotal	<u>\$110.00</u>
Tax at 5% (\$110 x 5%)	5.50
Total	<u>\$115.50</u>

A Wisconsin consumer who purchases taxable goods for use in Wisconsin without tax, is subject to the use tax based on

the "sales price" of the goods. The "sales price" includes transportation charges paid by the Wisconsin consumer to the supplier or a carrier for shipment of the goods.

For example, if a Wisconsin business purchases a load of lumber from an out-of-state supplier and it is delivered into Wisconsin by the supplier or common carrier (Example: railway), tax applies to the transportation charges paid directly to the supplier or common carrier.

Because transportation charges prior to the purchase of the goods are taxable, if the out-of-state supplier arranges for contract carriage of the goods into Wisconsin, the transportation charges are taxable. If the Wisconsin purchaser arranges for the contract carriage of the goods into Wisconsin the transportation charges are not taxable.

## IV. CAMPGROUND RECEIPTS

The receipts from the furnishing of access to recreational facilities are subject to the sales tax. A campground is a recreational facility when it furnishes facilities such as: clubhouse; swimming pool, pier or raft; electrical service; fireplaces; picnic tables; laundry room; water system; children's playground; or other improvements to attract campers.

The operator's receipts are taxable whether collected on a daily or an annual basis. For example, when travel trailer owners rent space in the campground on an annual basis for use by the lessees on weekends during the summer months, the campground operator's total rental receipts are taxable.

However, the lease of space to mobile home owners who use a mobile home as their permanent residence is not subject to the sales tax.

The receipts from furnishing of rooms or lodging to transients are subject to the sales tax. This includes accommodations in summer camps, resort lodges and cabins and other buildings.

## V. DID YOU KNOW?

1. The gross receipts of bed and breakfast inns are subject to the sales tax.
2. The gross receipts from sales of resort time sharing are subject to the sales tax, if the purchaser does not acquire an interest in the real estate. The annual maintenance fee to cover current operating costs is also taxable.
3. The entire farm irrigation system, including the wells and pumps, is considered personal property for sales/use tax purposes. Therefore, a farmer may purchase the component parts or the entire system without tax as an exempt farm machine under s. 77.54(3), Wis. Stats. A contractor may also purchase the component parts without tax "for resale" as personal property to the farmer.
4. Sales of bottled water and mineral water are subject to sales tax. Nonalcoholic beer sales are subject to the sales tax, even though this beer may be exempt from certain excise taxes.