

Wisconsin Department of Revenue

SALES AND USE TAX REPORT

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June 2008

IMPORTANT NOTICE: The *Sales and Use Tax Report* is going paperless!



Beginning in January of 2010, the *Sales and Use Tax Report* will no longer be issued on paper. The *Sales and Use Tax Report* will continue to be available on the Department of Revenue's web site.

Don't miss future issues of the *Sales and Use Tax Report*. Subscribe to the sales and use tax electronic mailing list to receive notification when a new *Sales and Use Tax Report* has been posted to the Department of Revenue's web site. The notification will include a link to the reports. Subscribers will also receive important sales and use tax updates.

Subscribe at www.revenue.wi.gov/html/lists.html, or go to the Department's web site at www.revenue.wi.gov; click the link on the left side for "E-Services," then click any link titled "Electronic Mailing Lists." You will be provided with a number of mailing lists to which you may subscribe. (Notification of new *Sales and Use Tax Reports* will be sent to subscribers of the "Sales & Use Tax" subscriber list.) There is no charge for subscriptions.

I. SALES OF BEER, LIQUOR, WINE, AND CIGARETTES ARE SUBJECT TO SALES AND USE TAXES

Sales of alcoholic beverages, such as beer, liquor, and wine, and cigarettes are subject to Wisconsin sales tax. Although an excise tax may have previously been paid on the alcoholic beverages or cigarettes, the Wisconsin sales tax is also imposed on the retailer's sales of alcoholic beverages and cigarettes to its customers. Wisconsin sales tax is imposed on the sale of all tangible personal property, including alcoholic beverages and cigarettes, unless an exemption applies. If the retailer does not charge sales tax, the purchaser is liable for Wisconsin use tax on property that is stored, used, or consumed in Wisconsin (for example, Internet purchases).

A retailer may pass the sales tax along to the consumer by adding the tax to the price of the alcoholic beverages or cigarettes. Alternatively, the retailer may include the sales tax in its price of the alcoholic beverages or cigarettes. In this case, the retailer must notify the customer that the tax is included in the price. Notification may be by providing the customer

with a receipt or conspicuously posting a sign that states "Prices Include Sales Tax."

NOTE: Although gasoline is also subject to an excise tax, the sales and use tax law provides a specific exemption for the sale of and the storage, use, or other consumption of motor fuel that is subject to motor fuel tax under Chapter 78, Wis. Stats. (that is, clear diesel fuel and gasoline). Since gasoline is subject to the motor fuel tax, a gas station's sale of the gasoline is not subject to Wisconsin sales or use tax. There is no similar exemption for alcoholic beverages and cigarettes.

II. CYLINDERS RENTED TO TRANSPORT EXEMPT GAS

The rental charge for a cylinder used to transfer a gas that is exempt from Wisconsin sales and use tax is also exempt from the tax. Such charge is exempt regardless of whether the charge for the "rental" of the cylinder is separately stated or not separately stated on the customer's invoice or if the invoice for the cylinder "rental" is issued on a different date than the invoice for the sale of the exempt gas.

A Wisconsin sales and use tax exemption exists for shipping and packaging materials that are used by the purchaser to transfer merchandise to customers. Whether the containers are returnable or nonreturnable is not a factor. The charge for packaging materials becomes a part of the selling price or rental charge. If the sale of the property shipped is not subject to or is exempt from tax, the charge for packaging materials is not subject to or is exempt from tax. If the sale of the property shipped is subject to tax, the charge for packaging materials is subject to tax.

CAUTION: This tax treatment applies only to cylinders that are used to transfer gas from the vendor's location to its customer's location. It does not apply to the rental of cylinders that remain with the customer and are refilled by the vendor or another vendor at the customer's location. If the cylinder is refilled by the vendor or another vendor within the cylinder rental period and the cylinder remains with the customer, the cylinder is no longer being used to transfer the gas to the vendor's customer and the rental is subject to Wisconsin sales or use tax, unless some exemption applies. The cylinder rental is also taxable if the cylinder no longer holds the exempt gas that was transferred to the customer and the customer is required to pay an additional fee because the customer did not return the empty cylinder (that is, the lease period was extended to include a period in which merchandise is not transferred to the customer).

III. QUESTIONS AND ANSWERS FOR CAR WASH OPERATORS

Q Are car wash receipts subject to Wisconsin sales tax?

A Yes, the total gross receipts of persons engaged in the business of providing car washes, including self-service and automatic car washes which involve a pressurized spray of soap and water, are taxable.

Q Is the car wash operator's purchase of soap, wax, and other supplies used in its car wash subject to sales and use tax?

A The car wash operator is liable for Wisconsin sales or use tax on its purchase of soap and other supplies used to clean a customer's car.

However, the car wash operator may purchase without tax for resale the property that it physically

transfers to its customer when performing its cleaning service to the car. Examples of property that is physically transferred to the customer are wax, air fresheners, and protectants that are applied to and remain with the customer's car.

Q Are self-service vacuum and air dispenser receipts subject to Wisconsin sales tax?

A Yes, the total gross receipts from self-service (coin-operated, token-operated, etc.) vacuum cleaners and air dispensers are taxable.

Q Are the car wash operator's purchases of self-service car wash equipment, vacuum cleaners, and air dispensers subject to sales and use tax?

A Yes, there is no exemption from Wisconsin sales or use tax for equipment used in providing car wash services. The car wash operator's purchases of self-service vacuum cleaners and air dispensers are also subject to tax. The customer is receiving a service, rather than renting the vacuum cleaners or air dispensers; therefore, the car wash operator may not purchase the vacuum cleaners and air dispensers without tax for resale.

IV. VOLUNTARY DISCLOSURE

If an individual or business hasn't filed Wisconsin tax returns for prior years, or realizes that taxes were underpaid on previously filed Wisconsin returns, what should they do? A contact by the Department of Revenue (DOR) could result in costly civil and/or criminal penalties.

Don't wait to be contacted by DOR. A better alternative is to take advantage of the department's Voluntary Disclosure Program. Various penalties are waived and other benefits are obtained by voluntary disclosure.

Information regarding the Voluntary Disclosure Program can be found on the department's web site at www.revenue.wi.gov/pubs/voldis.html. If you prefer, you may submit any questions you have by phone at (608) 266-3969, by e-mail at wivoldis@revenue.wi.gov, or by letter. Send written requests to the following address:

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