State of Wisconsin
Department of Revenue

Important Change

The football stadium district tax in Brown County ends on September 30, 2015.

Sales and Use Tax Information for Motor Vehicle Sales, Leases, and Repairs

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IMPORTANT CHANGES

Transactions Involving Leased Motor Vehicles. The tax release: *Motor Vehicle Lease Dealers: "Trade-Ins" and "Turn-Ins"* has been added. This tax release contains 20 examples describing how Wisconsin sales and use taxes apply to various situations involving leased motor vehicles. See Appendix A.

County and Stadium Sales and Use Taxes. A table has been added describing how county and baseball and football stadium sales and use taxes apply to dealer sales of motor vehicles, boats, snowmobiles, recreational vehicles, trailers, semi-trailers, all-terrain vehicles, and aircraft. See Appendix B.

I. INTRODUCTION

A. General

This publication provides information about the Wisconsin state, county, and stadium sales and use taxes as they affect persons in the business of selling, leasing, renting, or repairing motor vehicles. It includes information of interest to new and used motor vehicle dealers, lessors, and persons operating garages, body shops, and service stations.

The information provided generally relates to the state's 5% sales and use tax. However, in counties which have adopted the 0.5% county sales and use tax and counties where the 0.1% or 0.5% stadium tax is imposed, the county tax and stadium tax may also apply to any transaction which is subject to the state tax.

Information on the local exposition 3% rental car tax can be found in Wisconsin Publication 410, *Local Exposition Taxes*.

Information on the 0.5% premier resort area tax in effect in the Cities of Bayfield and Eagle River, and the 1.0% premier resort area tax in effect for the City of Wisconsin Dells and the Village of Lake Delton, can be found in Wisconsin Publication 403, *Premier Resort Area Taxes*.

Information on the Wisconsin rental vehicle fee and the Wisconsin limousine fee can be found in Part XI.C. and D. of this publication.

If, after reading this publication, you have questions about the sales and use tax, refer to Part XIII. for additional assistance.

CAUTION

The information in this publication reflects the positions of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature and in effect as of January 1, 2014. Laws enacted and in effect after this date, administrative rules, and court decisions may change the interpretations in this publication. Also note that lists of taxable or exempt items in this publication are not all-inclusive. They merely set forth common examples.

B. Motor Vehicle Defined

"Motor vehicle" means a self-propelled vehicle (for example, an automobile, truck, truck-tractor, or motorcycle) designed for and capable of transporting persons or property on a highway.

"Motor vehicle" does not include a self-propelled vehicle which is not designed or used primarily for transportation of persons or property, and is only incidentally operated on a public highway, such as a farm tractor, snowmobile, all-terrain vehicle, fork-lift truck, and road machinery.

C. Nature of the Sales and Use Tax

1. **Sales tax** is imposed on retailers who sell, license, lease, or rent any property, items, goods, or taxable services at retail, if the transaction is sourced (see Part IX.B.) to a location in Wisconsin. The tax is based on the retailer's sales price from such transactions.

2. **Use tax** is imposed on purchasers of any property, items, goods or taxable services, purchased from a retailer, if:

   (a) the property, item, good, or service is stored, used, or consumed in Wisconsin by the purchaser in a taxable manner, and

   (b) no Wisconsin sales tax was paid by the purchaser to the retailer of the property, item, good, or service.

The use tax is based on the purchase price of the property, item, good, or service paid by the purchaser to the retailer.

D. Who Must Obtain a Seller's Permit

Any person making sales, licenses, leases, or rentals of any property, items, goods, or taxable services at retail and which take place in (i.e., are "sourced to") Wisconsin is required to obtain a seller's permit from the Wisconsin Department of Revenue.

If a seller makes only exempt sales, the seller is not required to hold a Wisconsin seller's permit.

E. When Should You Apply For a Seller's Permit?

Apply for a seller's permit at least three weeks before you open your business. If you buy an existing business, the seller's permit cannot be transferred to you. You must apply for a new permit. If you applied for a seller's permit before you opened your business but did not receive the permit at the time of opening the business, you are allowed to make retail sales. However, you are liable for the sales and use taxes and for keeping proper records from the date of opening the business.

F. Obtaining a Seller's Permit and Filing Returns

See Part III. of Publication 201, *Wisconsin State and County Sales and Use Tax Information*, for information about how to obtain a seller's permit. Information about filing sales and use tax returns is also provided in Part VIII. of Publication 201.

II. SALES PRICE AND PURCHASE PRICE

A. Sales Price and Purchase Price Include

Sales price and purchase price means the total amount of consideration a retailer receives from the sale or purchase, whether received in money or otherwise, except as provided in Parts II.B. and C. and VIII.B.

Sales price and purchase price, for purposes of imposing Wisconsin sales or use tax, assuming the sale of the property or service is subject to tax, include the following (this list is not all-inclusive):

1. Delivery, Handling, and Preparation

Charges for delivery, handling, and preparation of a motor vehicle are included in the sales price subject to Wisconsin sales or use tax.

2. "Service Fees"

Sales price subject to tax includes amounts charged by the seller as "service fees" for completing any sales–related or lease–related vehicle inspection or forms which are required by law or rule, pursuant to sec. Trans 139.05(8), Wis. Adm. Code. **Note:** Dealer service fees for submitting an electronic application for vehicle titling/registration to the Wisconsin Department of Transportation are not included in the dealer's sales price of the motor vehicle and are not subject to tax. See Part II.B.4.

3. Extended Warranties and Service Contracts

Sales price subject to sales tax includes charges for extended warranties or service contracts, if the purchase of the motor vehicle to which the warranty or service contract relates is or was subject to Wisconsin sales or use tax.

A "warranty" is a contract or agreement which promises indemnity against defects in tangible personal property sold.

Example 1: Customer, a resident of Wisconsin, purchases a motor vehicle in Wisconsin. The motor vehicle is subject to Wisconsin sales or use tax. Therefore, the sale of an extended warranty contract for this motor vehicle is also subject to Wisconsin sales or use tax.

Example 2: Customer purchases a motor vehicle in Wisconsin. Customer also purchases an extended warranty with the motor vehicle. Customer lives in Minnesota. Customer will make no other use of the motor vehicle in Wisconsin other than its removal from Wisconsin to Minnesota. The motor vehicle is not subject to Wisconsin sales or use tax. Therefore, the extended warranty is also not subject to Wisconsin sales or use tax.

Example 3: Customer, a resident of Wisconsin, purchases a motor vehicle in Wisconsin. At the time of sale, Customer decides not to purchase an extended warranty with the motor vehicle. Six weeks after the sale of the motor vehicle, the dealer contacts Customer to determine her satisfaction with the motor vehicle. At that time, Customer decides to purchase an extended warranty on the motor vehicle from the dealer. Because the sale of the motor vehicle to which the extended warranty relates was subject to Wisconsin sales tax, the sale of the extended warranty is also subject to Wisconsin sales tax.

Example 4: Customer, a resident of Wisconsin, purchases a motor vehicle in a county which has not adopted the county tax (nontaxable county). Customer also purchases an extended warranty with the motor vehicle. Customer lives in a county which has adopted the county tax (taxable county). The motor vehicle will customarily be kept in the taxable county. The purchase of the motor vehicle is subject to the county tax. Therefore, the purchase of the extended warranty is also subject to the county tax.

Example 5: Customer, a resident of Wisconsin, purchases a motor vehicle in a county which has adopted the county tax (taxable county). Customer also purchases an extended warranty with the motor vehicle. Customer lives in a county which has not adopted the county tax (nontaxable county). The motor vehicle will customarily be kept in the nontaxable county. The purchase of the motor vehicle is not subject to the county tax. Therefore, the purchase of the extended warranty is also not subject to the county tax.

Example 6: Customer, a resident of Wisconsin, purchases a motor vehicle in a county which has adopted the county tax (taxable county). At the time of sale, Customer decides not to purchase an extended warranty with the motor vehicle. Customer will keep the motor vehicle in a county which has not adopted the county tax (nontaxable county). Six months after the sale of the motor vehicle, the dealer contacts Customer to determine satisfaction with the motor vehicle. At that time, Customer decides to purchase an extended warranty on the motor vehicle from the dealer. Because the purchase of the motor vehicle to which the extended warranty relates was not subject to the county tax, the purchase of the extended warranty is also not subject to the county tax.

Note: A charge by an extended warranty or service contract provider to a subsequent owner of a motor vehicle for transferring the extended warranty or service contract is not subject to Wisconsin sales or use tax. Similarly, a charge by a vehicle manufacturer to reassign the vehicle manufacturer warranty to a subsequent purchaser is not subject to Wisconsin sales or use tax.

See Part V.W. for treatment of repair work provided under an extended warranty or service contract.

See Part II.B.7 for the definition and treatment of insurance.

4. Federal Gas Guzzler Tax

The federal gas guzzler tax imposed under sec. 4064 of the Internal Revenue Code is included in the sales price or purchase price subject to Wisconsin sales or use tax.

5. Manufacturer's Rebates and Coupons

a. Manufacturer's Rebates

An amount received from a manufacturer after the sale of the vehicle by the motor vehicle dealer where the manufacturer specifies the amount and that the amount must be passed on to the customer is a manufacturer's rebate. Amounts received by a motor vehicle dealer from a manufacturer which the motor vehicle dealer is not required to pass on to a customer are manufacturer's wholesale incentives and are discussed in Part II.B.3.

The amount of a manufacturer's rebate applied against the sales price of a vehicle does not reduce the dealer's receipts subject to sales tax. The customer is still responsi-

ble for sales tax on the amount of the manufacturer's rebate.

It should be noted that the sales tax under sec. 77.52(1)(a), Wis. Stats., is imposed on the retailer's sales price the retailer receives from sales of tangible personal property. The retailer may, in turn, collect the sales tax from the customer per sec. 77.52(3), Wis. Stats.

Example: A manufacturer sells a motor vehicle to a motor vehicle dealer who in turn places the vehicle into inventory, with a sticker price of $18,000. At some later date, to generate sales, the manufacturer offers a rebate (e.g., $1,500) to a customer for purchasing the vehicle within a specified time frame. This rebate must be passed on to the customer.

Assuming the motor vehicle is sold for the sticker price, the motor vehicle dealer's sales price from the sale of the motor vehicle under this example is $18,000. The motor vehicle dealer will receive $18,000 from the sale of the vehicle whether the customer pays the dealer $18,000 and later receives a check for the $1,500 rebate amount or if the dealer receives $16,500 from the purchaser and the $1,500 rebate amount from the manufacturer.

b. Manufacturer's Coupons

A "manufacturer's coupon" distributed by the manufacturer of a motor vehicle through circulars or other mailings which may be used at a motor vehicle dealership does not reduce the motor vehicle dealer's receipts subject to Wisconsin sales or use tax.

A manufacturer's coupon is, in effect, a sharing of the sales price with the customer. Therefore, the motor vehicle dealer's receipts from the sale are not reduced by the coupon amount because the retailer receives the full purchase price for the item sold (i.e., a portion from the customer and the remainder from the manufacturer).

Example: A motor vehicle dealership services motor vehicles. A customer brings his or her motor vehicle in for an oil change. The charge for the oil change is $20. The customer presents a manufacturer's coupon that he or she received in the mail for $5 off the cost of an oil change and pays the motor vehicle dealer $15 cash.

The motor vehicle dealer's gross receipts subject to Wisconsin sales or use tax are $20 ($15 received from the customer plus $5 received from the manufacturer).

See Part II.B.3 regarding dealer coupons.

6. Credit Card Points or Dollars

In some cases, the purchaser of a new motor vehicle has accrued points or dollars towards the purchase of a certain manufacturer's vehicles through the use of a certain credit card. When the credit card holder purchases a qualifying vehicle, part of the consideration towards the selling price is furnished by the rewards program of the credit card issuer. The portion of the selling price that is furnished by the rewards program on behalf of the credit card user is subject to sales tax.

Example: Individual applies for and receives a credit card issued by Bank. Individual receives 1 point for each dollar in purchases charged to the credit card. Each point is worth $0.01 towards the purchase of a motor vehicle manufactured by XYZ Motor Company, up to a maximum of 300,000 points that may be redeemed per new motor vehicle purchased. Individual purchases a qualifying new XYZ Motor Company motor vehicle from Dealer for $30,000. Individual redeems 300,000 points towards the purchase. Dealer Receives $27,000 from Individual and $3,000 from Bank's credit card awards program. Dealer has $30,000 in taxable receipts from the sale of the motor vehicle to Individual.

7. Exchanges or Barter

The sales price subject to Wisconsin sales or use tax includes the exchange or barter of tan-

gible personal property for taxable or nontaxable services and realty or intangibles. Sales price or purchase price is the value of the services, realty, or intangibles received.

Example: A dealer exchanges a vehicle having a retail price of $6,000 for printing services which have an established price of $6,000. The dealer must report receipts from the sale of the motor vehicle of $6,000, the established price of the printing services received.

8. Capitalized Cost Reductions

Capitalized cost reductions made in cash do not reduce the sales price or purchase price subject to sales or use tax.

Example: Dealer leases a new motor vehicle for 36 months. Monthly lease payments are $350 per month due at the beginning of each monthly lease period and a one-time cash payment of $2,000 applied as a capitalized cost reduction is due at lease singing. The $2,000 payment, as well as each monthly lease payment, are taxable.

9. Lease Cancellation Charges

A payment by a lessee to a lessor for the cancellation of a lease of a motor vehicle or any other property, items, or goods described in Part III.A., B., C., or D., is taxable.

B. Sales Price and Purchase Price Do Not Include

Sales price and purchase price, for purposes of imposing Wisconsin sales or use tax, do not include the following (this list is not all-inclusive):

1. Trade-In Allowances

a. General

If the sale of a motor vehicle and the trade-in are one transaction, the sales price or purchase price subject to Wisconsin sales or use tax does not include the amount allowed for the trade-in. Therefore, if a motor vehicle (or any other tangible personal property or item, property, or good) is traded in for a motor vehicle of greater value, the amount subject to tax is only that amount representing the difference between the full purchase price and the amount allowed for the tangible personal property and items, property, or goods traded-in.

If tangible personal property and items, property, or goods are traded in for a motor vehicle of lesser value, and there is no other consideration given, the amount subject to tax is zero.

Note: When tangible personal property or items, property or goods are traded-in towards the purchase of a service, the retailer's sales price of the service is not reduced by the amount the retailer allows for the value of any tangible personal property or items, property or goods are traded-in towards the purchase of the service.

Example 1: Individual owns a motor vehicle that is traded towards the purchase of a new motor vehicle from Dealer. Individual also purchases an extended warranty contract from Dealer relating to the new motor vehicle at the same time as the new motor vehicle itself. Dealer sells the new motor vehicle for $20,000, the warranty contract for $2,000 and allows a trade-in of $22,000 for Individual's used motor vehicle. Dealer's taxable receipts from its sale of the new motor vehicle are zero. Dealer's taxable receipts from its sale of the extended warranty contract are $2,000. Even though the trade-in value allowed for Individual's used vehicle exceeds the purchase price of the motor vehicle purchased by $2,000, no portion of the trade-in value for the used motor vehicle may be applied to reduce Dealer's selling price of the taxable service.

Example 2: Individual owns a motor vehicle subject to a lien of $10,000. Individual trades in this vehicle to Dealer on the purchase of a new vehicle. Dealer determines the trade-in value of the vehicle owned by Individual at $12,400. The selling price of the new vehicle is $20,000. Dealer will pay off the bank lien.

Sales price subject to sales tax on the sale of the new vehicle to Individual is $7,600 ($20,000 selling price less $12,400 trade-in). The amount of debt assumed by Dealer does not reduce the amount of the trade-in allowed by Dealer for purposes of computing the sales price subject to sales tax.

A reduction in the sales price for trade-in allowance is not allowed if:

i. There is a separate sale of a motor vehicle by either the buyer or seller of another motor vehicle not traded-in, even if the proceeds of one sale are immediately applied by the seller to the purchase of another motor vehicle.

   Example: Mr. "A" sells his old motor vehicle to "B" for $2,000 by advertising it in the newspaper. Upon receipt of the $2,000, Mr. "A" purchases a new motor vehicle from his motor vehicle dealer for $16,000, using the $2,000 received from "B" as a down payment. This $2,000 paid to the dealer is not a trade-in. In this situation, "B" would pay $100 tax ($2,000 x 5%) at the time of registering the motor vehicle with the Department of Transportation. The sale of the $16,000 motor vehicle by the dealer to "A" is subject to $800 tax ($16,000 x 5%).

ii. Proceeds received from an insurance company are used to purchase another motor vehicle because the insured motor vehicle was damaged or demolished, even though the insurer remits the insurance proceeds directly to the dealer.

b. Trade-In of a Leased Motor Vehicle for a New or Used Motor Vehicle

   There are two transactions that occur when a leased motor vehicle is "traded-in" for another motor vehicle. One is the sale of the leased motor vehicle (with permission of lessee if the lessee has the option to purchase or at the discretion of the lessor if the lessee does not have the option to purchase) from the lessor to the dealer at the buy out price. The other is the sale of the replacement motor vehicle to the dealer's customer. The dealer typically will buy the leased motor vehicle from the lessor without tax for resale. The dealer is required to collect and report the sales tax on the total receipts received from the customer on the sale of the replacement motor vehicle no matter how designated.

c. Trade-In of an Owned Motor Vehicle on a Leased Motor Vehicle

   If a customer trades in an owned motor vehicle to a lessor on the lease of a new motor vehicle, the value of the trade-in reduces the taxable lease payments on the new motor vehicle.

d. Trade-In of a Leased Motor Vehicle on a Leased Motor Vehicle

   There are two transactions that occur when a leased motor vehicle is "traded in" on another leased motor vehicle. One is the sale of the leased motor vehicle from Lessor 1 to Lessor 2 (with the permission of the lessee, if the lessee has an option to purchase or at the discretion of the lessor, if the lessee does not have the option to purchase). The other is the lease of a new motor vehicle from Lessor 2 to the lessee.

e. Replacement ("Trade-In") of a Capitalized Service Motor Vehicle (also see Part VIII.B.)

   If a dealer retires a service vehicle from use that was properly capitalized and depreciated for income or franchise tax purposes, puts it into inventory, and selects a new service vehicle from inventory to replace it, there is no reduction in the dealer's purchase price of the new vehicle for purposes of computing the purchase price subject to use tax.

Note: See Appendix A for examples illustrating the application of Part II.B.1.b.to e. for leased vehicles.

2. Dealer Refunds or Credits.

a. General

Sales price and purchase price do not include such part of the selling price that is refunded in cash or credit as a result of property returned or adjustments in the sales price or purchase price after the sale has been completed, provided the retailer has included the refunded receipts in a prior sales and use tax return, paid the tax on such receipts, and has returned to the purchaser the tax originally paid by the purchaser on the amount of the refund. The seller may then claim, as a deduction on the sales tax return filed for the period in which such refund was made, the amount of the sales price or purchase price refunded.

b. Dealer "Buy-Back" or "Cash-Back" Settlement With Customer

Occasionally a dealer, in order to resolve a dispute with a customer, or in settlement of litigation, may either buy a vehicle back from a customer, or return a portion of the customer's purchase price. The amounts returned to the customer may be deducted from the dealer's receipts subject to sales or use tax as described in Part II.B.2.a.

3. Dealer Rebates and Manufacturer's Incentives

a. Dealer Rebates or Coupons

Cash discounts, price reductions for dealer coupons, and dealer rebates allowed by a dealer directly to customers reduce the dealer's receipts subject to the tax.

b. Manufacturer's Wholesale Incentive

A manufacturer's wholesale incentive is an incentive from the manufacturer to the dealer to sell X number of motor vehicles or to sell X number of a specific model. This arrangement is between the manufacturer and the dealer. The dealer may or may not pass a portion of the price reduction along to the customer. If the dealer does pass a portion along to the customer in the form of a price reduction, although not required to do so by the manufacturer, the dealer's receipts subject to the tax are reduced by the amount passed along to the customer.

4. Registration, Titling, and Filing Fees

Amounts paid to the Wisconsin Department of Transportation (WDOT) for registration and titling fees for the motor vehicle are not subject to tax. In addition, a fee charged by the dealer for electronically filing the purchaser's registration and titling application with the WDOT is not subject to tax.

5. Bad Debts

If a retailer allows customers to buy on credit and the customer fails to pay, a deduction from taxable receipts reported on the sales and use tax return (Form ST-12) is allowed for a bad debt (to the extent the selling price was included in the retailer's taxable receipts in a prior return and the tax was paid by the retailer to the department). The deduction is taken at the time the debt is properly written off as a bad debt for Wisconsin income or franchise tax purposes.

Example: Company A reported taxable receipts of $100 from the repair of a motor vehicle on its January 2010 sales and use tax return and paid tax of $5. In May 2010, Company A determines that the amount is uncollectible. Company A may reduce its taxable receipts on its May 2010 sales and use tax return by $100 for the taxable receipts previously reported and paid, that are uncollectible.

6. Interest, Financing, and Carrying Charges

Interest, financing, and carrying charges are excluded from sales price and purchase price if such charges are separately stated on the in-

voice (e.g., retail installment contract) given to the customer.

7. Insurance

Charges for insurance are specifically exempt from sales and use tax provided the charge is separately stated on the invoice (e.g., retail installment contract) given to the customer.

Insurance is a contract or agreement which promises indemnity against loss or damage resulting from perils outside of and unrelated to defects in tangible personal property.

See Part IV.C. for treatment of insurance charges relating to the lease of motor vehicles and Part IV.K. for treatment of repair work under an insurance plan.

Note: Charges for extended warranties or service contracts are subject to Wisconsin sales or use tax even though referred to as "insurance," and even though separately stated, if the motor vehicle to which the warranty relates is subject to Wisconsin sales or use tax. See Part II.A.3.

8. Rental Vehicle Fee

The 5% rental vehicle fee imposed under sec. 77.995, Wis. Stats., on the lease of certain motor vehicles for periods of 30 days or less is not included in the sales price or purchase price subject to Wisconsin sales or use tax.

C. Vehicles Used in Taxable Manner

If a person properly purchased a motor vehicle without tax because it was for resale or otherwise exempt and uses the motor vehicle in some other manner or for some other purpose, the purchaser is subject to sales or use tax on the purchase of the motor vehicle.

The amount subject to tax is the sales price or purchase price as defined in Part II with the following exception:

If the person is a motor vehicle dealer, see Part VIII.B.

Example 1: In 2010, Company purchased a truck without Wisconsin sales or use tax because it was used exclusively in common or contract carriage. Company gave its supplier a fully completed exemption certificate. In January 2014, Company begins to use the truck to haul its own products. Company is subject to Wisconsin sales or use tax on the original sales price of the truck.

Example 2: In 2011, Individual, a resident of another state, purchased a car in another state without sales or use tax. In 2014, Individual, still a nonresident of Wisconsin, registers the car in Wisconsin where he will keep it at his vacation home. Individual is subject to Wisconsin use tax on the purchase price of the car.

D. Courtesy Delivery

A Wisconsin motor vehicle dealer making a "courtesy delivery" of a motor vehicle in the State of Wisconsin on behalf of an out-of-state motor vehicle dealer who is not registered to collect Wisconsin sales or use taxes, is required to collect the applicable Wisconsin state and local use taxes from the purchaser and remit this tax to the Wisconsin Department of Revenue. Wisconsin sales and use tax law provides that no motor vehicle may be titled or registered in Wisconsin unless the registrant presents proof that the applicable Wisconsin sales or use taxes have been paid. The Wisconsin motor vehicle dealer may not submit the application for Wisconsin title and/or registration unless it has collected the applicable Wisconsin sales or use taxes from the purchaser. A dealer who collects the applicable taxes from the purchaser may include the sales price of the motor vehicle as part of the taxable receipts on its Wisconsin sales tax return filed for the period which includes the date of the "courtesy delivery" of the motor vehicle, and pay the tax as part of its payment of the total tax due for that return.

Example: Individual purchases a new motor vehicle from Dealer A. Dealer A is an out-of-state motor vehicle dealer. Dealer A does not hold a Wisconsin seller's permit or Wisconsin use tax registration certificate. Individual requests Dealer A to deliver the motor vehicle to Individual at a location near Individual's Wisconsin residence. Dealer A arranges with Dealer C, a Wisconsin motor vehicle dealer, to accept delivery of the motor vehicle from

the manufacturer and deliver it to Individual B at Dealer C's location in LaCrosse County, Wisconsin. The sales price of the motor vehicle is $20,000, and Individual accepts delivery on January 15, 2013. Individual will customarily keep the vehicle at his residence, in LaCrosse County, Wisconsin. Dealer C collects the 5% Wisconsin state and 0.5% LaCrosse County use taxes of $1,100 from Individual. Dealer C completes the application for Wisconsin title and vehicle registration on behalf of Individual, and submits it to the Wisconsin Department of Transportation. Dealer C includes the sales price of $20,000 in the amount of "total sales" it reports on line 1 and in the amount of "sales subject to tax" for LaCrosse County on its January 2013 Wisconsin sales tax return, and remits the $1,100 as part of the total amount of Wisconsin sales and use taxes due for January 2013.

III. WHAT IS SUBJECT TO TAX?

Sales, licenses, leases, and rentals of the following property, items, and goods are subject to the 5% Wisconsin state sales and use tax:

A. Tangible personal property (imposed under sec. 77.52(1)(a), Wis. Stats.

B. Coins or stamps of the United States that are sold, licensed, leased, rented, or traded as collector's items above their face value (imposed under sec. 77.52(1)(b), Wis. Stats.

C. Leased property that is affixed to real property, if the lessor has the right to remove the leased property upon breach or termination of the lease agreement, unless the lessor of the leased property is also the lessor of the real property to which the leased property is affixed (imposed under sec. 77.52(1)(c), Wis. Stats.

D. Specified digital goods, additional digital goods, and digital codes (imposed under sec. 77.52(1)(d), Wis. Stats. These products are characterized by the fact that they are transferred electronically to the purchaser (i.e., accessed or obtained by the purchaser by means other than tangible storage media). "Specified digital goods" means "digital audio works," "digital audiovisual works," and "digital books." "Additional digital goods" means greeting cards, finished artwork, periodicals, video or electronic games, and newspapers or other news or information products. See Publication 240 for a dedescription of the products that are included;

As used throughout this publication, the terms "property, items, and goods," "property, items, or goods," or "property, item, good," refers to the property, items, and goods described in Part III.A., B., C., and D.

As used throughout this publication, the term "digital goods" refers collectively to products listed in Part III.D.

IV. TAXABLE SALES OF TANGIBLE PERSONAL PROPERTY AND ITEMS, PROPERTY, OR GOODS

All sales and leases of tangible personal property and the items, property, and goods described in Part III.B., C., and D., including motor vehicles and motor vehicle parts, are subject to sales tax, unless the transaction is specifically exempt by law. Listed below are examples of retailers' transactions involving sales of tangible personal property which are taxable (this list is not all-inclusive):

A. Motor Vehicles

The sale of a motor vehicle by any person holding or required to hold a Wisconsin seller's permit or use tax registration certificate, is subject to Wisconsin sales or use tax.

A Wisconsin resident purchasing a motor vehicle in a foreign country or another state, or for delivery in a foreign country or another state, must pay the Wisconsin use tax, based upon the purchase price, when the resident registers the motor vehicle in Wisconsin for use in Wisconsin. See Part XI.A. regarding credit.

A Wisconsin motor vehicle dealer making a "courtesy delivery" of a motor vehicle in the state of Wisconsin on behalf of an out-of-state motor vehicle dealer who is not registered to collect Wisconsin sales or use taxes, is required to collect the applicable Wisconsin state and local use taxes from the purchaser and remit this tax to the Wisconsin Department of Revenue as a condition of submitting the application for a Wisconsin title and/or registra-

tion for the motor vehicle. A Wisconsin motor vehicle dealer making a "courtesy delivery" of a motor vehicle in the state of Wisconsin on behalf of an out-of-state motor vehicle dealer who is not registered to collect Wisconsin sales or use taxes, is required to collect the applicable Wisconsin state and local use taxes from the purchaser and remit this tax to the Wisconsin Department of Revenue as a condition of submitting the application for a Wisconsin title and/or registration for the motor vehicle. See Part II.D.

B. Motor Vehicle Parts

The sale of parts, accessories, and attachments for motor vehicles is subject to Wisconsin sales or use tax.

C. Leases

The lease of a motor vehicle is subject to Wisconsin sales or use tax.

In determining its taxable receipts, a lessor may deduct the cost of motor fuel, vehicle license fees, federal highway use taxes, and public liability insurance furnished to the lessee solely for the protection of the lessee, provided the deductions meet the following conditions:

1. The charge is reasonable.

2. The charge is separately stated in the lease agreement, billing, or invoice.

3. The lessor is willing and able to lease the motor vehicle or mobile equipment without providing such deductible items.

4. The lessor's deduction is limited to its cost of the items furnished with the leased equipment.

The lessor may deduct from the sales price the above items regardless of whether the lease is short-term or long term, provided these conditions are met.

The lessor **may not** deduct the cost of maintenance or repair charges or interest or financing costs it incurs, nor amounts spent for the lessor's own protection or for the protection of leased property, including collision, other insurance protection, or dispatch service.

Sales price from leases or rentals of motor vehicles and mobile equipment used on highways in Wisconsin and out-of-state are subject to Wisconsin sales tax if the lease payments are sourced to a location in Wisconsin, as provided in Part IX.B.2. to 4.

Note: Capitalized cost reductions made in cash do not reduce the amount subject to Wisconsin sales or use tax.

Short term rentals of certain motor vehicles without drivers are subject to the 5% state vehicle rental fee and may be subject to the 3% local exposition tax. Amounts that a lessor collects from the renter for the 5% state vehicle rental fee and the 3% local exposition tax are **not** included in the lessor's receipts that are subject to Wisconsin sales or use tax. See Part XI.C. for additional information on the 5% state vehicle rental fee. See Publication 410: *Local Exposition Taxes*, for additional information on the 3% local exposition car rental tax.

See Appendix G, sec. Tax 11.79, Wis. Adm. Code, for more information on leases.

D. Sales to Donor

The sale of a motor vehicle to a donor (person or organization giving away the motor vehicle as a gift or prize) is subject to Wisconsin sales or use tax unless the motor vehicle is sold to a nonprofit organization holding a Certificate of Exempt Status (CES) or to a governmental unit described in Part V.B.

The amount subject to tax is the selling price of the motor vehicle.

If the donor, such as a motor vehicle dealer, purchased without tax as property for resale the motor vehicle that is donated, the donor is subject to use tax on the purchase price of the motor vehicle, except as provided in Part VIII.D.

The gift recipient or prize winner is **not** subject to the sales or use tax on the value of the motor vehicle when the motor vehicle is registered.

E. Motor Vehicle Dealer Employees

Sale or lease of a motor vehicle by a motor vehicle dealer to a salesperson or other person employed by that dealer is subject to Wisconsin sales or use tax.

F. Vans for Transporting Children

Sales of vans used in transporting school children, if the seating capacity is less than 10, are subject to Wisconsin sales or use tax. However, if the van is sold to a Wisconsin school or school district, the sale is exempt from tax as discussed in Part V.B. and D.

G. Taking Over Payments

If a motor vehicle is transferred from A to B and no money is exchanged, but B agrees to pay off the loan balance on the motor vehicle, the amount of the loan assumed by B is considered the sales price of the motor vehicle which is subject to Wisconsin sales or use tax.

H. Transfer Between Parent and Subsidiary

The sale of a motor vehicle by a parent corporation to its wholly owned subsidiary corporation, or by a subsidiary to its parent, is a taxable transfer of a motor vehicle, except as provided in Parts V.O., P., and Q.

Note: A sale of a motor vehicle to a subsidiary or parent that will sell or lease the vehicle is not subject to Wisconsin sales or use tax because it is for resale.

I. Judicial Sale

Motor vehicles sold under a court order are taxable, including a sale by a trustee in bankruptcy pursuant to the order of a federal bankruptcy court.

J. Sale to Enforce Lien

Motor vehicles sold pursuant to sec. 779.415, Wis. Stats., (tow truck operator selling a motor vehicle to enforce a towing or storage lien) are taxable.

K. Repairs Under Insurance Plan

Receipts from an insurer for repair parts or services performed to satisfy a claim under an insurance plan are subject to Wisconsin sales or use tax.

V. EXEMPT SALES OF TANGIBLE PERSONAL PROPERTY AND ITEMS, PROPERTY, OR GOODS

As mentioned in Part IV., all retail sales and leases of tangible personal property, and the items, property and goods described in Part III.B. to D., are taxable unless specifically exempt by law. An exemption certificate (e.g., Wisconsin Sales and Use Tax Exemption Certificate (Form S-211), or similar document) is required to support the exempt sale. See Part XII.B. for more information on exemption certificates.

The following are examples of transactions or amounts involving motor vehicles which are exempt from sales and use tax (this list is not all-inclusive):

A. Sales for Resale

Sales for resale include motor vehicles sold to dealers who sell them to customers, to leasing companies who lease them, and to organizations who auction them, without making any use of the vehicle in addition to retention, demonstration, or display while holding them for sale or lease.

See Part VIII.B. for information on a motor vehicle dealer's use of a motor vehicle for a purpose in addition to retention, demonstration or display while holding it for sale.

If there is a sale for resale to a Wisconsin dealer or lessor and the motor vehicle is to be registered in Wisconsin, Form e-MV11, *Application For Title/Registration*, must be used to claim the resale exemption. If there is a sale for resale to a Wisconsin dealer and the vehicle is not registered in Wisconsin, the *Wisconsin Sales and Use Tax Exemption Certificate* (Form S-211) or *Streamlined Sales and Use Tax Exemption Certificate* – Wisconsin version (Form-S-211-SST) should be used to claim exemption from Wisconsin sales or use tax.

B. Governmental Units

Sales, licenses, leases, and rentals to the following governmental units are exempt from Wisconsin sales and use taxes:

- The United States, its unincorporated agencies and instrumentalities, and any agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
- The State of Wisconsin or any of its agencies.
- Any federally recognized American Indian tribe or band in Wisconsin.
- The University of Wisconsin Hospitals and Clinics Authority.
- The Wisconsin Aerospace Authority.
- The Health Risk-Sharing Plan Authority.
- The Wisconsin Economic Development Corporation (effective February 24, 2011).
- The Fox River Navigational System Authority.
- Any unit of Wisconsin government or an agency or instrumentality of one or more units of Wisconsin government. This includes any county, city, village, or public school district, in Wisconsin.
- A county-city hospital established under sec. 66.0927, Wis. Stats.
- A sewerage commission organized under sec. 281.43(4), Wis. Stats., or a metropolitan sewerage district organized under secs. 200.01 to 200.15 or 200.21 to 200.65, Wis. Stats.
- A joint water authority created under sec. 66.0823, Wis. Stats.
- Any transit authority created under secs. 59.58(7) or 66.1039, Wis. Stats.
- A local exposition district, professional baseball park district, professional football stadium district, or local cultural arts district, under subchs. II, III, IV, and V of ch. 229, Wis. Stats.
- A local cultural arts district created under Subch. V of Chapter 229, Wis. Stats.

Sellers may obtain from the customer (1) a *Wisconsin Sales and Use Tax Exemption Certificate* (Form S-211) or *Streamlined Sales and Use Tax Exemption Certificate* – Wisconsin version (Form S-211-SST), (2) a purchase order, in lieu of an exemption certificate, or (3) may record the governmental unit's Certificate of Exempt Status (CES) number on the invoice it keeps as part of its records as evidence that the transaction is exempt.

This exemption does not apply to sales that take place in Wisconsin to foreign countries or to other states, their agencies, and other states' local governmental units.

C. Common or Contract Carriers

Sales, licenses, leases, and rentals of motor trucks, truck tractors, road tractors, buses, trailers, and semitrailers, and accessories, attachments, parts, supplies, and materials therefor, sold to common or contract carriers who use such motor trucks, truck-tractors, road tractors, buses, trailers, and semitrailers exclusively as common or contract carriers, including the urban mass transportation of passengers as defined in sec. 71.38, Wis. Stats., are exempt from Wisconsin sales or use tax.

Accessories, attachments, and parts for motor vehicles which are exempt from sales or use tax include the following items if they are assigned to and carried on vehicles which are used exclusively as common or contract carriers: dollies, pianoboards, ladders, walkboards, tire chains, fire extinguishers, flares, bug deflectors, engine block heaters, defroster fans, auxiliary heaters and cooling units, and their fuel, radios, flag kits, including flags and reflectors, items designed to be used with a vehicle which protect or secure the vehicle's load, such as tape, fitted tarpaulins, tarpaulin straps, furniture pads and covers, load holding chains, logistic straps, and shoring beams.

Accessories, attachments, and parts do **not** include: clean towel service, cleaning supplies, wrenches

and repair tools, welding torches and welding gas, battery chargers, grinding discs, and shovels, regardless of whether or not assigned to and carried on vehicles used exclusively as common or contract carriers.

Refer to sec. Tax 11.16(1)(am), Wis. Adm. Code, Appendix D, for the definition of "exclusively" as used in this publication.

Common or contract carriers have an I.C., L.C., or M.C. number issued by the appropriate federal or state agency. They must show this I.C., L.C., or M.C. number in claiming an exemption from sales and use tax on Form MV1, e-MV11, Form S-211, or similar document.

Wrecker operators that have an L.C. number issued by the Transportation Commission may purchase wreckers without tax if they are to be used exclusively in "for hire" common or contract carriage.

D. Tax-Exempt Nonprofit Organizations

Sales, licenses, leases, and rentals to the following nonprofit organizations are exempt from Wisconsin sales and use taxes.

- Any corporation, community chest fund, foundation or association organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, except hospital service insurance corporations under s. 613.80 (2), no part of the net income of which inures to the benefit of any private stockholder, shareholder, member or corporation. Included within this group are nonprofit churches, hospitals, private schools, the Scouts, YMCAs, Red Cross, and Community Chests.

- A cemetery company or corporation described under section 501 (c) (13) of the Internal Revenue Code, if the tangible personal property or taxable services are used exclusively by the cemetery company or corporation for the purposes of the company or corporation.

These organizations are issued a Certificate of Exempt Status (CES) number by the Wisconsin Department of Revenue. To claim the exemption, the CES number must be written on the bill of sale, Form MV1, or Form e-MV11, or supported by a *Wisconsin Sales and Use Tax Exemption Certificate* (Form S-211) or a *Streamlined Sales and Use Tax Exemption Certificate* – Wisconsin version (Form S-211-SST).

The motor vehicle purchased or leased must be registered in the name of the organization, not an individual, for the transaction to be exempt.

E. Motor Fuel for Highway Use

Sales of motor vehicle fuel (e.g., gasoline or diesel) or alternate fuel (e.g., CNG or LPG) subject to the Wisconsin excise tax on highway fuels are not subject to Wisconsin sales or use tax, except when sold without the excise tax or when the excise tax is subsequently refunded because the buyer does not use the fuel in operating a motor vehicle upon public highways.

F. Sales to Nonresidents

Sales, leases, and rentals of motor vehicles or truck bodies (truck bodies include semitrailers) to persons who are not residents of Wisconsin, if use in Wisconsin is limited to removing the motor vehicle or truck body from Wisconsin, are exempt from Wisconsin sales or use tax. If the vehicle is to be used in Wisconsin (e.g., at a vacation home), prior to removal from Wisconsin, the exemption does not apply.

Trailers, other than semitrailers, but including car transport devices such as car caddies, do not qualify for this exemption because they are not motor vehicles or truck bodies.

Retailers should document exemptions from Wisconsin sales or use tax on sales to nonresidents by obtaining an exemption certificate (Form S-211) from the purchaser or completing section "E" of Form e-MV11.

This exemption applies to motor vehicles sold to nonresident corporations. A nonresident corporation is a corporation incorporated outside Wisconsin.

If this exemption does not apply, a credit may be allowed in the state of residence for the Wisconsin

sales or use tax paid. The customer should contact the resident state for more information.

Caution: This exemption applies only to truck bodies and motor vehicles as defined in sec. Tax 11.83(1), Wis. Adm. Code, and does not include boats, snowmobiles, all-terrain vehicles, trailers, or the separate sale of a "slide-in" camper.

G. Purchases Prior to Becoming Wisconsin Resident

An aircraft, motor vehicle, boat, snowmobile, mobile home, trailer, semitrailer, or all-terrain vehicle purchased outside Wisconsin for personal use by a nonresident of Wisconsin 90 days or more before bringing it into Wisconsin, in connection with a change of domicile to Wisconsin, is exempt from Wisconsin use tax.

H. Delivery Outside Wisconsin

Sales of any type of motor vehicle, trailer, car caddie, slide-in camper, etc., are not subject to Wisconsin sales or use tax if delivery is physically made outside of Wisconsin to a nonresident customer or the customer's agent. The item is also exempt if delivery is made by a shipping company at a location outside of Wisconsin, regardless of whether the buyer or the seller hires or pays the shipping company.

I. Driver's Education Vehicles

The loan of a motor vehicle by a motor vehicle dealer to any school or school district for a driver training educational program conducted by the school or school district is not subject to Wisconsin sales or use tax.

J. Volunteer Fire Departments

Sales, leases, and rentals of fire trucks, ambulances, and rescue vehicles and related equipment, and parts and supplies therefor, to volunteer fire departments are exempt from Wisconsin sales or use tax.

K. Native Americans

Sales to Native Americans who live on a Native American reservation, by retailers located either on or off a Native American reservation, are not subject to Wisconsin sales or use tax, if delivery of the motor vehicle occurs on the Native American's tribal reservation. (**Caution**: If a retailer knows the property or service is intended for storage, use, or consumption in Wisconsin, but off the Native American's tribal reservation, the retailer is required to collect sales or use tax on such property or service.)

In order to show that the sale is exempt, the dealer should obtain a *Wisconsin Sales and Use Tax Exemption Certificate* (Form S-211) or *Streamlined Sales and Use Tax Exemption Certificate* - Wisconsin version (Form S-211-SST), signed by the Native American stating that the Native American took possession of the motor vehicle on the reservation of which he or she is an enrolled member.

Note: Sales to any federally recognized American Indian tribe or band in Wisconsin are exempt as explained in Part V.B.

For more information about taxation of Native Americans, refer to Publication 405, *Wisconsin Taxation of Native Americans*.

L. Beneficiaries

A motor vehicle received as a bequest or inheritance from an estate is not subject to Wisconsin sales or use tax. However, the sale of a motor vehicle by a personal representative of an estate is taxable.

M. Repossessions

Repossessions of motor vehicles by a motor vehicle dealer or other person providing financing (e.g. banks), when the only consideration is cancellation of the customer's obligation to pay for the motor vehicle, are not subject to tax. However, the sale of the repossessed motor vehicle is subject to Wisconsin sales or use tax, unless an exemption applies.

N. Federal Banks and Credit Unions

Sales, leases, and rentals to Federal Reserve Banks and federally chartered credit unions are not subject to tax. However, sales, leases, and rentals to state chartered credit unions or other credit unions not federally chartered are taxable.

O. Entity Organizations

The following are not subject to Wisconsin sales or use tax:

1. Transfers to a corporation upon its organization solely in consideration for the issuance of its stock.

2. Transfers to a newly formed partnership solely in exchange for a partnership interest.

3. Transfers to a limited liability company upon its organization solely in consideration for a membership interest.

P. Entity Distributions

The following are not subject to Wisconsin sales or use tax:

1. Distribution of property by a corporation to its stockholders as a dividend or in whole or partial liquidation.

2. Distribution by a partnership to its partners in whole or partial liquidation.

3. The distribution of property by a limited liability company to its members in whole or partial liquidation.

Q. Disregarded Entities

Generally, transfers of motor vehicles between a parent corporation and its single-owner subsidiary or between a member and its single-owner limited liability company, where the subsidiary or the limited liability company is disregarded as a separate entity for Wisconsin income and franchise tax purposes, are not subject to Wisconsin sales or use taxes effective July 1, 2009. As of July 1, 2009, a single-owner subsidiary or single-owner limited liability company that is disregarded as a separate entity for Wisconsin income and franchise tax purposes is also disregarded as a separate entity for Wisconsin sales and use tax purposes. However, exceptions may apply if the motor vehicle being transferred after June 30, 2009 was purchased by the transferor prior to July 1, 2009.

For additional information, see Wisconsin Tax Bulletin # 162 (July 2009) at pages 38-39, Part G.5.

R. Farming

Sales of all-terrain vehicles and trucks not licensed for highway use to farmers for use directly and exclusively in farming are not subject to Wisconsin sales or use tax.

S. School Buses

Sales of school buses are not subject to Wisconsin sales or use tax when used exclusively as common or contract carriers. A school bus is defined as a motor vehicle designed primarily for the transportation of pupils having a seating capacity of 10 or more persons, in addition to the driver. A school bus does not include a motor vehicle registered as an automobile.

T. Occasional Sales

1. Immediate Family

   There is an exemption from tax for the sale of a motor vehicle, snowmobile, recreational vehicle as defined in sec. 340.01(48r), Wis. Stats., trailer, semitrailer, all-terrain vehicle, aircraft registered or titled under the laws of Wisconsin, or boat registered or titled under the laws of Wisconsin or the United States to the spouse, mother, mother-in-law, father, father-in-law, stepparent, child, stepchild, daughter-in-law, or son-in-law of the seller in whose name the item was previously registered in Wisconsin if the seller is not engaged in the business of selling that type of property.

   Caution: A motor vehicle dealer's sale of a motor vehicle to the dealer's spouse, mother, mother-in-law, father, father-in-law, stepparent, child, stepchild, daughter-in-law, or son-in-law is taxable because the dealer is in the business of selling this type of property.

2. Sole Shareholder

   The sale of a motor vehicle to a corporation by a person who is the sole owner of that corporation is exempt from sales or use tax as an

occasional sale if the sole shareholder is not in the business of selling motor vehicles and the motor vehicle was registered or titled in the name of the sole shareholder or the sole shareholder's spouse.

Other transfers between stockholders and the corporation they own are taxable (e.g. the sale of a motor vehicle by a corporation to its sole shareholder), except as provided in Parts V.O., P., and Q.

U. Transfer Incident to Divorce

The transfer of an ownership interest in a motor vehicle, snowmobile, recreational vehicle as defined in sec. 340.01(48r), Wis. Stats., trailer, semitrailer, all-terrain vehicle, or aircraft from one person to their former spouse, pursuant to a divorce decree, with the transfer occurring after the divorce is final (i.e., the persons are no longer legally married to each other), is treated as an exempt occasional sale of the property as described in Part V.T., unless the transferor is a dealer in the type of property transferred.

The transfer of an interest in a motor vehicle, snowmobile, recreational vehicle as defined in sec. 340.01(48r), Wis. Stats., trailer, semitrailer, all-terrain vehicle, or aircraft from one person to their former spouse occurring after the divorce is final (i.e., the persons are no longer legally married to each other), where the transfer is not a part of the divorce decree, is a taxable transfer and cannot qualify as an exempt occasional sale.

V. Manufactured Homes

1. New

A sales and use tax exemption is provided for 35% of the total amount for which a new manufactured home, as defined in sec. 101.91(11), Wis. Stats., is sold.

This exemption only applies to sales, not to leases and rentals.

No credit is allowed for trade-ins.

2. Used

A sales and use tax exemption is also provided for the full amount for which a used manufactured home, as defined in sec. 101.91(12), Wis. Stats., is sold.

See Publication 231: *Sales and Use Tax Treatment of Manufactured and Modular homes*, for additional information about manufactured homes.

W. Repairs Under Extended Warranties or Service Contracts

Receipts from an extended warranty or service contract provider for repair parts or services performed to satisfy a claim under a vehicle manufacturer warranty, extended warranty, or service contract are not subject to Wisconsin sales or use tax.

Caution: Receipts from a customer for a deductible or co-payment for repair parts or services performed to satisfy a claim under a vehicle manufacturer warranty, extended warranty, or service contract are subject to Wisconsin sales or use tax.

X. Mobility-Enhancing Equipment

The sale of adaptive equipment that is primarily and customarily used to provide or increase the ability of a person to move from one place to another; that may be used in a home or motor vehicle; and that is generally not used by a person who has normal mobility, is exempt from Wisconsin sales and use taxes as "mobility-enhancing equipment." The exemption includes repair parts and replacement parts for exempt equipment.

The exemption does not apply to a motor vehicle or any equipment on a motor vehicle that is generally provided by a motor vehicle manufacturer, and also does not apply to products meeting the definition of "durable medical equipment," as defined in sec. 77.51(3pm), Wis. Stats.

See Publication 201, Part XI.B.7., for additional information about mobility-enhancing equipment.

Y. Raffles

Sales of raffle tickets for the chance to win a motor vehicle are not subject to Wisconsin sales or use tax.

See Parts IV.D and V.D. for information on the sales or use tax treatment of the motor vehicle that is raffled.

VI. TAXABLE SALES OF SERVICES

Sales of the following services are subject to Wisconsin sales or use tax, unless an exemption applies (this list is not all-inclusive):

A. Labor

Labor for repair, service, alteration, fitting, cleaning, painting, coating, inspection, and maintenance performed on a motor vehicle is subject to Wisconsin sales or use tax. Also subject to tax is labor for installation of accessories or attachments to motor vehicles, such as a radio or air conditioner.

Example: Individual locked his keys in his motor vehicle. Company, a locksmith, unlocks the motor vehicle for Individual. The charge by Company to Individual is subject to Wisconsin sales or use tax.

B. Towing and Hauling

The entire charge for towing or hauling a motor vehicle by a tow truck, as defined by sec. 340.01(67n), Wis. Stats., into Wisconsin is taxable, but towing or hauling a motor vehicle from Wisconsin to an out-of-state location is not taxable. Towing or hauling a motor vehicle for an automobile club or service agency, such as the AAA, is taxable to the same extent as towing for any other customer.

Section 340.01(67n), Wis. Stats., defines "tow truck" to mean a motor vehicle that is equipped with mechanical or hydraulic lifting devices or winches capable of, and used for, the recovery or transport or both of wrecked, disabled, abandoned, used or replacement vehicles.

Other examples of taxable servicing of a motor vehicle by tow truck operators include: (a) returning a truck or other motor vehicle to an upright position after it has tipped over, (b) winching a motor vehicle back on a highway, and (c) freeing a truck from a "Low Clearance" overhead structure.

The following examples illustrate the sales and use tax treatment of towing and hauling by a tow truck:

Example 1: Company operates a service station that offers towing service. Company is contacted by Individual who indicates that his motor vehicle will not start. Company tows Individual's motor vehicle to its service station and repairs the motor vehicle. Company charges $30 for towing services provided.

The towing charge is subject to Wisconsin sales or use tax.

Example 2: Company provides towing services. Company does not provide repair services. Company is contacted by Individual who indicates that her motor vehicle will not start. Company tows the motor vehicle to Company, a service station, who will repair Individual's motor vehicle. Company charges Individual $30 for the towing services provided.

The towing charge is subject to Wisconsin sales or use tax.

Example 3: Company, a towing company, has contracted with a Wisconsin county to haul vehicles abandoned or damaged on the county highways. The county contacts Company and indicates that a vehicle has been abandoned on a highway. Company hauls the vehicle to its location until the owner is located and picks up the motor vehicle. The motor vehicle may or may not require repair. The owner of the motor vehicle pays Company $40 for the hauling services provided.

The $40 hauling charge is subject to Wisconsin sales or use tax.

Example 4: Company, a towing company, has contracted with a Wisconsin city to remove motor vehicles from "no parking" zones. Company hauls the motor vehicle to the city garage. Company bills the city on a monthly basis for the hauling services it provides. The owner of the motor vehicle pays a $50 fine and/or a hauling charge to the city and is allowed to claim his or her motor vehicle.

The city does not resell the hauling service to the owners of hauled motor vehicles. The city is the consumer of the hauling service. However, the hauling charge by Company to the city is not subject to Wisconsin sales or use tax because it is a sale to a Wisconsin governmental unit.

Example 5: Company operates a service station. Company is contacted by an insurance company to tow a damaged motor vehicle to Company's service station and repair the motor vehicle. Company charges the insurance company $45 for the towing service provided.

The $45 towing charge is subject to Wisconsin sales or use tax.

Example 6: Company is a towing service provider. Company is contacted by an insurance company to tow a damaged motor vehicle to a salvage yard for disposal. Company charges the insurance company $45 for the towing service provided.

The $45 towing charge is subject to Wisconsin sales or use tax.

Example 7: Company operates a service station. Company is contacted by Common Carrier to tow truck, which is used exclusively and directly in common carriage for hire, to the service station and repair the truck. Company charges Common Carrier $100 for towing service provided.

The $100 towing charge is not subject to Wisconsin sales or use tax because at the time the truck is towed, if sold, it would have been exempt from Wisconsin sales or use tax. Motor trucks sold to common or contract carriers who use the trucks exclusively as common or contract carriers are exempt from Wisconsin sales or use tax. Company should obtain a properly completed exemption certificate from Common Carrier.

Example 8: Company provides towing service. Company is contacted by Individual, a nonresident of Wisconsin, to tow her damaged motor vehicle to a salvage yard in Wisconsin for disposal. Company charges Individual $30 to tow the motor vehicle.

The $30 towing charge is subject to Wisconsin sales or use tax. Although the motor vehicle at the time of towing is exempt from Wisconsin tax if sold for immediate removal from Wisconsin, sec. 77.52(2)(a)8m, Wis. Stats., specifically excludes from exemption towing and hauling of motor vehicles exempt from sales and use tax under sec. 77.54(5)(a), Wis. Stats.

Example 9: Company J provides towing services. Company J does not provide repair services. Company J is contacted by Individual who indicates that his motor vehicle will not start. Company J tows the motor vehicle to Company K, a service station, who will repair Individual's motor vehicle. Company J charges Company K $30 for the towing services provided. Company charges Individual $40 for the towing service provided.

The $40 towing charge by Company K to Individual is subject to Wisconsin sales or use tax. The $30 charge for towing by Company J to Company K is not subject to Wisconsin sales or use tax, provided Company K gives Company J a properly completed exemption certificate claiming resale.

C. Parking

Charges for parking a motor vehicle are subject to Wisconsin sales or use tax. Parking includes the temporary storage of a motor vehicle that is available for immediate use.

Example 1: Company repairs Individual's motor vehicle. Individual is unable to pick up the vehicle for a week. Company charges Individual $30 for "storing" his motor vehicle until it can be picked up. Because the motor vehicle is available for immediate use upon repair of the motor vehicle, the $30 charge by Company is considered a charge for parking and is subject to Wisconsin sales tax.

Example 2: Company tows Individual's motor vehicle to its repair shop. The vehicle is damaged and cannot be driven. Company charges Individual $20 for "storing" the vehicle until Individual's insurance company can estimate the cost of the damage and approve repairs. Because the motor vehicle is not available for immediate use, the $20 charge by Company is not considered a charge for parking and is not subject to Wisconsin sales tax.

VII. SALES OF SERVICES NOT SUBJECT TO TAX

A. Repairs, Etc. of Exempt Tangible Personal Property

The repair, service, alteration, fitting, cleaning, towing, painting, coating, inspection, and maintenance performed on a motor vehicle is not subject to Wisconsin sales or use tax provided the motor vehicle, if sold at the time of the repair, service, etc., would have been exempt from tax.

Exception: The repair, service, alteration, fitting, cleaning, towing, painting, coating, inspection, and maintenance performed on a motor vehicle or truck body that was exempt from Wisconsin sales or use tax because the item was purchased by a nonresident, where the only use in Wisconsin is the removal from Wisconsin, is subject to Wisconsin sales or use tax.

Example 1: Company, a motor vehicle dealer, takes several of the motor vehicles it holds for resale to a car wash to be cleaned. The charge by the car wash is not subject to Wisconsin sales or use tax because at the time the motor vehicles are washed, they would be exempt from tax (resale). Company should provide the car wash with a properly completed exemption certificate claiming resale.

Example 2: Company, a motor vehicle dealer, repairs a truck for a common carrier who uses the vehicle exclusively in common carriage for hire. The charge by the motor vehicle dealer for repairing the truck is not subject to Wisconsin sales or use tax because at the time of the repair, the truck, if sold, would have been exempt from Wisconsin sales or use tax.

Example 3: Company, a service station, repairs the motor vehicle of a nonresident of Wisconsin. The charge by the service station for repairing the motor vehicle is subject to Wisconsin sales or use tax.

B. Limousine Service

Limousine service, which includes the use of a limousine with a driver, is a transportation service that is not subject to Wisconsin sales or use tax.

Example: Corporation provides a limousine with driver to the general public. Corporation charges the customer either $40 per hour or a flat fee for a given destination (e.g., $115 for a trip from Milwaukee to O'Hare Airport in Chicago). The $40 charge per hour and the $115 flat fee are not subject to Wisconsin sales or use tax.

Caution: Although not subject to Wisconsin sales or use tax, charges for limousine service may be subject to the Wisconsin limousine fee. For more information, see Part XI.D.

VIII. PURCHASES

A. Parts and Supplies

1. General

Persons engaged in motor vehicle repair, including body shops, may purchase for resale without tax, tangible personal property which is physically transferred to the customer's vehicle and which leaves the repair facility with the repaired vehicle. Such property includes paints, paint hardeners, plastic fillers, welding rods, and motor vehicle parts.

Purchases of tangible personal property not physically transferred to a customer or attached to a customer's motor vehicle are subject to tax. Such property includes tools, equipment, and supplies used or consumed in performing motor vehicle repair service. Examples of taxable supplies include: sandpaper, masking paper and tape, buffing pads, paint and lacquer thinner, clean and glaze compound, disc pads, paint remover, paint masks, tack rags, steel wool, industrial gases, metal conditioner, brushes, lacquer removing solvent, rubbing compound, wax and grease remover, fluxing materials, disc adhesive, and all other items not physically transferred to the customer's motor vehicle.

The purchaser is subject to use tax on any items acquired without tax with an exemption certificate claiming resale which are used in a taxable manner. Therefore, parts purchased without tax for resale which are installed on service vehicles (e.g., parts trucks, etc.) are subject to use tax.

Note: Parts installed on a vehicle used solely for rental are not subject to Wisconsin sales or use tax because the rental vehicle is property for resale.

2. Separately Stated Supply Charges

All businesses have certain overhead costs and expenses, including various supplies they consume in conducting their business, such as electricity, heating fuel, cleaning supplies, etc. The business is the consumer of all such supplies and must pay sales or use tax on these supplies even if these costs are passed on to the customer.

Example: A body shop on its invoice to a customer includes an item called "supplies charge" which is intended to cover the body shop's overhead costs. Even though the "supplies charge" to the customer may be subject to sales or use tax, the supplies are not resold to the customer and may not be purchased by the body shop without payment of sales or use tax as property for resale.

3. Goodwill Work

A retailer who provides free parts or services or both to a customer under an implied warranty in order to maintain good customer relations, although not required to do so under a sales agreement, maintenance agreement, express warranty, or insurance policy, may purchase the parts without Wisconsin sales or use tax as property for resale.

Example 1: Customer, a resident of Wisconsin, purchased a motor vehicle from a Wisconsin dealership. The dealership charged Wisconsin sales tax on the sale of the motor vehicle. Customer brought the motor vehicle to the dealership for repairs that were not covered under any express warranty. While performing the repairs, a part is damaged. The dealership, as a matter of goodwill under an implied warranty, provides the part free of charge to Customer. The dealership may purchase the part provided free to Customer without Wisconsin sales or use tax as property for resale.

Example 2: Company, a used motor vehicle dealership, sold a used motor vehicle to Individual. The used motor vehicle display label contained the terms "As Is – No Warranty." Company and Individual did not negotiate a warranty (express or implied) with the sale of the used motor vehicle. At a later date, Individual finds a defect in the motor vehicle he purchased and returns the motor vehicle to Company for repair. Company repairs the motor vehicle without charge in order to maintain good customer relations with Individual. Company may not purchase the parts used to repair Individual's motor vehicle without Wisconsin sales or use tax as property for resale since the parts were not sold or supplied under a warranty or service contract (express or implied).

B. Dealer's Use of Motor Vehicles

A motor vehicle dealer is entitled to purchase motor vehicles for resale, lease, or rental without payment of the sales tax. The dealer may use the motor vehicle for retention, demonstration, or display without becoming liable for the sales tax or use tax. However, if the motor vehicle is used for "purposes in addition to retention, demonstration, or display," the dealer becomes liable for the payment of use tax. "Purposes other than demonstration or display" includes business use as well as personal use. It includes such use as running errands for parts and supplies, salesperson transportation, and owner, partner, or officer transportation.

The amount subject to use tax on motor vehicles purchased and used by a dealer for any purpose, in addition to retention, demonstration, or display, is as follows:

1. *Motor vehicles held for sale and assigned to (a) specific dealer employees subject to withholding of federal income taxes on wages or (b) owners who actively participate in the daily operation of the dealership*

The amount subject to use tax per month per plate (regular or dealer) is as follows for the periods listed:

1/1/14 – 12/31/14	$ 149
1/1/13 – 12/31/13	$ 146
1/1/12 - 12/31/12	$ 144
1/1/11 – 12/31/11	$ 139
1/1/10 - 12/31/10	$ 138
1/1/09 - 12/31/09	$ 140

The department annually adjusts the amount subject to tax to the nearest whole dollar to reflect the annual percentage change in the U.S. Consumer Price Index for All Urban Customers, U.S. City Average, as determined by the U.S. Department of Labor, for the 12 months ending on June 30 of the year before the change.

Examples of motor vehicles subject to use tax based on an amount per plate per month include (this list is not all-inclusive):

- Automobiles assigned to salespersons who use the automobiles for personal travel (e.g., travel to and from home)
- Automobiles assigned to the controller or other employees subject to withholding for federal income tax purposes who use the automobiles for personal travel (e.g., travel to and from home)
- Automobiles assigned to sole proprietors, partners, shareholders, LLC members, or other owners of a dealership who actively participate in the daily operation of the dealership and use the automobiles for personal travel (e.g., travel to and from home)

  "Actively participate" means the person performs services for the dealership, including selling, accounting, managing, and consulting, for more than 500 hours in a taxable year for which the person receives compensation. "Actively participate" does not include services performed only in the capacity of an investor, including studying and reviewing financial statements or reports on the operation of the business, preparing or compiling summaries or analyses of the finances of the business for the investor's own use, or monitoring the finances or operations of the activity in a nonmanagerial capacity.

Note: Motor vehicles not subject to use tax (i.e., there is no sales tax due on a dealer plate affixed to the vehicle) include the following:

- Motor vehicles used only as demonstrators for customers
- Motor vehicles that are driven to and from auctions and that are held only for sale
- Motor vehicles provided by a dealer to customers without charge for use while their motor vehicle is being serviced or repaired by the dealer

Example: A motor vehicle dealer holds a dealer plate that it uses only on motor vehicles it drives to auction to sell. Use tax is not due.

2. *Motor vehicles held for sale and not assigned to specific dealer employees subject to withholding for federal income tax purposes on wages or certain dealership owners*

   The amount subject to tax is the "lease value" of the motor vehicle for the period the motor vehicle is used by the dealer for any purpose, in addition to retention, demonstration, or display. The "lease value" is computed using the IRS Lease Value Table contained in IRS Reg. § 1.61-21(d)(2).

   See Appendix J for a copy of the IRS Lease Value Table in effect as of November 1, 2000.

   Examples of motor vehicles subject to use tax based on amounts from the IRS Lease Value Table include (this list is not all-inclusive):

   - Motor vehicles used to transport customers (e.g., courtesy shuttle)

- Motor vehicles assigned to owners of a dealership who do not actively participate in the daily operation of the dealership. See Part VIII.B.1. for a definition of "actively participate"
- Motor vehicles used by spouses or family members of the dealer who are not (a) dealer employees subject to withholding for federal income tax purposes or (b) owners who actively participate in the daily operation of the dealership
- Motor vehicles assigned to officers and directors of the dealer who are not subject to withholding for federal income tax purposes
- Motor vehicles provided by a dealer to municipalities and nonprofit organizations who use them for community service projects (e.g., DARE)
- Motor vehicles provided to athletic coaches, celebrities, and other dignitaries without charge for their use

If the motor vehicle is used for a purpose, in addition to retention, demonstration, or display, for a period of less than one calendar month, the lease value may be prorated to reflect the period it was used during the calendar month.

Example: Dealer removes a new vehicle from inventory on February 1, 2013, that it will use as a courtesy shuttle for customers. The purchase price of the vehicle to the dealer was $12,000. Using the federal lease value tables, Dealer computes a monthly lease value of $300 ($3,600 annual lease value ÷ 12 months). At the end of the business day on February 15, Dealer returns the vehicle to inventory for sale. Dealer owes Wisconsin use tax on the vehicle of $8.05 ($300 monthly lease value x 15/28 (or $161) x 5%).

3. *Motor vehicles not held for sale which are properly capitalized for income or franchise tax purposes*

   The amount subject to use tax is the sales price of the motor vehicle to the dealer.

   Examples of motor vehicles subject to use tax based on the sales price to the dealer include (this list is not all-inclusive):

   - Tow trucks not held for sale
   - Parts trucks not held for sale
   - Motor vehicles not held for sale used to haul other vehicles to and from auctions
   - Snow plows not held for sale
   - Antique vehicles not held for sale (e.g. held for promotional purposes)
   - New motor vehicles purchased by used motor vehicle dealers that may not be held for sale until after certain Department of Transportation requirements have been met

C. Mixed Use Vehicles

Some motor vehicle dealerships may use motor vehicles in more than one manner. For example, a motor vehicle may be used as both a service rental and to pick up parts, mail, etc.

A vehicle used to pick up parts, mail, etc., that is held for sale is required to be licensed in the dealer's name and the dealer must pay use tax on the lease value, as described in Part VIII.B.2, while used to pick up parts, mail, etc.

A service rental vehicle used exclusively for rental may be purchased by the dealership as property for resale since the rental of a motor vehicle is considered to be a continuing sale. The dealer reports sales tax on the receipts from the rental of the motor vehicle.

If a motor vehicle is used both as a service rental and to pick up parts, mail, etc., the lease value, as described in Part VIII.B.2., for the time the motor vehicle is used to pick up parts, mail, etc., is subject

to use tax. Any receipts from the rental of that same motor vehicle are subject to sales tax. The use tax paid on the lease value of the motor vehicle may not be used to offset sales tax due on the rental receipts.

Example: Company, a Wisconsin licensed motor vehicle dealer, purchases a vehicle for $12,000 without tax for resale. Company uses the vehicle for 40% of the month to pick up parts, mail, etc., and 60% of the month as a service rental. Receipts from the rental of the motor vehicle during the month are $400.

Company will report state sales and use tax relating to this vehicle for the month as follows:

Sales tax on rental receipts ($400 receipts x 5% tax rate)	$20
Use tax on lease value [($3,600 annual lease value ÷ 12 months) x 40% taxable use x 5% tax rate]	$ 6
Total sales and use tax relating to vehicle for the month	$26

D. Donation of Property

There is an exemption for any of the items described in Part III.A., B., C., or D. that is either (1) purchased without tax for resale and withdrawn from inventory; or (2) purchased without tax claiming an exemption from tax using a valid exemption certificate; and that is then donated to any of the following entities:

- The State of Wisconsin or any of its agencies.
- Any federally recognized American Indian tribe or band in Wisconsin.
- The University of Wisconsin Hospitals and Clinics Authority.
- The Wisconsin Aerospace Authority.
- The Health Risk-Sharing Plan Authority.
- The Wisconsin Economic Development Corporation (effective February 24, 2011).
- The Fox River Navigational System Authority.
- Any unit of Wisconsin government or an agency or instrumentality of one or more units of Wisconsin government. This includes any county, city, village, or public school district, in Wisconsin.
- A county-city hospital established under sec. 66.0927, Wis. Stats.
- A sewerage commission organized under sec. 281.43(4), Wis. Stats., or a metropolitan sewerage district organized under secs. 200.01 to 200.15 or 200.21 to 200.65, Wis. Stats.
- A joint water authority created under sec. 66.0823, Wis. Stats.
- Any transit authority created under secs. 59.58(7) or 66.1039, Wis. Stats.
- A local exposition district, professional baseball park district, professional football stadium district, or local cultural arts district, under subchs. II, III, IV, and V of ch. 229, Wis. Stats.
- Any corporation, community chest fund, foundation or association organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, except hospital service insurance corporations under s. 613.80 (2), no part of the net income of which inures to the benefit of any private stockholder, shareholder, member or corporation.
- A cemetery company or corporation described under section 501 (c) (13) of the Internal Revenue Code, if the tangible personal property or taxable services are used exclusively by the cemetery company or corporation for the purposes of the company or corporation.

IX. WHEN AND WHERE A SALE OCCURS

A. When a Sale Occurs

1. A sale or purchase involving transfer of ownership of the property or item listed in Part III.A.,

B., and C., is completed at the time when possession is transferred by the seller or the seller's agent to the buyer or the buyer's agent. A common carrier or the U.S. Postal Service is considered to be the agent of a seller, regardless of any f.o.b. point and regardless of the method by which the freight is paid.

2. Except when purchased by "subscription," a sale or purchase of a digital good listed in Part III.D., is completed at the time when possession is transferred by the seller or the seller's agent to the purchaser or the purchaser's agent or when the digital good is first used, whichever comes first.

3. A sale or purchase of a digital good sold by "subscription" is completed at the time when the payment for the subscription is due to the seller. "Subscription" means an agreement with the seller that grants the consumer the right to obtain products transferred electronically from within one or more product categories having the same tax treatment, in a fixed quantity or for a fixed period of time, or both.

B. Where a Sale Occurs

Note: As used in Parts IX.B.1. to 4., below, the term "product" includes property, items, and goods described in Part III.A. to D. and services.

1. A sale (but not a license, lease, or rental) occurs at (i.e., is sourced to) the location determined using the following hierarchy:

   a. If a purchaser receives the product at a seller's business location, the sale is sourced to that business location.

   b. If a purchaser does not receive the product at a seller's business location, the sale is sourced to the location where the purchaser, or the purchaser's designated donee, receives the product, including the location indicated by the instructions known to the seller for delivery to the purchaser or the purchaser's designated donee.

   c. If the location of a sale of a product cannot be determined under a. and b., the sale is sourced to the purchaser's address as indicated by the seller's business records, if the records are maintained in the ordinary course of the seller's business and if using that address to establish the location of a sale is not in bad faith.

   d. If the location of a sale of a product cannot be determined under a. to c., the sale is sourced to the purchaser's address as obtained during the consummation of the sale, including the address indicated on the purchaser's payment instrument, if no other address is available and if using that address is not in bad faith.

   e. If the location of a sale of a product cannot be determined under a. to d., including the circumstance in which the seller has insufficient information to determine the locations under a. to d., the location of the sale is determined as follows:

      (1) If the property or item is described in Part II.A., B., or C., the sale is sourced to the location from which the property or item is shipped.

      (2) If the item sold is a good described in Part III.D. or computer software delivered electronically, the sale is sourced to the location from which the digital good or computer software was first available for transmission by the seller, not including any location that merely provided the digital transfer of the product sold.

      (3) If a service is sold, the sale is sourced to the location from which the service was provided.

2. Except as provided in 3. and 4., with regard to the first or only payment on the lease or rental, the lease or rental of property, items, and goods is sourced to the location determined under Part IX.B.1. Subsequent periodic payments on the lease or rental are sourced to the property's, item's, or good's primary location as indicated by an address for the property, item, or good that is provided by the lessee and that is availa-

ble to the lessor in records that the lessor maintains in the ordinary course of the lessor's business, if the use of such an address does not constitute bad faith. The location of a lease or rental as determined under this paragraph shall not be altered by any intermittent use of the property, item, or good at different locations.

3. The lease or rental of motor vehicles, trailers, semitrailers, and aircraft, that are not transportation equipment, is sourced to the primary location of such motor vehicles, trailers, semitrailers, or aircraft as indicated by an address for the property that is provided by the lessee and that is available to the lessor in records that the lessor maintains in the ordinary course of the lessor's business, if the use of such an address does not constitute bad faith, except that a lease or rental under this paragraph that requires only one payment is sourced to the location determined under Part IX.B.1. The location of a lease or rental as determined under this paragraph shall not be altered by any intermittent use of the property at different locations.

4. The lease or rental of transportation equipment is sourced to the location determined under Part IX.B.1.

"Receive" means taking possession of tangible personal property, or items or property described in Part III.B. or C.; taking possession or making first use of a digital good described in Part III.D., whichever comes first, or making first use of services. "Receive" does not include a shipping company taking possession of any tangible personal property, or items or property described in Parts III.B. or C., on a purchaser's behalf.

"Transportation equipment" means any of the following:

- Locomotives and railcars that are used to carry persons or property in interstate commerce.

- Trucks and truck tractors that have a gross vehicle weight rating of 10,001 pounds or greater, trailers, semitrailers, and passenger buses, if such vehicles are registered under the International Registration Plan under s. 341.405 and operated under the authority of a carrier that is authorized by the federal government to carry persons or property in interstate commerce.

- Aircraft that are operated by air carriers that are authorized by the federal government or a foreign authority to carry persons or property in interstate or foreign commerce.

- Containers that are designed for use on locomotives and railcars, trucks and truck tractors, trailers and semitrailers, passenger buses, and aircraft that are "transportation equipment" and component parts attached to or secured on such vehicles.

A license of tangible personal property, or items, property or goods shall be treated as a lease or rental of such property, items, or goods, as explained in Part IX.B.2. to 4.

Note: Additional special sourcing rules apply to sales of telecommunications services and sales by "retail florists." See secs. Tax 11.66(3) and 11.945(5), Wis. Adm. Code, for additional information.

X. COUNTY AND STADIUM SALES AND USE TAXES

A. Motor Vehicles, Boats, Recreational Vehicles, and Aircraft

In general, sales of property, items, goods, and taxable services that take place at (i.e., are sourced to) a location in Wisconsin, as explained in Part IX., are subject to county and baseball or football stadium sales or use taxes if the sale is sourced to a county that has imposed a county sales and use tax or to a county that is in the baseball or football stadium district. Any retailer who holds or is required to hold a Wisconsin seller's permit or use tax registration certificate is liable for the applicable county and stadium district sales or use tax in addition to the state sales or use tax.

However, county and stadium district *sales* taxes are not imposed on the sale of motor vehicles, boats, recreational vehicles as defined in sec. 340.01(48r), Wis. Stats., and aircraft, if that property must be registered or titled with the state of Wisconsin. Rather, the motor vehicle, boat, recreational vehicle as defined in sec. 340.01(48r), Wis. Stats., or aircraft that must be registered or titled with State of Wisconsin is subject to

county and stadium district *use* taxes, based on the county in which such property will be customarily kept.

Example 1: Individual, a resident of Milwaukee County, purchases a new motor vehicle from Dealer, located in Kenosha County. Kenosha County imposes a county sales and use tax, but is not within either the baseball or football stadium district. Individual takes possession of the vehicle at Dealer's location in Kenosha County. Individual is required to register and title the motor vehicle with the State of Wisconsin. Individual will customarily keep the vehicle in Milwaukee County.

Kenosha County sales tax does not apply to this transaction, even though the sale takes place at (i.e., is sourced to) a location in Kenosha County, since the item sold is a motor vehicle that is required to be registered or titled with the State of Wisconsin. Rather, county and stadium district use taxes will apply based on the location in which the motor vehicle will be customarily kept. Milwaukee County imposes a county use tax, and Milwaukee County is within the baseball stadium district. Therefore, Dealer must collect and remit the 0.5% Milwaukee County use tax and the 0.1% baseball stadium district use tax, in addition to the 5.0% Wisconsin state sales tax, relating to its sale of the motor vehicle to Individual.

Example 2: Company, a landscape contractor located in Monroe County and holding a Wisconsin seller's permit, sells one of its used pickup trucks for $10,000 and a used chainsaw for $100, to Individual. Individual is required to register and title the pickup truck with the State of Wisconsin. Individual receives possession of the truck and chainsaw in Monroe County. Individual will customarily keep the pickup truck in Brown County.

Company is required to collect and remit the 0.5% Monroe County sales tax on its receipts from the sale of the chain saw to Individual, in addition to the 5.0% Wisconsin state sales tax. Company is required to collect the 0.5% football stadium district use tax, in addition to the 5.0% Wisconsin state sales tax, relating to its sale of the used pickup truck to Individual. No Monroe County sales tax applies to the sale of the pickup truck, since this is a sale of a motor vehicle required to be registered or titled with the State of Wisconsin. No county use tax applies relating to the sale of the pickup truck, since Brown County, where the pickup truck will be customarily kept, does not impose county sales and use tax.

B. Snowmobiles, Trailers, Semitrailers, and All-Terrain Vehicles

In general, sales of tangible personal property, items, property, and goods described in Part III.B. to D., and taxable services that take place in (i.e., are sourced to) a location in Wisconsin, as explained in Part IX., are subject to county and/or baseball or football stadium sales or use taxes if the sale takes place in (i.e., is sourced to) a county that has imposed a county sales and use tax and/or to a county that is a part of the baseball or football stadium district. Any retailer who holds or is required to hold a Wisconsin seller's permit or use tax registration certificate is liable for the applicable county and stadium district sales or use tax in addition to the state sales or use tax.

When a sale takes place in a county that has not imposed a county sales and use tax or occurs in a county that is not part of the baseball or football stadium districts, no county or stadium district sales or use taxes apply, with one exception. If the property being sold is a snowmobile, trailer, semitrailer, or all-terrain vehicle, the purchaser is subject to a county use tax and/or the baseball or football stadium district use tax, if the snowmobile, trailer, semitrailer, or all-terrain vehicle will be stored, used, or consumed by the purchaser in a county that has imposed a county sales and use tax and/or in the baseball or football stadium district.

C. Sales By Persons Not Holding and Not Required to Hold a Seller's Permit or Use Tax Registration Certificate

1. In the case of a sale of a motor vehicle, boat, recreational vehicle as defined in sec. 340.01(48r), Wis. Stats., or aircraft by a person who does not hold and is not required to hold a Wisconsin seller's permit or use tax registration certificate, no tax will be collected by the seller at the time of sale. Rather, the person purchasing the motor vehicle, boat, recreational vehicle as defined in sec. 340.01(48r), Wis. Stats., or aircraft must pay the applicable Wisconsin state, county and stadium use taxes prior to registering or titling the item in Wisconsin. The applicable county and stadium use taxes apply as explained in Part X.A.
2. In the case of a sale of a snowmobile, trailer, semitrailer, or all-terrain vehicle by a person who does not hold and is not required to hold a

Wisconsin seller's permit or use tax registration certificate, no tax will be collected by the seller at the time of sale. Rather, the person purchasing the snowmobile, trailer, semitrailer, or all-terrain vehicle must pay the applicable Wisconsin state, county and stadium use taxes prior to registering or titling the item in Wisconsin. The applicable county and stadium use taxes apply as explained in Part X.B.

Listed below are the 62 counties that have adopted the 0.5% county tax as of January 1, 2014, and the effective date for each county's tax.

Counties With County Tax

County	Effective Date	County	Effective Date
Adams (01)	1/1/94	Lincoln (35)	4/1/87
Ashland (02)	4/1/88	Marathon (37)	4/1/87
Barron (03)	4/1/86	Marinette (38)	10/1/01
Bayfield (04)	4/1/91	Marquette (39)	4/1/89
Buffalo (06)	4/1/87	Milwaukee (40)	4/1/91
Burnett (07)	4/1/89	Monroe (41)	4/1/90
Chippewa (09)	4/1/91	Oconto (42)	7/1/94
Clark (10)	1/1/09	Oneida (43)	4/1/87
Columbia (11)	4/1/89	Ozaukee (45)	4/1/91
Crawford (12)	4/1/91	Pepin (46)	4/1/91
Dane (13)	4/1/91	Pierce (47)	4/1/88
Dodge (14)	4/1/94	Polk (48)	4/1/88
Door (15)	4/1/88	Portage (49)	4/1/89
Douglas (16)	4/1/91	Price (50)	1/1/93
Dunn (17)	4/1/86	Richland (52)	4/1/89
Eau Claire (18)	1/1/99	Rock (53)	4/1/07
Florence (19)	7/1/06	Rusk (54)	4/1/87
Fond du Lac (20)	4/1/10	St. Croix (55)	4/1/87
Forest (21)	4/1/95	Sauk (56)	4/1/92
Grant (22)	4/1/02	Sawyer (57)	4/1/87
Green (23)	1/1/03	Shawano (58)	4/1/90
Green Lake (24)	7/1/99	Taylor (60)	7/1/99
Iowa (25)	4/1/87	Trempealeau (61)	10/1/95
Iron (26)	4/1/91	Vernon (62)	1/1/97
Jackson (27)	4/1/87	Vilas (63)	4/1/88
Jefferson (28)	4/1/91	Walworth (64)	4/1/87
Juneau (29)	4/1/92	Washburn (65)	4/1/91
Kenosha (30)	4/1/91	Washington (66)	1/1/99
LaCrosse (32)	4/1/90	Waupaca (68)	4/1/89
Lafayette (33)	4/1/01	Waushara (69)	4/1/90
Langlade (34)	4/1/88	Wood (71)	1/1/04

You will be notified in the *Sales and Use Tax Report*, which is sent to all registered retailers, whether there are any changes to counties that have adopted the county tax.

XI. OTHER

A. Credit for Tax Paid in Another State

1. Credit allowed

If a motor vehicle is purchased outside Wisconsin, a credit is allowed against the combined Wisconsin state and local use taxes due for the combined state and local sales or use taxes legally owed and paid to another state or the District of Columbia. The amount of the credit may not exceed the combined Wisconsin state and local use taxes due.

Example 1: Individual is a resident of Wisconsin. Individual purchased a motor vehicle in another state for $10,000 and properly paid state and local sales taxes of $500 to the other state in which the vehicle was purchased. Individual will customarily keep the motor vehicle in Burnett County. Wisconsin state and county use taxes imposed are $550 ($10,000 X 5.5%). Individual may claim a credit of $500 for state and local sales taxes paid to another state, leaving a net use tax liability of $50. The $50 liability is allocated as follows: Wisconsin state use tax of $45.45 ($50 X (.050/.055)), Burnett County use tax of $4.55 ($50 X (.005/.055)).

Example 2: Assume the facts as in Example 1, except that the combined state and local sales tax paid to the other state is $650. Since the combined state and local sales taxes paid to the other state equals or exceeds the combined Wisconsin state and local use taxes imposed, the net Wisconsin state and local use taxes due are $0. The credit allowed for sales or use taxes paid to another state cannot exceed the amount of the Wisconsin state and local use taxes imposed.

2. Credit not allowed

Credit is not allowed for taxes paid to another country.

B. Refunds Under "Lemon Law"

The law governing repair, replacement, and refund under a new motor vehicle warranty, commonly called the "lemon law," allows a consumer to return

a motor vehicle to its manufacturer for a refund of all or a portion of the purchase price, if the motor vehicle has certain conditions or defects which remain after a reasonable attempt to repair the motor vehicle. The "lemon law" also allows a consumer to recover the sales tax from the manufacturer for a contract to purchase entered into on or after April 22, 1986, or to collect a sales tax refund directly from the Department of Revenue whenever the manufacturer fails to refund the sales tax.

C. Rental Vehicle Fee

1. General

A 5% fee is imposed on the rental of the following vehicles in Wisconsin for a period of 30 days or less by establishments primarily engaged in the short-term rental of vehicles without drivers:

- Type 1 automobiles – Motor vehicles designed and used primarily for carrying persons but which do not come within the definition of motor bus, motor cycle, moped, or motor bicycle, under sec. 340.01, Wis. Stats.

- Recreational vehicle - A vehicle that is designed to be towed upon a highway by a motor vehicle, that is equipped and used, or intended to be used, primarily for temporary or recreational human habitation, that has walls of rigid construction, and that does not exceed 45 feet in length.

- Motor homes – Motor vehicles designed to be operated upon a highway for use as a temporary or recreational dwellings and having the same internal characteristics and equipment as a mobile home.

- Camping trailers – Vehicles with a collapsible or folding structure designed for human habitation and towed upon a highway by a motor vehicle.

A rental is in Wisconsin if the lessee takes possession of the motor vehicle from the lessor in Wisconsin.

An "establishment primarily engaged in the short-term rental of vehicles without drivers" is a business location whose primary business is the rental of vehicles for periods of 30 days or less. A location's primary business may be determined by comparing the gross receipts from each activity at a location for the previous taxable year (e.g., sales, service, rentals, etc.) to the total gross receipts at that location for the previous taxable year. The activity with the greatest percentage of gross receipts is the primary business.

Example: Company A has two locations. At one location, Company A operates a motor vehicle dealership. At the other location, Company A operates a rental car business, only renting Type 1 automobiles for periods of 30 days or less. The percentages of total gross receipts for the previous taxable year at the motor vehicle dealership are as follows: Sales (45%), services (35%), rentals of Type 1 automobiles for 30 days or less (10%), and rentals of vehicles for more than 30 days (10%).

Since the motor vehicle dealership location's primary business is sales, it is not an "establishment engaged primarily in the short-term rental of vehicles." Therefore, taxable receipts from rentals of vehicles for 30 days or less at that location are not subject to the 5% rental vehicle fee. Taxable receipts from rentals of vehicles at its rental car business location are subject to the 5% rental vehicle fee.

The amount the lessor is required to collect from the purchaser for the 5% state vehicle rental fee is **not** included as part of the receipts from the rental that are subject to Wisconsin sales and use tax.

Example: Company, located in LaCrosse, rents to Customer an automobile for one week. The rental is $200 plus taxes and fees. The total charge to Customer is as follows:

Rental charge	$200.00
Sales Tax (5.5% x $200)	$ 11.00
Vehicle rental fee (5% x $200)	$ 10.00
Total	$221.00

2. Exemptions

The following exemptions apply to the rental vehicle fee:

- Rerentals

  Example: Company A leases an automobile in Wisconsin from Company B for 30 days or less. Company A will use the automobile solely to lease to Individual in Wisconsin.

  The charge by Company B to Company A for the lease of the automobile is not subject to the 5% rental vehicle fee because it is for rerental. Company A should provide Company B with a fully completed exemption certificate claiming resale (Form S-211). The charge by Company A to Individual C is subject to the 5% rental vehicle fee if Company A is an establishment primarily engaged in the short-term rental of vehicles without drivers.

- Rentals as a service or repair replacement vehicle

  Example: Individual takes his automobile to Company for repair. For a fee of $20 per day, Company provides Individual with an automobile to use while his automobile is being repaired. Individual picks up the automobile in Wisconsin and uses it for five days.

  The charge by Company to Individual for the use of the automobile is not subject to the 5% rental vehicle fee. Company should obtain Form RV-207: *Certificate of Exemption for Rental Vehicles*, from the customer.

- Rentals to the federal government

- Rentals to organizations under sec. 77.54(9a), Wis. Stats., including any federally recognized American Indian tribe or band, a Wisconsin state agency, county, city, village, town, public school, or school district and nonprofit organizations that hold a Certificate of Exempt Status (CES) issued by the Wisconsin Department of Revenue

- Rentals by any public or private elementary or secondary school exempt from Wisconsin income or franchise taxes, including school districts

Note: Exemptions, other than those listed above, that apply for Wisconsin sales or use tax purposes (e.g., common or contract carriage) do not apply for the rental vehicle fee.

3. Filing Returns

The rental vehicle fee is reported on Form RV-012: *Wisconsin Rental Vehicle Fee Return*. **Note:** Do **not** report the rental vehicle fee on a Wisconsin sales and use tax return, Form ST-12.

D. Limousine Fee

1. General

A 5% fee is imposed on the charge for providing a limousine with a driver in Wisconsin.

A limousine with driver is considered provided in Wisconsin if the customer is picked up by the limousine provider in Wisconsin.

Example 1: Company is hired to pick up a customer at his home in Madison, Wisconsin and take him by limousine to O'Hare International Airport in Chicago. The charge for limousine service from Madison to Chicago is subject to the 5% limousine fee.

Example 2: Company is hired to pick up a customer at O'Hare International Airport in Chicago and take him by limousine to his home in Madison, Wisconsin. The charge for limousine service from Chicago to Madison is not subject to the 5% limousine fee.

Example 3: Company is hired by Individual to provide limousine service. The driver will pick up Individual at her home in Milwaukee, Wisconsin, take her by limousine to a theater performance in Chicago, Illinois, and after the performance, return her to her home in Wisconsin. The charge for limousine service is subject to the 5% limousine fee.

"Limousine" means a passenger automobile that has a capacity of 10 or fewer persons, excluding the driver; that has a minimum of five seats behind the driver; that is operated for hire on an hourly basis under a prearranged contract for the transportation of passengers on public roads and highways along a route under the control of the person who hires the vehicle and not over a defined regular route.

"Limousine" does not include taxicabs, hotel or airport shuttles or buses, buses employed solely in transporting school children or teachers, vehicles owned and operated without charge or remuneration by a business entity for its own purposes, vehicles used in car pools or van pools, public agency vehicles that are not operated as a commercial venture, vehicles operated as part of the employment transit assistance program under sec. 106.26, Wis. Stats., ambulances, or any vehicle that is used exclusively in the business of funeral directing.

Example 1: Company owns a limousine that it provides with a driver at the request of a customer. Rather than charging a per hour fee, a customer with a known destination is charged a flat fee. The flat fee has been determined, in part, based on experience of how long the trip will take. Company is considered to be providing limousine service subject to the 5% fee, even though it does not charge the customer by the hour.

Example 2: Company owns several vehicles which it uses to provide limousine service to customers. For transporting one person, Company will generally use a luxury sedan, which seats three behind the driver.

The charge for providing the luxury sedan with a driver is not subject to the 5% limousine fee. The luxury sedan is not a "limousine" because it seats less than five behind the driver.

Example 3: Company provides limousine service to hotel customers who wish to travel from their hotel to the airport and vice versa. Company does not have a set route it follows nor does it provide this service at set times per day. Company may provide service to that hotel on three days in one week and may not have another customer from that hotel for several weeks.

The limousine with driver provided by Company is not an airport or hotel shuttle because limousine services are not provided at frequent regular intervals over a set route. Therefore, charges to the hotel or customer for the limousine with driver are subject to the 5% limousine fee.

2. Exemptions

The following exemptions apply to the limousine fee:

- Rentals to the federal government
- Rentals to organizations under sec. 77.54(9a), Wis. Stats., including any federally recognized American Indian band or tribe, a Wisconsin state agency, county, city, village, town, public school, or school district and nonprofit organizations that hold a Certificate of Exempt Status (CES) issued by the Wisconsin Department of Revenue. (See List at Part VIII.D.)
- Rentals by any public or private elementary or secondary school exempt from Wisconsin income or franchise taxes, including school districts

3. Filing Returns

The limousine fee is reported on Form RV-012: *Wisconsin Rental Vehicle Fee Return*. **Note:** Do **not** report the limousine fee on a Wisconsin sales and use tax return, Form ST-12.

E. Local Exposition District Rental Car Tax

Information on the 3% local exposition district rental car tax is available in Wisconsin Publication 410, *Local Exposition Taxes*.

XII. RECORD KEEPING

A. General Records to Keep

If you are required to file sales and use tax returns or consumer use tax returns, you must keep adequate records of business transactions to enable you and the Department of Revenue to determine the correct tax due. The required records include complete and accurate records of beginning and ending inventories, purchases, sales, canceled checks, receipts, invoices, bills of lading, and all other docudocuments and books of account pertaining to the business.

See sec. Tax 11.92, Wis. Adm. Code, "Records and record keeping" for more information.

If you make retail sales and at the same time are engaged in some other nontaxable business, occupation, or profession, you must keep records to show separately the transactions used in determining the sales and use tax due. If separate records are not kept, the tax may be imposed upon the total sales from all of your business operations.

B. Records to Keep – Exempt Sales, Exemption Certificates

If you claim that part or all of your retail sales of tangible personal property; items, property, or goods described in Part III.B. to D.; or taxable services are exempt from sales and use tax, you are required to keep a record of the name and address of the person to whom the exempt sale was made, the date of sale, the article sold, the amount of exemption, and the reason that the sale was exempt from tax. This record must be signed by the purchaser.

The reason for keeping such records is that the sales and use tax law provides that the sales price from all sales of tangible personal property; items, property, and goods described in Part III.B. to D.; and taxable services is subject to the tax until the contrary is established. The seller has the burden of proving a sale of tangible personal property; items, property, or goods described in Part III.B. to D.; or taxable services is exempt, unless the seller takes a fully completed exemption certificate (or other information as described in Part XII.B.3.) from the purchaser which indicates that the property, item, good, or service being purchased is for resale or is otherwise exempt.

A seller or lessor who accepts a fully completed exemption certificate from the purchaser within 90 days of the sale is relieved of any liability for payment of tax upon transactions covered by the certificate.

If a retailer regularly sells the same kind of item to the same customer, a certificate known as a "continuous certificate," which is good indefinitely, may also be used for future transactions. Although continuous exemption certificates do not expire and are not required to be renewed at any prescribed interval, such certificates should be renewed at reasonable intervals in case of a business change, registration number change, or discontinuance of the specific business claiming the exemption. The seller should periodically review exemption certificates on file to ascertain that the person claiming the exemption is the person who furnished the certificate.

If a purchaser provides an exemption certificate indicating the property purchased will be used for activities or under circumstances which make the purchase of the property exempt from the sales tax or for resale, and the property is subsequently used by the purchaser in a manner that makes the property ineligible for exemption from tax, the purchaser is liable for payment of the applicable sales or use tax. A purchaser who uses an exemption certificate in a manner that is prohibited by or inconsistent with Wisconsin law or who provides incorrect information to a seller relating to an exemption being claimed will also be subject to a penalty of $250 for each invoice or bill of sale related to the prohibited or inconsistent use to which the incorrect information applies.

Three common reasons that sales of tangible personal property; items, property, or goods described in Part III.B. to D.; or taxable services may be exempt are as follows:

1. The purchaser will resell the property, item, good, or taxable service in the ordinary course of its business.

The seller should obtain a completed Form S-211, *Wisconsin Sales and Use Tax Exemption Certificate*, or Form S-211-SST, *Streamlined Sales and Use Tax Exemption Certificate*, from the purchaser.

2. The use to be made of the item purchased is exempt. For example, the purchase of a motor truck by a common carrier who will use the motor truck exclusively as a common carrier is exempt.

   The seller should obtain a completed Form S-211, *Wisconsin Sales and Use Tax Exemption Certificate*, or Form S-211-SST, *Streamlined Sales and Use Tax Exemption Certificate*, from the purchaser.

3. The purchasing organization is an exempt entity, such as a Wisconsin public school, Wisconsin municipality, or a federal governmental unit. **Note:** All invoices and billings must be made in the name of the exempt organization.

   - Sales to a federal or Wisconsin governmental unit, federally recognized American Indian tribe or band in Wisconsin, Wisconsin municipality, or Wisconsin public school should be supported by one of the following:

     a. A purchase order or similar written document identifying the governmental unit, tribe, or band as the purchaser.

     b. Form S-211 or Form S-211-SST.

     c. Recording the federal or Wisconsin governmental unit's or Tribe's Certificate of Exempt Status (CES) number on the invoice.

   - Sales to nonprofit organizations organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or should be supported by one of the following:

     a. Form S-211 or Form S-211-SST.

     b. Recording the organization's Certificate of Exempt Status (CES) number on the invoice.

   Nonprofit organizations organized and operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, may apply on Form S-103 *Application for Wisconsin Sales and Use Tax Certificate of Exempt Status (CES)*, to the Department of Revenue for a Certificate of Exempt Status (CES) and, if approved, will be issued a CES number by the department.

   Note: See sec. Tax 11.14, Wis. Adm. Code (Appendix H) for a discussion of authorized exemption certificates and a description of requirements for alternative certificates.

XIII. QUESTIONS OR ADDITIONAL INFORMATION

A. Department of Revenue Assistance

If you are unable to find an answer to your question about sales and use taxes, email, write, or call the department.

Visit our website . . . revenue.wi.gov

Email . . . DORSalesandUse@revenue.wi.gov

Write . . . Wisconsin Department of Revenue
PO Box 8946, Mail Stop 5-77
Madison WI 53708-8946

Telephone . . . (608) 266-2776

Fax . . . (608) 267-1030

You may also contact any of the Department of Revenue offices. For a listing of offices and their current hours, please see the department's website at revenue.wi.gov/faqs/ise/address.html.

XIV. AVOIDING COMMON ERRORS

1. Indicate the out-of-state address on invoices or Forms e-MV11 of nonresidents purchasing motor vehicles without Wisconsin sales or use tax who will not use the motor vehicles in Wisconsin except for removal from Wisconsin (see Part V.F.).

2. Indicate the delivery location on sales invoices or Forms e-MV11 for sales to Native Americans (see Part V.K.).

3. Charge sales tax on warranties, whether charged separately or with the sale of a motor vehicle, if the related motor vehicle was subject to tax (see Part II.A.3.).

4. Record a nonprofit organization's CES number on the invoice or Form e-MV11 for exempt sales to nonprofit organizations. The motor vehicle must be titled in the nonprofit organization's name only (see Part V.D.).

5. Sales to persons who will donate the motor vehicle are taxable, regardless of contest rules, unless the donor is an exempt entity (see Part IV.D). Sales to persons who will auction the motor vehicle are not subject to tax because the property is for resale (see Part V.A.)

6. Manufacturer's rebates and coupons do not reduce taxable gross receipts regardless of whether the customer applies the rebate as a reduction to the purchase price of the motor vehicle or receives cash (see Part II.A.5.).

7. Sales of motor vehicles delivered in Wisconsin to corporations incorporated outside Wisconsin are exempt, if immediately removed from Wisconsin (see Part V.F.).

8. Charges to employees for personal use of motor vehicles are taxable (see Part IV.E.).

9. All exempt sales must be supported by exemption certificates except for sales to exempt entities and governmental units where recording of a CES number on the invoice is sufficient (see Part XII.B.).

10. The deductible portion charged to a customer for services performed under an extended warranty or service contract is taxable (see Part V.W.).

11. Charges for parts and repairs to an insurance company under an insurance plan are taxable (see Part IV.K.).

12. The exemption for common or contract carriers does not apply to motor vehicles registered as automobiles, tow trucks used for purposes other than or in addition to towing for hire, and trucks used to haul garbage or snow (see Part V.C.).

13. Salvage companies who pay the amount owed by a motor vehicle dealer's customer for services performed on a vehicle in exchange for the vehicle's title cannot issue an exemption certificate claiming resale to the motor vehicle dealer for purchase of the services performed. The charge by the motor vehicle dealer for the services performed is subject to Wisconsin sales or use tax.

14. County tax and/or stadium tax is imposed on taxable repairs if the motor vehicle is delivered to the customer in a taxable county and/or in the baseball or football stadium district (see Part X.).

15. County tax and/or stadium tax is imposed on sales of motor vehicles customarily kept in a taxable county and/or the baseball or football stadium district even if the dealer is not located in a taxable county and/or in the baseball or football stadium district (see Part X.A.).

16. County and/or stadium tax is charged on the lease or rental of a motor vehicle that is (1) transportation equipment or (2) only requires one payment, if the customer takes possession of the motor vehicle in a taxable county and/or in the baseball or football stadium district. See Parts IX.B.3. and 4.

17. County and/or stadium tax is charged on the lease or rental requiring more than one payment, of a motor vehicle that is not transportation equipment, if the primary location of the motor vehicle, as indicated by an address for the motor vehicle that is provided by the lessee and that is available to the lessor in records that the lessor keeps in the ordinary course of the lessor's business, if the use of such address ins not in bad faith, is in a taxable county and/or in the baseball or football stadium district. See Part IX.B.3.

18. The cost of a motor vehicle used for business purposes (e.g., towing, service vehicle, or any motor vehicle properly capitalized on the balance sheet of the dealership and not held for sale) is subject to use tax (see Part VIII.B.).

19. A trade-in allowance may not be taken for a service vehicle put back in inventory in exchange for another motor vehicle (see Part II.B.1.e.).

20. Charges to a dealership for washing motor vehicles and demo motor vehicles that will be resold are not taxable provided the dealership gives the service provider a properly completed exemption certificate claiming resale. Charges to a dealership for washing service vehicles and other properly capitalized vehicles are taxable (see Part VII.).

21. Motor vehicles donated from resale inventory are not taxable if the donation is to an exempt entity (see Part V.D.).

22. Items used in repairing a motor vehicle that are not transferred to the customer (tools, rags, sandpaper, cleaners, etc.) are taxable (see Part VIII.A.).

23. The cost of parts used in repairing service vehicles and other motor vehicles capitalized on the dealership's balance sheet are subject to tax (see Part VIII.A.).

24. The cost of advertising items given away (brochures, key chains, etc.) are subject to tax.

25. A motor vehicle used to pick up parts, mail, etc., **and** as a rental vehicle is subject to use tax (see Part VIII.C.).

26. Items purchased from out-of-state vendors where a sales tax has not been charged that are used in a taxable manner are subject to use tax (office supplies, office equipment, etc.) (see Part I.C.).

27. When reporting use tax on your sales and use tax return, keep a separate schedule indicating vendor, invoice number, item purchased, and purchase price for each item subject to use tax with your copy of the sales and use tax return filed.

APPENDIX A

Motor Vehicle Lease Dealers – "Trade-Ins" and "Turn-Ins"

NOTE: This Tax Release was originally published in Wisconsin Tax Bulletin 177 - (October 2012)

Statutes: Sections 77.51(12m)(b)5. and (15b)(b)5. and 77.54(8), Wis. Stats. (2009-10)

Wis. Adm. Code: Section Tax 11.83(2)(a), Wis. Adm. Code (November 2010 Register)

Background: It is common for a person who is purchasing or leasing a new motor vehicle to trade in his or her old vehicle to a motor vehicle dealer. This tax release explains the sales and use tax treatment of trading in one vehicle for another. Examples include transactions where vehicles are leased.

Wisconsin law allows a deduction from the sales price of the sale of a motor vehicle for the amount of the trade-in allowed for another motor vehicle in the same transaction. Section 77.51(12m)(b)5. and (15b)(b)5., Wis. Stats. (2009-10), provide that "purchase price" and "sales price," respectively, do not include the following:

> "In all transactions in which an article of tangible personal property … is traded toward the purchase of … property… the amount of the purchase [sales] price that represents the amount allowed for the … property… traded…."

Section 77.54(8), Wis. Stats. (2009-10), provides an exemption from Wisconsin sales and use taxes for "[c]harges for insurance … where such charges are separately set forth upon the invoice given by the seller to the purchaser." Therefore, when a lease agreement includes a separate charge for insurance, the insurance charge is not taxable. GAP insurance and GAP waiver charges are not taxable.

Trade-Ins

If a motor vehicle is traded in for a motor vehicle of greater value, the amount subject to tax is the difference between the full purchase price and the amount allowed for the motor vehicle traded in. If the motor vehicle is traded in for a motor vehicle of lesser value, and there is no other consideration given, the amount subject to tax is zero.

In order to reduce the sales price for a trade-in amount, the trade-in must occur in the same transaction as the purchase (i.e., the vehicle must be traded-in to the same party that sells the new vehicle).

Lease "Trade-In"

A lessee of a motor vehicle may replace his or her motor vehicle by purchasing or leasing another motor vehicle and "trading in" his or her leased vehicle. If the new dealer/lessor chooses to purchase that motor vehicle, the new dealer/lessor may purchase the motor vehicle that its customer "trades in" from the lessor of the "traded in" vehicle using its customer's option to purchase.

When a lessee "trades-in" a leased motor vehicle on the purchase or lease of another motor vehicle, there are two transactions that occur. One is the sale of the leased motor vehicle (with permission of the lessee if the lessee has the option to purchase or at the discretion of the lessor if the lessee does not have the option to purchase) from the lessor to the dealer at the purchase option amount price (or the subsequently negotiated price). The other is the sale or lease of the replacement vehicle to the dealer's customer. Because there are two transactions, the seller or lessor of the replacement vehicle **may not** reduce its taxable sales price by the amount allowed for a "trade-in."

Note: Examples 9 and 19 illustrate how the sales price may be reduced by the amount of positive equity allowed as a discount.

Lease "Turn-In"

A lease "turn-in" occurs when the seller or lessor of the replacement vehicle receives the previously leased vehicle and facilitates the return of the vehicle to the original leasing company by doing the following:

- Remitting the payoff amount and related tax to the original leasing company on behalf of the customer.
- Collecting the payoff amount and related tax from the customer on behalf of the original leasing company.

In a lease "turn-in," the seller or lessor is not accepting a trade-in towards the purchase of the replacement vehicle. Rather, the seller or lessor is merely facilitating the return of the leased vehicle to the original lessor. The seller or lessor of the replacement vehicle **may not** reduce its taxable sales price for a "turn-in."

Positive Equity

When total payments made by a lessee or other party throughout the course of the lease are more than the agreed upon amount, it is considered "positive equity." A lease agreement can result in positive equity if:

- Insurance settlement is greater than the amount owed by the lessee.
- Additional payments or pre-payments are made by the lessee.

Negative Equity

When a lessee owes an additional amount to a leasing company at the termination of a lease, it is considered negative equity. A lease agreement can result in negative equity if:

- Lease is terminated prior to the end of the lease agreement (e.g., lessee owes a lease termination fee to lessor).
- Excess mileage.

Examples of Trade-Ins and "Turn-Ins" With Respect to Motor Vehicle Leases

Type of Transaction	No Trade-In	Owned Trade-In, No Lien	Owned Trade-In, Lien < Trade-In Value	Owned Trade-In, Lien > Trade-In Value	Lease "Turn-In"			Leased "Trade-In"		
					No Lease Equity	Positive Lease Equity	Negative Lease Equity	No Lease Equity	Positive Lease Equity	Negative Lease Equity
Sale of Replacement Vehicle	Example 1	Example 2	Example 3	Example 4	Example 5	Example 6	Example 7	Example 8	Example 9	Example 10
Lease of Replacement Vehicle	Example 11	Example 12	Example 13	Example 14	Example 15	Example 16	Example 17	Example 18	Example 19	Example 20

NOTE 1 – Lease "Turn-In": If Customer A "turns in" a leased vehicle (Examples 5-7 and 15-17), the examples assume that Dealer B (or Leasing Company Y) handles the administration of the turn-in with Leasing Company C. If Customer A pays a "payoff amount" to Leasing Company C, the payoff is subject to tax as a lease payment (i.e., amount paid to fulfill the lease contract).

NOTE 2 – Lease "Trade-In": If Customer A "trades in" a leased vehicle (Examples 8-10 and 18-20), the examples assume that Leasing Company C sells the automobile to Dealer B (or Leasing Company Y), rather than to Customer A. Dealer B (or Leasing Company Y) should provide Leasing Company C with an exemption certificate claiming resale if Dealer B (or Leasing Company Y) will sell or lease the automobile in its regular course of business. If Customer A pays a "payoff amount" to Leasing Company C, the payoff is subject to tax as a lease payment (i.e., amount paid to fulfill the lease contract).

Example 1 – Sale of automobile with no trade-in

- Dealer B sells Customer A an automobile for $20,000.
- Customer A does not trade in another vehicle when purchasing the automobile.
- **Dealer B's taxable receipts are $20,000.**

Calculation of Amount Paid to Dealer B	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Amount Paid to Dealer B	***$20,000***

Calculation of Taxable Sales Price	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Taxable Sales Price	***$20,000***

Example 2 – Sale of automobile with owned trade-in; no lien on trade-in

- Dealer B sells Customer A an automobile for $20,000.
- Customer A trades in his old automobile and receives a trade-in allowance of $8,000.
- Customer A owns his old automobile and has no lien on the automobile.
- Customer A pays $12,000 to Dealer B.
- **Dealer B's taxable receipts are $12,000.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:	Trade-in	($8,000)
Amount Paid to Dealer B		***$12,000***

Calculation of Taxable Sales Price		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:	Trade-in	($8,000)
Taxable Sales Price		***$12,000***

Example 3 – Sale of automobile with owned trade-in; lien less than trade-in amount

- Dealer B sells Customer A an automobile for $20,000.
- Customer A trades in his old automobile and receives a trade-in allowance of $8,000.
- Customer A has a lien on his old automobile for $6,000.
- Customer A pays $18,000 to Dealer B.
- **Dealer B's taxable receipts are $12,000.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:	Lien on trade-in	$6,000
Subtractions:	Trade-in	($8,000)
Amount Paid to Dealer B		***$18,000***

Calculation of Taxable Sales Price		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:	Trade-in	($8,000)
Taxable Sales Price		***$12,000***

Example 4 – Sale of automobile with owned trade-in; lien greater than trade-in amount

- Dealer B sells Customer A an automobile for $20,000.
- Customer A trades in his old automobile and receives a trade-in allowance of $8,000.
- Customer A has a lien on his old automobile for $10,000.
- Customer A pays $22,000 to Dealer B.

- **Dealer B's taxable receipts are $12,000.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:	Lien on trade-in	$10,000
Subtractions:	Trade-in	($8,000)
Amount Paid to Dealer B		***$22,000***

Calculation of Taxable Sales Price		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:	Trade-in	($8,000)
Taxable Sales Price		***$12,000***

Example 5 – Sale of automobile with lease "turn-in"; no lease equity

- Customer A leases an automobile from Leasing Company C, with an option to return the automobile at the end of the lease period (i.e., no additional amount is owed by Customer A to Leasing Company C).
- Dealer B sells Customer A an automobile for $20,000.
- Customer A "turns-in" his old leased automobile to Dealer B, who facilitates the return of the automobile to Leasing Company C.
- Customer A pays $20,000 to Dealer B.
- **Dealer B's taxable receipts are $20,000.**

Calculation of Amount Paid to Dealer B	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Amount Paid to Dealer B	***$20,000***

Calculation of Taxable Sales Price	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Taxable Sales Price	***$20,000***

Example 6 – Sale of automobile with lease "turn-in"; positive lease equity

- Customer A leases an automobile from Leasing Company C, with an option to return the automobile at the end of the lease period.
- Customer A has $2,000 positive lease equity at the end of the lease.
- Dealer B sells Customer A an automobile for $20,000.
- Customer A "turns-in" his old leased automobile to Dealer B, who facilitates the return of the automobile to Leasing Company C.
- Leasing Company C pays $2,000 positive equity to Dealer B on behalf of Customer A. At the option of Customer A, Dealer B applies the $2,000 to Customer A's purchase of the new automobile.
- Dealer B reduces the selling price of the new automobile by $2,000 for the positive equity received.
- Customer A pays $18,000 to Dealer B.
- **Dealer B's taxable receipts are $20,000.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:		0
Amount Paid to Dealer B:		
From Customer A	***$18,000***	
From Leasing Company C	***$2,000***	
Total Amount Paid to Dealer B		***$20,000***

Calculation of Taxable Sales Price	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Taxable Sales Price	***$20,000***

Example 7 – Sale of automobile with lease "turn-in"; negative lease equity

- Customer A leases an automobile from Leasing Company C, with an option to return the automobile at the end of the lease period.
- Customer A has $2,000 negative lease equity at the end of the lease.
- Dealer B sells Customer A an automobile for $20,000.
- Customer A "turns-in" his old leased automobile to Dealer B, who facilitates the return of the automobile to Leasing Company C.
- On behalf of Customer A, Dealer B pays Leasing Company C $2,000 in settlement of the lease, plus sales tax on the $2,000. There is no exemption for Leasing Company C's receipts in settlement of the lease.
- Dealer B increases the amount collected from Customer A by $2,000, plus tax, to reimburse itself for the negative equity payment to Leasing Company C.
- Customer A pays $22,000 (plus tax) to Dealer B.
- **Dealer B's taxable receipts from the sale of the automobile are $20,000. Leasing Company C's taxable receipts are $2,000 from the lease settlement. Dealer B should turn over the sales tax collected from Customer A on the $2,000 lease settlement to Leasing Company C.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:	Negative Equity	$2,000
Subtractions:		0
Amount Paid to Dealer B		***$22,000***

Calculation of Taxable Sales Price		
Sales Price of Replacement Vehicle		$20,000
Additions:	Negative Equity	$2,000
Subtractions:		0
Taxable Sales Price		
	Dealer B taxable receipts are $20,000.	
	Leasing Company C's taxable receipts are $2,000.	

NOTE: Leasing Company C's taxable receipts for the lease settlement are $2,000, regardless of whether Customer A or Dealer B pays Leasing Company C the $2,000.

Example 8 – Sale of automobile with lease "trade-in," lease purchase option equal to "trade-in" amount resulting in no net equity

- Customer A leases an automobile from Leasing Company C. The terms of the lease agreement state that Customer A has the option to purchase the automobile for $8,000 at the end of the lease.
- Dealer B sells Customer A an automobile for $20,000.
- Customer A "trades-in" his old leased automobile towards his purchase of the new automobile from Dealer B and receives a "trade-in allowance" of $8,000.
- Dealer B pays the $8,000 lease payoff to Leasing Company C and provides Leasing Company C with an exemption certificate claiming resale.
- Customer A pays $20,000 to Dealer B.
- **Dealer B's taxable receipts are $20,000. Dealer B's taxable receipts may not be reduced for the "trade-in" since Dealer B's sale to Customer A and Leasing Company C's sale to Dealer B are separate transactions.**

Calculation of Amount Paid to Dealer B	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Amount Paid to Dealer B	***$20,000***

Calculation of Taxable Sales Price	
Sales Price of Replacement Vehicle	$20,000
Additions:	0
Subtractions:	0
Taxable Sales Price	***$20,000***

NOTE: If Customer A paid the $8,000 to Leasing Company C (instead of to Dealer B), Leasing Company C's taxable receipts would include the $8,000 purchase option. Customer A could use its automobile as a trade-in, which would reduce Dealer B's selling price by $8,000. The net result would be the same. A total of $20,000 would be subject to tax: the $8,000 paid by Customer A to Leasing Company C and the $12,000 paid by Customer A to Dealer B ($20,000 selling price - $8,000 trade-in allowance).

Example 9 – Sale of automobile with lease "trade-in," lease purchase option less than "trade-in" amount resulting in positive lease equity

- Customer A leases an automobile from Leasing Company C. The terms of the lease agreement state that Customer A has the option to purchase the automobile for $8,000 at the end of the lease.
- Dealer B sells Customer A an automobile for $20,000.
- Customer A "trades-in" his old leased automobile towards its purchase of the new automobile from Dealer B and receives a "trade-in allowance" of $10,000.
- Dealer B pays the $8,000 lease payoff to Leasing Company C and provides Leasing Company C with an exemption certificate claiming resale.
- Dealer B, as a discount, reduces the selling price of the new automobile by $2,000 for the difference between the value of the leased automobile and the lease payoff.
- Customer A pays $18,000 to Dealer B.
- **Dealer B's taxable receipts are $18,000.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:	Positive Equity	($2,000)
Amount Paid to Dealer B		***$18,000***

Calculation of Taxable Sales Price		
Sales Price of Replacement Vehicle		$20,000
Additions:		0
Subtractions:	Discount Allowed	($2,000)
Taxable Sales Price		***$18,000***

NOTE: If Customer A paid the $8,000 to Leasing Company C (instead of to Dealer B), Leasing Company C's taxable receipts would include the $8,000 purchase option. Customer A could use its automobile as a trade-in, which would reduce Dealer B's selling price by $10,000. The net result would be the same. A total of $18,000 would be subject to tax: the $8,000 paid by Customer A to Leasing Company C and the $10,000 paid by Customer A to Dealer B ($20,000 selling price - $10,000 trade-in allowance).

Example 10 – Sale of automobile with lease "trade-in," lease purchase option more than "trade-in" amount resulting in negative lease equity

- Customer A leases an automobile from Leasing Company C. The terms of the lease agreement state that Customer A has the option to purchase the automobile for $8,000 at the end of the lease.
- Dealer B sells Customer A an automobile for $20,000.
- Customer A "trades-in" his old leased automobile towards its purchase of the new automobile from Dealer B and receives a "trade-in allowance" of $6,000.
- Dealer B pays the $8,000 payoff to Leasing Company C and provides Leasing Company C with an exemption certificate claiming resale.
- Dealer B adjusts the amount due from Customer A for the new automobile by $2,000 to account for the negative equity.
- Customer A pays $22,000 to Dealer B.
- **Dealer B's taxable receipts are $22,000.**

Calculation of Amount Paid to Dealer B		
Sales Price of Replacement Vehicle		$20,000
Additions:	Negative Equity	$2,000
Subtractions:		0
Amount Paid to Dealer B		***$22,000***

Calculation of Taxable Sales Price		
Sales Price of Replacement Vehicle		$20,000
Additions:	Negative Equity	$2,000
Subtractions:		0
Taxable Sales Price		***$22,000***

NOTE: If Customer A paid the $8,000 to Leasing Company C in settlement of the lease (instead of to Dealer B), Leasing Company C's taxable receipts would include the $8,000 lease settlement. Customer A could use its automobile as a trade-in, which would reduce Dealer B's selling price by $6,000. The net result would be the same. A total of $22,000 would be subject to tax: the $8,000 paid by Customer A to Leasing Company C and the $14,000 paid by Customer A to Dealer B ($20,000 selling price - $6,000 trade-in allowance).

Example 11 – Lease of automobile with no trade-in

- Customer A leases an automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A does not trade in another vehicle.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $6,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $12,000:
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $14,000 ($20,000 + $6,000 - $12,000).
  - Total amount received by Leasing Company Y is $16,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $14,000 over the term of the lease).
- The $14,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $388.89 ($14,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $14,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 90.6% ($14,500 taxable sales price ÷ $16,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $1,812 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 90.6% taxable percentage).

  Each lease payment: $352.33 ($388.89 payment x 90.6% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Total Additions		$6,000
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Amount Paid to Leasing Co Y			$16,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Total Taxable Sales Price			$14,500
Taxable Percentage:			
	Total Taxable Sales Price / Total Amount Received	= $14,500 / $16,000	= 90.6%
Payment at Lease Signing:			
	$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 90.6% (Taxable %)	= $1,812 (Taxable Amount)
Monthly Lease Payment:			
	$388.89 (Monthly Payment)	x 90.6% (Taxable %)	= $352.33 (Taxable)

Example 12 – Lease of automobile with owned trade-in; no lien on trade-in

- Customer A leases an automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A trades in his old automobile and receives a trade-in allowance of $8,000.
- Customer A owns his old automobile and has no lien on the automobile.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $6,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $20,000:
    - Trade-in allowed: $8,000
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $6,000 ($20,000 + $6,000 - $20,000).
  - Total amount received by Leasing Company Y is $8,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $6,000 over the term of the lease).
- The $6,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $166.67 ($6,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $6,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 81.3% ($6,500 taxable sales price ÷ $8,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $1,626 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 81.3% taxable percentage).

  Each lease payment: $135.50 ($167.67 payment x 81.3% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Total Additions		$6,000
Subtractions:			
	Trade-in Allowed	$8,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Amount Paid to Leasing Co Y			$8,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Trade-in Allowed	$8,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Total Taxable Sales Price			$6,500
Taxable Percentage:			
	Total Taxable Sales Price	= $6,500	= 81.3%
	Total Amount Received	$8,000	
Payment at Lease Signing:			
$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 81.3% (Taxable %)	= $1,626 (Taxable Amount)	
Monthly Lease Payment:			
$166.67 (Monthly Payment)	x 81.3% (Taxable %)	= $135.50 (Taxable)	

Example 13 – Lease of automobile with owned trade-in; lien less than trade-in amount

- Customer A leases an automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A trades in his old automobile and receives a trade-in allowance of $8,000.
- Customer A has a lien on his old automobile for $6,000.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $12,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
    - Lien payoff of automobile traded-in: $6,000
  - Subtractions totaling $20,000:
    - Trade-in allowed: $8,000
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $12,000 ($20,000 + $12,000 - $20,000).
  - Total amount received by Leasing Company Y is $14,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $12,000 over the term of the lease).
- The $12,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $333.33 ($12,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $6,500.** The $1,500 credit insurance and $6,000 lien payoff amount are not taxable. Since a portion of the nontaxable $1,500 credit insurance and lien payoff are included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 46.4% ($6,500 taxable sales price ÷ $14,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $928 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 46.4% taxable percentage).

  Each lease payment: $154.67 ($333.33 payment x 46.4% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Lien Payoff of Vehicle Traded-in	$6,000	
	Rent Charge	$4,000	
	Total Additions		$12,000
Subtractions:			
	Trade-in Allowed	$8,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Amount Paid to Leasing Co Y			$14,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Trade-in Allowed	$8,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Total Taxable Sales Price			$6,500
Taxable Percentage:			
	Total Taxable Sales Price / Total Amount Received	= $6,500 / $14,000	= 46.4%
Payment at Lease Signing:			
	$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 46.4% (Taxable %)	= $928 (Taxable Amount)
Monthly Lease Payment:			
	$333.33 (Monthly Payment)	x 46.4% (Taxable %)	= $154.67 (Taxable)

Example 14 – Lease of automobile with owned trade-in; lien more than trade-in amount

- Customer A leases an automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A trades in his old automobile and receives a trade-in allowance of $8,000.
- Customer A has a lien on his old automobile for $10,000.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $16,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
    - Lien payoff of automobile traded-in: $10,000
  - Subtractions totaling $20,000:
    - Trade-in allowed: $8,000
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $16,000 ($20,000 + $16,000 - $20,000).
  - Total amount received by Leasing Company Y is $18,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $16,000 over the term of the lease).
- The $16,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $444.44 ($16,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $6,500.** The $1,500 credit insurance and the $10,000 lien payoff amount are not taxable. Since a portion of the nontaxable $1,500 credit insurance and lien payoff are included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 36.1% ($6,500 taxable sales price ÷ $18,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $722 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 36.1% taxable percentage).

  Each lease payment: $160.44 ($444.44 payment x 36.1% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Lien Payoff of Vehicle Traded-in	$10,000	
	Rent Charge	$4,000	
	Total Additions		$16,000
Subtractions:			
	Trade-in Allowed	$8,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Amount Paid to Leasing Co Y			$18,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Trade-in Allowed	$8,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Total Taxable Sales Price			$6,500
Taxable Percentage:			
	Total Taxable Sales Price	= $6,500	= 36.1%
	Total Amount Received	$18,000	
Payment at Lease Signing:			
$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 36.1% (Taxable %)	=	$722 (Taxable Amount)
Monthly Lease Payment:			
$444.44 (Monthly Payment)	x 36.1% (Taxable %)	=	$160.44 (Taxable)

Example 15 – Lease of automobile with lease "turn-in"; no lease equity

- Customer A leases an automobile from leasing Company C, with an option to return the automobile at the end of the lease period (i.e., no additional amount is owed by Customer A to Leasing Company C).
- Customer A leases a new automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A "turns-in" his old leased automobile to Leasing Company Y, who facilitates the return of the automobile to Leasing Company C.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $6,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $12,000:
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $14,000 ($20,000 + $6,000 - $12,000).
  - Total amount received by Leasing Company Y is $16,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $14,000 over the term of the lease).
- The $14,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $388.89 ($14,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $14,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 90.6% ($14,500 taxable sales price ÷ $16,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $1,812 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 90.6% taxable percentage).

  Each lease payment: $352.33 ($388.89 payment x 90.6% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Total Additions		$6,000
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Amount Paid to Leasing Co Y			$16,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Total Taxable Sales Price			$14,500
Taxable Percentage:			
	Total Taxable Sales Price / Total Amount Received	= $14,500 / $16,000	= 90.6%
Payment at Lease Signing:			
	$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 90.6% (Taxable %)	= $1,812 (Taxable Amount)
Monthly Lease Payment:			
	$388.89 (Monthly Payment)	x 90.6% (Taxable %)	= $352.33 (Taxable)

Example 16 – Lease of automobile with lease "turn in"; positive lease equity

- Customer A leases an automobile from Leasing Company C, with an option to return the automobile at the end of the lease period.
- Customer A has $2,000 positive lease equity at the end of the lease.
- Customer A leases a new automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A "turns-in" his old leased automobile to Leasing Company Y, who facilitates the return of the automobile to Leasing Company C.
- Leasing Company C pays $2,000 positive equity to Leasing Company Y on behalf of Customer A. At the option of Customer A, Leasing Company Y applies the $2,000 as an adjustment to the capitalized cost reduction computation.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $6,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $14,000:
    - Positive equity: $2,000
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid over the term of the lease is $12,000 ($20,000 + $6,000 - $14,000).
  - Total amount received by Leasing Company Y is $16,000 ($2,000 positive equity from Leasing Company C + $1,000 cash down payment + $1,000 manufacturer's rebate + $12,000 over the term of the lease).
- The $12,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $333.33 ($12,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $14,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 90.6% ($14,500 taxable sales price ÷ $16,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $3,624 (($2,000 positive equity + $1,000 cash down payment plus $1,000 manufacturer's rebate) x 90.6% taxable percentage).

  Each lease payment: $302.00 ($333.33 payment x 90.6% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Total Additions		$6,000
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Amount Paid to Leasing Co Y			$16,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Total Taxable Sales Price			$14,500
Taxable Percentage:			
	Total Taxable Sales Price / Total Amount Received	= $14,500 / $16,000	= 90.6%
Payment at Lease Signing:			
$4,000 (Cash Down Payment & Manufacturer's Rebate)	x 90.6% (Taxable %)	= $3,624 (Taxable Amount)	
Monthly Lease Payment:			
$333.33 (Monthly Payment)	x 90.6% (Taxable %)	= $302.00 (Taxable)	

Example 17 – Lease of automobile with lease "turn-in"; negative lease equity

- Customer A leases an automobile from leasing Company C, with an option to return the automobile at the end of the lease period.
- Customer A has $2,000 negative lease equity at the end of the lease.
- Customer A leases a new automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A "turns-in" his old leased automobile to Leasing Company Y, who facilitates the return of the automobile to Leasing Company C.
- On behalf of Customer A, Leasing Company Y pays Leasing Company C the $2,000 amount in settlement of the lease, plus sales tax on the $2,000. There is no exemption for Leasing Company C's receipts in settlement of the lease.
- Leasing Company Y increases the amount that it will collect from Customer A by $2,000, plus tax, to reimburse itself for the payment to Leasing Company C for the negative equity.
- Leasing Company Y adjusts the capitalized cost reduction computation of the new automobile by $2,000 to account for the amount of the negative equity.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $8,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
    - Negative equity: $2,000
  - Subtractions totaling $12,000:
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid over the term of the lease is $16,000 ($20,000 + $8,000 - $12,000).
  - Total amount received by Leasing Company Y is $18,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $16,000 over the term of the lease).
- The $16,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $444.44 ($16,000 ÷ 36).
- **Although Leasing Company Y's taxable receipts are $14,500, it will collect sales tax on $16,500, which includes the $2,000 reimbursement for its payment to Leasing Company C.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage that Leasing Company Y will collect tax on is 91.7% ($16,500 taxable sales price ÷ $18,000 total amount received), and the taxable percentage that Leasing Company Y will report and remit tax on is 80.56%* (($16,500 taxable sales price - $2,000 reimbursement paid to Leasing Company C) ÷ $18,000 total amount received *). Leasing Company C's taxable receipts are $2,000, from the lease settlement. The taxable sales price of each payment is determined as follows:

  Payment at lease signing: The amount received at signing is $2,000 ($1,000 cash down payment + $1,000 manufacturer's rebate).

  - Leasing Company Y should charge Customer A tax on $1,834 ($2,000 x 91.7% taxable percentage).
  - Leasing Company Y's taxable receipts are $1,611.20 ($2,000 x 80.56%* taxable percentage).

  Each lease payment: A total of $16,000 is due over the term of the lease ($18,000 total received by Leasing Company Y - $2,000 due at signing/capitalized cost reduction).

  - Leasing Company Y should charge Customer A tax on $407.55 of each payment ($444.44 payment x 91.7% taxable percentage).

- Leasing Company Y's taxable receipts of each payment are $358.04 ($444.44 payment x 80.56%* taxable percentage).

*The difference between the tax collected at 91.7% and the tax collected at 80.56% represents tax on the $2,000 negative equity that Leasing Company Y paid to Leasing Company C. Leasing Company C's taxable receipts are $2,000. Leasing Company Y is reimbursed by Customer A for the negative equity and tax that it paid to Leasing Company C on Customer A's behalf.

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Negative Equity	$2,000	
	Total Additions		$8,000
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Amount Paid to Leasing Co Y			$18,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Negative Equity	$2,000	
	Total Additions		$6,500
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Taxable Amount			$16,500

Percentage for Tax ***Collection*** by Leasing Company Y:

$$\frac{\text{Total Taxable Amount}}{\text{Total Amount Received}} = \frac{\$16{,}500}{\$18{,}000} = 91.7\%$$

Leasing Company Y should collect tax on 91.7%.

Percentage for Tax ***Payment*** by Leasing Co. Y:

$$\frac{\text{Taxable Receipts}}{\text{Total Amount Received}} = \frac{\$14{,}500}{\$18{,}000} = 80.56\%$$

Leasing Company Y's taxable percentage is 80.56%.
Leasing Company C's taxable receipts are $2,000.

Payment at Lease Signing:

$2,000	x	91.7%	=	$1,834
(Cash Down Payment & Manufacturer's Rebate)		(Taxable % for Collection)		(Taxable Amount)

Leasing Company Y should collect tax on $1,834.

$2,000	x	80.56%	=	$1,611.20
(Cash Down Payment & Manufacturer's Rebate)		(Taxable %)		(Taxable Amount)

Leasing Company Y's taxable sales price is $1,611.20.

Monthly Lease Payment:

$444.44	x	91.7%	=	$407.55
(Monthly Payment)		(Taxable % for Collection)		(Taxable)

Leasing Company Y should collect tax on $407.55.

$444.44	x	80.56%	=	$358.04
(Monthly Payment)		(Taxable %)		(Taxable)

Leasing Company Y's taxable sales price is $358.04.

Example 18 – Lease of automobile with leased "trade-in"; lease purchase option equal to "trade-in" amount, resulting in no net equity

- Customer A leases an automobile from Leasing Company C. The terms of the lease agreement state that Customer A has the option to purchase the automobile for $8,000 at the end of the lease.
- Customer A leases a new automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A "trades-in" his old leased automobile towards its lease of a new automobile form Leasing Company Y and receives a "trade-in allowance" of $8,000.
- Leasing Company Y pays the $8,000 lease payoff to Leasing Company C and provides Leasing Company C with an exemption certificate claiming resale, since Leasing Company Y will sell or lease Customer A's old automobile.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $6,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $12,000:
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $14,000 ($20,000 + $6,000 - $12,000).
  - Total amount received by Leasing Company Y is $16,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $14,000 over the term of the lease).
- The $14,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $388.89 $14,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $14,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 90.6% ($14,500 taxable sales price ÷ $16,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $1,812 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 90.6% taxable percentage).

  Each lease payment: $352.33 ($388.89 payment x 90.6% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Total Additions		$14,000
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($18,000)
Amount Paid to Leasing Co Y			$16,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Total Taxable Sales Price			$14,500
Taxable Percentage:			
	Total Taxable Sales Price / Total Amount Received	= $14,500 / $16,000	= 90.6%
Payment at Lease Signing:			
	$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 90.6% (Taxable %)	= $1,812 (Taxable Amount)
Monthly Lease Payment:			
	$388.89 (Monthly Payment)	x 90.6% (Taxable %)	= $352.33 (Taxable)

NOTE: If Customer A paid the $8,000 to Leasing Company C in settlement of the lease (instead of to Leasing Company Y), Leasing Company C's taxable receipts would include the $8,000 lease settlement. Customer A could use its automobile as a trade-in, which would reduce Leasing Company Y's selling price by $8,000. The net result would be the same. A total of $14,500 would be subject to tax: the $8,000 paid by Customer A to Leasing Company C and the $6,500 paid by Customer A to Leasing Company Y ($14,500 selling price minus the $8,000 trade-in allowance = $6,500).

Example 19 – Lease of automobile with leased "trade-in"; lease purchase option less than "trade-in" amount, resulting in positive lease equity

- Customer A leases an automobile from Leasing Company C. The terms of the lease agreement state that Customer A has the option to purchase the automobile for $8,000 at the end of the lease.
- Customer A leases a new automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A "trades-in" his old leased automobile towards its lease of a new automobile from Leasing Company Y and receives a "trade-in allowance" of $10,000.
- Leasing Company Y pays the $8,000 lease payoff to Leasing Company C and provides Leasing Company C with an exemption certificate claiming resale, since Leasing Company Y will sell or lease Customer A's old automobile.
- Leasing Company Y, as a discount, reduces the agreed upon lease value of the new leased automobile by $2,000 for the difference between the value of the old leased automobile and the lease payoff.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $6,000:
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $14,000:
    - Positive Equity/Discount Allowed: $2,000
    - Cash down payment by Customer A: $1,000
    - Manufacturer's rebate: $1,000
    - Residual value: $10,000
  - Total amount to be paid by Customer A over the term of the lease is $12,000 ($20,000 + $6,000 - $14,000).
  - Total amount received by Leasing Company Y is $14,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $12,000 over the term of the lease).
- The $12,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $333.33 ($12,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $12,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 89.3% ($12,500 taxable sales price ÷ $14,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $1,786 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 89.3% taxable percentage).

  Each lease payment: $297.66 ($333.33 payment x 89.3% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Total Additions		$6,000
Subtractions:			
	Positive Equity	$2,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($12,000)
Amount Paid to Leasing Co Y			$14,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Total Additions		$4,500
Subtractions:			
	Discount Allowed for Positive Equity	$2,000	
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($12,000)
Total Taxable Sales Price			$12,500
Taxable Percentage:			
	Total Taxable Sales Price / Total Amount Received	= $12,500 / $14,000	= 89.3%
Payment at Lease Signing:			
	$2,000 (Cash Down Payment & Manufacturer's Rebate)	x 89.3% (Taxable %)	= $1,786 (Taxable Amount)
Monthly Lease Payment:			
	$333.33 (Monthly Payment)	x 89.3% (Taxable %)	= $297.66 (Taxable)

NOTE: If Customer A paid the $8,000 to Leasing Company C (instead of to Leasing Company Y), Leasing Company C's taxable receipts would include the $8,000 purchase option. Customer A could use its automobile as a trade-in, which would reduce Dealer B's selling price by $12,500. The net result would be the same. A total of $18,000 would be subject to tax: the $8,000 paid by Customer A to Leasing Company C and the $4,500 paid by Customer A to Leasing Company Y ($14,500 selling price, without discount - $10,000 trade-in allowance).

Example 20 – Lease of automobile with leased "trade-in"; lease purchase option more than "trade-in" amount, resulting in negative equity

- Customer A leases an automobile from Leasing Company C. The terms of the lease agreement state that Customer A has the option to purchase the automobile for $8,000 at the end of the lease.
- Customer A leases a new automobile from Leasing Company Y for an agreed upon value of $20,000.
- Customer A "trades-in" his old leased automobile towards its lease of a new automobile from Leasing Company Y and receives a "trade-in allowance" of $6,000.
- Leasing Company Y pays the $8,000 lease payoff to Leasing Company C and provides Leasing Company C with an exemption certificate claiming resale, since Leasing Company Y will sell or lease Customer A's old automobile.
- Leasing Company Y adjusts the amount due from Customer A for the new leased automobile by $2,000 to account for the negative equity.
- The monthly lease payments are computed as follows:
  - Agreed upon value of leased automobile: $20,000
  - Additions totaling $8,000:
    - Negative Equity: $2,000
    - Lease acquisition fee: $500
    - Credit insurance: $1,500
    - Rent charge: $4,000
  - Subtractions totaling $12,000:

  - Cash down payment by Customer A: $1,000
  - Manufacturer's rebate: $1,000
  - Residual value: $10,000
- Total amount to be paid by Customer A over the term of the lease is $16,000 ($20,000 + $8,000 - $12,000).
- Total amount received by Leasing Company Y is $18,000 ($1,000 cash down payment + $1,000 manufacturer's rebate + $16,000 over the term of the lease).

- The $16,000 will be paid in equal payments over the 36-month life of the lease. Payments will be $444.44 ($16,000 ÷ 36).
- **Leasing Company Y's taxable receipts are $16,500.** The $1,500 credit insurance is not taxable. Since a portion of the nontaxable $1,500 credit insurance is included in the initial down payment and each lease payment, Leasing Company Y must apply a taxable percentage to each payment to arrive at the taxable sales price of each payment received. The taxable percentage is 91.7% ($16,500 taxable amount ÷ $18,000 total amount received). The taxable sales price of each payment is determined as follows:

  Payment at lease signing: $1,834 (($1,000 cash down payment + $1,000 manufacturer's rebate) x 91.7% taxable percentage).

  Each lease payment: $407.55 ($444.44 payment x 91.7% taxable percentage).

Total Amount Paid to Leasing Co Y			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Credit Insurance	$1,500	
	Rent Charge	$4,000	
	Negative Equity	$2,000	
	Total Additions		$8,000
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Amount Paid to Leasing Co Y			$18,000

Calculation of Taxable Sales Price			
Sales Price of Replacement Vehicle			$20,000
Additions:	Lease Acquisition Fee	$500	
	Rent Charge	$4,000	
	Negative Equity	$2,000	
	Total Additions		$6,500
Subtractions:			
	Residual Value of Vehicle	$10,000	
	Total Subtractions		($10,000)
Total Taxable Sales Price			$16,500

Taxable Percentage:

$$\frac{\text{Total Taxable Sales Price}}{\text{Total Amount Received}} = \frac{\$16{,}500}{\$18{,}000} = 91.7\%$$

Payment at Lease Signing:

$2,000	x	91.7%	=	$1,834
(Cash Down Payment & Manufacturer's Rebate)		(Taxable %)		(Taxable Amount)

Monthly Lease Payment:

$444.44	x	91.7%	=	$407.55
(Monthly Payment)		(Taxable %)		(Taxable)

NOTE: If Customer A paid the $8,000 to Leasing Company C in settlement of the lease (instead of to Leasing Company Y), Leasing Company C's taxable receipts would include the $8,000 lease settlement. Customer A could use its automobile as a trade-in, which would reduce Leasing Company Y's selling price by $6,000. The net result would be the same. A total of $16,500 would be subject to tax: the $8,000 paid by Customer A to Leasing Company C and the $8,500 paid by Customer A to Leasing Company Y ($14,500 selling price - $6,000 trade-in allowance).

APPENDIX B

State, County, and Stadium Sales and Use Taxes Due on Items Registered or Titled in Wisconsin

Description of Transaction	Motor vehicle, boat, recreational vehicle[1] as defined in sec. 340.01(48r), Wis. Stats., and aircraft	Snowmobile, trailer, (other than a recreational vehicle[1] as defined in sec. 340.01(48r), Wis. Stats.) semitrailer, and all-terrain vehicle
• Sale in a Wisconsin county with a county tax and the county is not part of a stadium district • Buyer brings back to and keeps at a Wisconsin location outside of the county where the purchase occurred.	Seller owes 5% state use tax and any applicable local (i.e., county and/or stadium) use taxes in effect for the location where the item is customarily kept.	Seller owes 5% state tax and 0.5% county tax for county in which the sale occurred. No additional county or stadium use tax is due.
• Sale in a Wisconsin county with a county tax that is also within the baseball stadium district. • Buyer brings back to and keeps at a Wisconsin location outside of the county where the purchase occurred.	Same tax treatment as above.	Seller owes 5% state tax, the 0.5% county tax for county where sale occurred, and the 0.1% baseball stadium sales tax. No additional county or stadium use tax is due.
• Sale in a Wisconsin county without a county tax and that is not part of a stadium district • Buyer brings back to and keeps at a Wisconsin location outside of the county where the purchase occurred.	Same tax treatment as above.	Seller owes 5% state tax. **Note:** If a buyer stores, uses, or otherwise consumes the item in a taxable county and/or stadium district, the buyer owes the applicable county and/or stadium tax for the location where the item is first stored, used, or otherwise consumed. The seller may choose to collect this tax for the convenience of the buyer.
• Sale in Wisconsin county without a county tax and that is within a stadium district. • Buyer brings back to and keeps at a Wisconsin location outside of the county where the purchase occurred.	Same tax treatment as above.	Seller owes 5% state tax and the applicable stadium tax (i.e., baseball or football) based on where sale occurred. No additional county or stadium use tax is due.

[1] "Recreational vehicle" is defined in sec. 340.01(48r), Wis. Stats., to mean a vehicle that is designed to be towed upon a highway by a motor vehicle, that is equipped and used, or intended to be used, primarily for temporary or recreational human habitation, that has walls of rigid construction, and that does not exceed 45 feet in length. Therefore, recreational campers with rigid walls that do not exceed 45 feet in length, such as travel trailers, fifth-wheel trailers, are considered to be "recreational vehicles."

APPENDIX C

SECTION TAX 11.83 — MOTOR VEHICLES

Tax 11.83 Motor vehicles. (1) DEFINITIONS. In this section:

(a) "Actively participates" means the person performs services for the motor vehicle dealership, including selling, accounting, managing, and consulting, for more than 500 hours in a taxable year for which the person receives compensation. "Actively participates" does not include services performed only in the capacity of an investor, including studying and reviewing financial statements or reports on the operation of the business, preparing or compiling summaries or analyses of the finances of the business for the investor's own use, or monitoring the finances or operations of the activity in a nonmanagerial capacity.

(am) "Mobility-enhancing equipment" means equipment, including the repair parts and replacement parts for the equipment, that is primarily and customarily used to provide or increase the ability of a person to move from one place to another; that may be used in a home or motor vehicle; and that is generally not used by a person who has normal mobility. "Mobility-enhancing equipment" does not include a motor vehicle or any equipment on a motor vehicle that is generally provided by a motor vehicle manufacturer. "Mobility-enhancing equipment" does not include durable medical equipment.

(b) "Motor vehicle" means a self-propelled vehicle, such as an automobile, truck, truck-tractor, or motorcycle, designed for and capable of transporting persons or property on a highway. In this section, "motor vehicle" does not include a self-propelled vehicle which is not designed or used primarily for transportation of persons or property, and is only incidentally operated on a public highway, such as a farm tractor, snowmobile, fork lift truck, or road machinery as defined in s. 340.01 (52), Stats. "Motor vehicle" does not include a vehicle which is not self-propelled, such as a trailer or semitrailer

(2) RETAILERS' TAXABLE SALES. The following sales in Wisconsin are taxable:

(a) The sale of a motor vehicle minus any trade-in allowance, if the sale and trade-in are one transaction. A separate or independent sale of a motor vehicle by either the buyer or seller of another motor vehicle is not a trade-in, even if the proceeds from the sale are immediately applied by the seller to a purchase of another motor vehicle. A dealer does not realize taxable receipts from a transaction in which one motor vehicle is traded for another of lesser value, called a "trade-down," unless cash or services are received by the dealer.

Examples: 1) **Dealer A sells a motor vehicle to Individual B and accepts the trade-in of two motor vehicles owned by Individual B. The selling price of the new vehicle is $20,000. The values of the two motor vehicles traded in by Individual B are $8,000 and $9,000. The sales price subject to sales tax is $3,000, the $20,000 selling price less the $8,000 and $9,000 trade-ins.**

2) **Dealer A sells two motor vehicles to Individual C and accepts the trade-in of a motor vehicle owned by Individual C. The selling prices of the new vehicles are $10,000 and $12,000. The value of the motor vehicle traded in is $15,000. The sales price subject to sales tax is $7,000, the $22,000 selling price less the $15,000 trade-in.**

(am) The sale of motor vehicles by any retailer registered or required to be registered to collect Wisconsin sales or use tax, regardless of whether the retailer is a motor vehicle dealer.

Example: Landscaper A is registered to collect and remit Wisconsin sales and use tax on its landscaping services. Landscaper A sells a motor vehicle that it had used in its landscaping business. Landscaper A must collect Wisconsin sales tax on its sale of the motor vehicle and remit the tax to the Department of Revenue on its Wisconsin sales and use tax return.

(b) The delivery, handling, and preparation of a motor vehicle being sold and the sale of a warranty, relating to the sale of a motor vehicle that is taxable.

Note: See s. Tax 11.27 for information regarding the sales and use tax treatment of warranties.

(c) The sale of equipment and accessories with a motor vehicle. However, equipment that is not generally provided by a motor vehicle manufacturer, but which is added to a motor vehicle may qualify for exemption under s. 77.54 (22b), Stats., as mobility-enhancing equipment, as defined in sub. (1) (am).

(d) Sales of parts and labor for repair, service, and maintenance performed on a motor vehicle, including charges for installation of accessories or attachments, except charges for mobility-enhancing equipment, as described in par. (c).

Example: Charges for installation of a radio or air conditioner into a motor vehicle are taxable

(e) Towing or hauling a motor vehicle by a tow truck, as defined in s. 340.01 (67n), Stats.

(3) OCCASIONAL SALE OR PURCHASE OF MOTOR VEHICLES FROM NON-RETAILERS.

(a) The occasional sale of a motor vehicle is taxable, unless one of the following applies:

1. The transfer is to the spouse, parent, stepparent, father-in-law, mother-in-law, child, stepchild, son-in-law, or daughter-in-law of the transferor or is transferred from an individual to a corporation which is solely owned by the individual; and the motor vehicle has been previously registered or titled in Wisconsin in the name of the transferor, if re-

quired to be registered or titled; and the transferor is not engaged in the business of selling motor vehicles.

2. The motor vehicle is sold by a nonprofit organization meeting the requirements in s. Tax 11.35 (4).

(b) No motor vehicle shall be registered or titled in Wisconsin unless the registrant presents proof that the sales or use taxes imposed by this subchapter have been paid or the registrant pays the tax due to the department of transportation at the time the vehicle is registered for use in this state.

(c) A Wisconsin resident purchasing a motor vehicle in a foreign country, or for delivery in a foreign country, shall pay the Wisconsin use tax when the resident registers the vehicle in Wisconsin for use in Wisconsin, subsequent to use in the foreign country. The tax is measured by the full "purchase price," as defined in s. 77.51 (12m), Stats., of the vehicle.

(d) When one co-owner transfers an interest in a motor vehicle to the other co-owner, tax shall apply on the transfer of the interest. The measure of the tax shall be the cash or its equivalent paid for the equity transferred plus the selling co-owner's share of the liabilities assumed by the buying co-owner.

(4) PURCHASES BY NONRESIDENTS..

(a) The sales price from the sales of motor vehicles or truck bodies to nonresidents of Wisconsin, including members of the armed forces, who will not use the vehicles or trucks for which the truck bodies were made in Wisconsin other than in their removal from Wisconsin is exempt. Truck bodies include semi-trailers. However, the separate sale of a "slide-in" camper to a nonresident is taxable if the sale is sourced to Wisconsin as provided s. 77.522, Stats.

(b) The sales price from charges for the repair by a Wisconsin retailer of a nonresident's motor vehicle or truck body is subject to tax.

(c) A motor vehicle, trailer, semi-trailer, all-terrain vehicle, or recreational vehicle as defined in s. 340.01 (48r), Stats., purchased outside Wisconsin by a nonresident of Wisconsin 90 days or more before bringing the unit into Wisconsin, in connection with a change of residence to Wisconsin by the individual, is not subject to the Wisconsin use tax.

(d) Except as provided in par. (c), nonresidents, including armed forces personnel stationed outside this state pursuant to military orders, who purchase motor vehicles outside this state, shall pay the Wisconsin use tax at the time the vehicle is registered with the Wisconsin department of transportation. However, a tax credit may be claimed as described in sub. (6).

(5) TEMPORARY USE IN WISCONSIN. Motor vehicles purchased outside Wisconsin, which are not registered or titled or required to be registered or titled in Wisconsin, brought into Wisconsin by a nondomiciliary for that person's own storage, use, or other consumption while temporarily in Wisconsin are not subject to use tax when the motor vehicle is not stored, used, or otherwise consumed in Wisconsin in the conduct of a trade, occupation, business, or profession or in the performance of personal services for wages or fees.

(6) TAX CREDIT FOR VEHICLE PURCHASED OUTSIDE WISCONSIN. A motor vehicle purchased outside Wisconsin and registered in Wisconsin is subject to Wisconsin use tax, except as noted in sub. (4) (c). However, if the purchase was subject to a sales or use tax by the state, the District of Columbia, or the Commonwealth of Puerto Rico, in which the purchase was made, sales or use tax paid to the other state, the District of Columbia, or the Commonwealth of Puerto Rico may be applied as a credit against and deducted from the Wisconsin use tax. This credit does not apply to taxes paid to another country or to motor vehicle registration fees.

(7) TRANSFER BY INHERITANCE, GIFT, OR PRIZE.

(a) The distribution of a motor vehicle to the heir or heirs of an estate is not a transfer subject to the Wisconsin sales or use tax. However, the sale of a motor vehicle by a personal representative of an estate is subject to the tax, and the purchaser shall pay the tax to the department of transportation at the time of registration.

(b) A motor vehicle transferred as a gift or as a prize in a contest or drawing is exempt when registered with the department of transportation by the recipient or prize winner. However, the sale of the vehicle to the donor of the gift or prize is taxable, unless the donor is an organization described in s. 77.54 (9a), Stats.

(c) A motor vehicle donated to an organization described in s. 77.54 (9a), Stats., is not subject to Wisconsin use tax if the motor vehicle has been purchased by the donor tax-free for resale or upon the presentation of a valid exemption certificate, and if the donor has made no other use of the motor vehicle.

(8) VEHICLES USED BY LICENSED WISCONSIN MOTOR VEHICLE DEALERS.

(a) *General.* Motor vehicles purchased without tax for resale by a Wisconsin motor vehicle dealer licensed under ss. 218.0101 to 218.0163, Stats., and used for a purpose in addition to retention, demonstration, or display, except motor vehicles loaned to any school or school district for a driver training educational program conducted by the school or school district, are subject to Wisconsin use tax. Motor vehicles used by the dealership solely for retention, demonstration, and display, while holding them for sale in the regular course of business, or solely for leasing to others, such as customers and employees, are not subject to Wisconsin use tax.

(b) *Amount subject to use tax.* The amount subject to use tax on a motor vehicle used by a licensed motor vehicle dealer for a purpose in addition to retention, demonstration, or display is one of the following:

1. Motor vehicles held for sale which are assigned to and used by a specific dealer employee subject to withholding from federal income tax on wages are subject to Wisconsin use tax on $140 per motor vehicle registration plate per month. The $140 amount is effective January 1, 2009 and is subject to change annually as explained in the notes following par. (b).

2. Motor vehicles held for sale which are assigned to and used by persons holding an ownership interest in Wisconsin licensed motor vehicle dealerships who are not subject to withholding for federal income tax purposes, but who actively participate in the day-to-day operation of the dealership, are subject to Wisconsin use tax on $140 per motor vehicle registration plate per month. The $140 amount is effective January 1, 2009 and is subject to change annually as explained in the notes following this subdivision.

Note: **As provided in s. 77.53 (1m), Stats., the department will annually adjust the amount per plate to the nearest whole dollar to reflect the annual percentage change in the U.S. consumer price index for all urban customers, U.S. city average, as determined by the United States department of labor, for the 12 months ending on June 30 of the year before the change. The department will publicize any rate change in an issue of the Wisconsin Tax Bulletin and Sales and Use Tax Report prior to the January 1 that the change becomes effective.**

Note: **The amount per plate subject to use tax under par. (b) 1. and 2. was $96 for the period September 1, 1995 through December 31, 1996, $99 for the period January 1, 1997, and $102 for the period January 1, 1998 through December 31, 1998.**

3. Motor vehicles used by the dealer or any person other than an employee of the dealer and which are held for sale and not assigned to and used by a specific dealer employee subject to federal withholding on wages are subject to Wisconsin use tax on the lease value of the motor vehicle computed on a calendar month basis. If a motor vehicle is used by the dealer for a period of less than one calendar month, the amount subject to use tax is the daily lease value calculated by multiplying the applicable monthly lease value by a fraction, the numerator of which is the number of days used by the dealer for a purpose in addition to retention, demonstration, or display and the denominator of which is the number of days in the calendar month. Lease value is computed using the internal revenue service lease value table contained in 26 CFR 1.61-21 (d) (2). In the lease value table, the "automobile fair market value" is one of the following:

a. The amount an individual would have to pay in an arm's length transaction to purchase the motor vehicle. The amount includes all amounts attributable to the purchase of the automobile such as sales tax and title fees.

b. The motor vehicle dealer's cost of purchasing the automobile, including all expenses attributable to that purchase, provided the automobile is owned by the dealer and the purchase was made at arm's length.

4. Motor vehicles not held for sale, including motor vehicles properly capitalized for Wisconsin income or franchise tax purposes, are subject to use tax based on the purpurchase price of the motor vehicle as defined in s. 77.51 (12m), Stats.

(c) *Recordkeeping.* It is presumed that all dealer plates issued by the department of transportation to a licensed motor vehicle dealer are used each month on motor vehicles assigned to employees subject to withholding for federal income tax purposes or owners who actively participate in the day-to-day operations of the dealership for a purpose in addition to retention, demonstration, or display and are subject to use tax as provided in par. (b) 1. and 2., unless one of the following applies:

1. The motor vehicle dealer keeps adequate records showing that the dealer plates were not used during the month on motor vehicles for a purpose in addition to retention, demonstration, or display.

2. The motor vehicle to which the dealer plate is assigned is subject to use tax as computed in par. (b) 3. or 4.

(9) SALES BY DEALERS TO THEIR SALESPERSONS OR OTHER EMPLOYEES. When a licensed Wisconsin motor vehicle dealer sells a motor vehicle to one of the dealer's salespersons or other employees, the transaction is subject to the sales tax.

(10) HEAVY EQUIPMENT DEALERS. Heavy equipment dealers who are not registered with the Wisconsin department of transportation as motor vehicle dealers because their sales are too few in number to require registration, but who are retailers that hold a Wisconsin seller's permit, must charge the sales tax on their sales of motor vehicles. The heavy equipment dealers may purchase motor vehicles they are going to resell without tax for resale by providing a properly completed exemption certificate.

(11) MOTOR VEHICLE REPAIR PARTS AND SUPPLIES.

(a) Motor vehicle dealers with body shops and any other person engaged in motor vehicle repair may purchase for resale without tax tangible personal property and items, property, and goods under s. 77.52 (1) (b), (c), and (d), Stats., which are physically transferred to the customer's vehicle and which leave the repair facility with the customer. The property includes paints, paint hardeners, plastic fillers, welding rods, and auto parts.

(b) Tangible personal property and items, property, and goods under s. 77.52 (1) (b), (c), and (d), Stats., not physically transferred to a customer's motor vehicle and which do not leave the repair facility with the customer are subject to tax. The property includes tools, equipment, and supplies used or

consumed in performing motor vehicle repair service. Taxable supplies include sandpaper, masking paper and tape, buffing pads, paint and lacquer thinner, clean and glaze compound, disc pads, paint remover, paint masks, tack rags, steel wool, industrial gases, metal conditioner, brushes, lacquer removing solvent, rubbing compound, wax and grease remover, fluxing materials, disc adhesive, and all other items not physically transferred to the customer even though a separate charge may be made to the customer for these supplies.

(12) EXEMPTION FOR MIXING AND PROCESSING UNITS. Sales, licenses, leases, and rentals of mobile units used for mixing and processing, and the motor vehicles or trailers on which the units are mounted, including accessories, attachments, parts, supplies, and materials for those vehicles, trailers, and units, are exempt from sales and use tax.

(13) EXEMPTION FOR VEHICLES USED IN WASTE REDUCTION OR RECYCLING. The sales price from the sale, license, lease, or rental of vehicles which are not required to be licensed for highway use and which are used exclusively and directly in waste reduction or recycling activities is exempt from sales and use tax.

(14) REFUNDS UNDER LEMON LAW". Sales tax refunds made under s. 218.0171 (2) (f), Stats., the "lemon law," are normally made in the same manner as the other sales tax refunds. However, when a defective motor vehicle is returned to the manufacturer for a refund of the purchase price, the purchaser is permitted to collect a sales tax refund directly from the department if the manufacturer fails to refund the tax.

(15) VEGETABLE OIL AND ANIMAL FAT. Sales of vegetable oil and animal fat to an individual that will be converted to motor vehicle fuel for use in that individual's personal motor vehicle are exempt from sales and use tax if the individual does not sell any of that fuel during the year. This exemption only applies if the motor vehicle fuel is exempt from the motor vehicle fuel tax under s. 78.01 (1), Stats.

Note: **Section Tax 11.83 interprets ss. 77.51 (7m), (13) (am), (14) (j), and (15b) (b) 6., 77.52 (1), (2) (a) 10. and 13m., and (15), 77.53 (1), (1m), (16), (17), and (18), 77.54 (5) (a), (c) and (d), (7) and (22b), 77.56 (2) and (3), 77.61 (1), 77.71 (2) and (4), and 77.73, Stats.**

Note: **The interpretations in s. Tax 11.83 are effective under the general sales and use tax law on and after September 1, 1969, except: (a) The exemption for a transfer from an individual to a corporation solely owned by an individual became effective January 1, 1983, pursuant to Chapter 264, Laws of 1981; (b) The exemption for motor vehicles used in waste reduction and recycling became effective July 1, 1984, pursuant to 1983 Wis. Act 426; (c) The exemption for mobile mixing and processing units became effective July 20, 1985, pursuant to 1985 Wis. Act 29; (d) The exemption for adaptive equipment for handicapped persons to enter, operate or leave a vehicle became effective June 1, 1990, pursuant to 1989 Wis. Act 238; (e) The exemption for motor vehicles donated to exempt organizations became effective August 9, 1989, pursuant to 1989 Wis. Act 31; (f) The exemption for transfers of motor vehicles to in-laws became effective August 15, 1991, pursuant to 1991 Wis. Act 39; (g) The exemption for parts and accessories for adaptive equipment for motor vehicles of handicapped persons became effective October 1, 1991, pursuant to 1991 Wis. Act 39; (h) The measure of use tax on motor vehicles as described in sub. (8) (b) 1., 3. and 4. became effective September 1, 1995, pursuant to 1995 Wis. Act 27; (i) The use of the amount per plate rather than the lease value, as described in sub. (8) (b) 2., as the measure of use tax for motor vehicles assigned to owners of a dealership became effective December 1, 1997, pursuant to 1997 Wis. Act 27; (j) The trade-in provisions related to lemon law refunds became effective June 1, 2002, pursuant to 2001 Wis. Act 45; (k) The imposition of tax on towing and hauling motor vehicles by a tow truck became effective July 1, 2009, pursuant to 2009 Wis. Act 28; (L) The exemption for mobility-enhancing equipment became effective October 1, 2009, pursuant to 2009 Wis. Act 2; (m) The requirement to collect the tax by persons who are not dealers but who hold a Wisconsin seller's permit became effective October 1, 2009, pursuant to 2009 Wis. Act 2; and (n) The change of the term "gross receipts" to "sales price" and the separate impositions of tax on coins and stamps sold above face value under s. 77.52 (1) (b), Stats., certain leased property affixed to real property under s. 77.52 (1) (c), Stats., and digital goods under s. 77.52 (1) (d), Stats., became effective October 1, 2009, pursuant to 2009 Wis. Act 2.**

History: *Cr. Register, December, 1977, No. 264, eff. 1-1-78; am. (7) (a) and (8), Register, May, 1981, No. 307, eff. 6-1-81; am. (4) (c), Register, September, 1984, No. 345, eff. 10-1-84; am. (7) (a) 1. and 2., Register, February, 1986, No. 362, eff. 3-1-86; emerg. am. (7) (a) 1. and 2., eff. 3-24-86; am. (7) (a) 1. and 2., Register, October, 1986, No. 370, eff. 11-1-86; cr. (11), Register, July, 1987, No. 379, eff. 8-1-87; am. (1), (2) (a), (c) and (d), (3) (a) and (4) (a) and (c), cr. (5), (13) and (14), renum. (5) to be (6), renum. (6) to (11) to be (7) to (12) and am. (8) (a), (9), (10), and (11) (a), (b) and (c) 1., Register, June, 1991, No. 426, eff. 7-1-91; am. (2) (a), (c), (d), (3) (a), (4) (a), (b), (6), (7) (a), (b), (8) (b), (10) and (14), cr. (7) (c), Register, April, 1993, No. 448, eff. 5-1-93; am. (1), (2), (3) (d), (4) (b), (5), (6), (7) (a), (11) (c) and (12), r. and recr. (8), Register, February, 1997, No. 494, eff. 3-1-97; renum. (1) and (8) (b) 2. and 3. to be (1) (b) and (8) (b) 3. and 4. and am. (1) (b), am. (8) (b) 1., (c) 2. and (d), cr. (1) (a), (8) (b) 2., Register, August, 1999, No. 524, eff. 9-1-99; corrections in (8) (a) and (14) made under s. 13.93 (2m) (b) 7., Stats., Register July 2002 No. 559; EmR0924: emerg. am. (1) (a), (b), (2) (title), (intro.), (b) to (d), (3) (title), (a) to (c), (4) (a) to (c), (5), (6), (7) (title), (a), (c), (8) (a), (b) (intro.) to 3. (intro.), 4., (c) (intro.), 1., (10), (11) (a), (b), (12) and (13), cr. (1) (am) and (2) (am), r. (8) (d) and (11) (c), eff. 10-1-09; CR 09-090: am. (1) (a), (b), (2) (title), (intro.), (b) to (d), (3) (title), (a) to (c), (4) (a) to (c), (5), (6), (7) (title), (a), (c), (8) (a), (b) (intro.) to 3. (intro.), 4., (c) (intro.), 1., (10), (11) (a), (b), (12) and (13), cr. (1) (am) and (2) (am), r. (8) (d) and (11) (c) Register May 2010 No. 653, eff. 6-1-10; CR 10-094: am. (2) (title), cr. (2) (e) Register November 2010 No. 659, eff. 12-1-10; correction in (2) (e) made under s. 13.92 (4) (b) 7., Stats., Register November 2010 No. 659; CR 12-014: renum. (3) (a) to be (3) (a) 1. and am., cr. (3) (a) (intro.), 2., am. (11) (a), (b), cr. (15) Register August 2012 No. 680, eff. 9-1-12.*

APPENDIX D

SECTION TAX 11.16 — COMMON OR CONTRACT CARRIERS

Tax 11.16 Common or contract carriers. (1) MOTOR CARRIERS. (a) *Exemption*. Section 77.54 (5) (b), Stats., provides a sales and use tax exemption for motor trucks, truck tractors, road tractors, buses, trailers, and semitrailers, and accessories, attachments, parts, supplies, and materials therefor, sold to common or contract carriers who use such motor trucks, truck tractors, road tractors, buses, trailers, and semitrailers exclusively as common or contract carriers, including the urban mass transportation of passengers as defined in s. 71.38, Stats.

(am) *Exclusively.* As used in s. 77.54 (5) (b), Stats., and this section, "exclusively" means that the motor trucks, truck tractors, road tractors, buses, trailers, and semitrailers are used solely as common or contract carriers to the exclusion of all other uses, except that the sales and use tax exemption for this tangible personal property will not be invalidated by an infrequent and sporadic use other than as a common or contract carrier.

Note: **Under department of transportation rules, a licensed carrier (LC) number is required if a common or contract carrier hauls goods of others for hire. The sales and use tax exemption in par. (a) applies only if the common or contract carrier used the vehicle exclusively for hauling goods of others for hire.**

(b) *Accessories and attachments.* parts, and supplies for exempt vehicles are exempt from the sales and use tax under s. 77.54 (5) (b), Stats. This exemption includes the following items if they are assigned to and carried on vehicles used exclusively as common or contract carriers: dollies, pianoboards, ladders, walkboards, tire chains, fire extinguishers, flares, bug deflectors, engine block heaters, defroster fans, auxiliary heaters and cooling units and their fuel, radios, flag kits including flags and reflectors, and items designed to be used with a vehicle which protect or secure the vehicle's load including tape, fitted tarpaulins, tarpaulin straps, furniture pads and covers, load holding chains, logistic straps, and shoring beams. This exemption does not include corrugated boxes, containers, and related materials that are transferred to customers in conjunction with the selling, performing, or furnishing of a moving service, as provided in par. (g).

Note: **In a decision dated May 19, 1980 in the case of Leicht Transfer & Storage Co., Inc. vs. Wisconsin Department of Revenue the Dane County Circuit Court reversed the November 23, 1979 decision of the Wisconsin Tax Appeals Commission and held that van equipment and supplies that are exempt under s. 77.54 (5) (b), Stats., include furniture pads, covers, packing supplies, tape, pianoboards, ladders, walkboards, straps, lining paper and corrugated boxes. The Court also stated that "It must be kept in mind that it is undisputed that all of the items are assigned to and carried on the vans." The Court of Appeals District IV, affirmed the Circuit Court's decision. Under this interpretation, the only corrugated boxes and packing materials that qualify for exemption under s. 77.54 (5) (b), Stats., are those that are assigned to and carried on an exempt van and that are not transferred to a customer.**

(c) *Repairs.* The sale or furnishing of repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance to exempt vehicles shall be exempt.

(d) *Exceptions. The exemption shall not apply to the following property used by common or contract carriers:*

1. Automobiles as defined in s. 340.01 (4), Stats., except an automobile registered as a truck.

2. Self-propelled vehicles for off-highway use, such as road machinery, fork lifts, and other industrial trucks.

(e) *Equipment and supplies.* Equipment acquired by a carrier for the repair, service, or maintenance of its exempt vehicles is not exempt, including repair tools, welding torches, battery chargers, and grinding discs.

(f) *Conversion to private use.* If a vehicle purchased without tax is converted to private use, a use tax or sales tax pursuant to s. Tax 11.14 (2) (c) is due. The tax is measured by the sales price of the vehicle to the purchaser.

(g) *Packaging materials.* The transfer to a customer of corrugated boxes, containers, and related packing materials in conjunction with moving or transporting a customer's goods is incidental to the selling, performing, or furnishing of the moving or transportation service. The service provider is the consumer of the property and shall pay tax on its purchase of the property to be transferred.

(h) *Occasional sales.* Motor carriers are not required to register as retailers with the department if the sales price from their sales of tangible personal property, items, property, and goods under s. 77.52 (1) (b), (c), and (d), Stats., and taxable services are $1,000 or less within a calendar year. Persons who are exempt from registration under this standard shall pay sales or use tax on all purchases of tangible personal property, items, property, and goods under s. 77.52 (1) (b), (c), and (d), Stats., and taxable services not otherwise exempt, including items that may be resold to customers. Persons who exceed the standard shall register with the department and obtain a seller's permit. Persons who register may purchase tangible personal property, items, property, and goods under s. 77.52 (1) (b), (c), and (d), Stats., and taxable services for resale without paying tax by issuing to their supplier a properly completed exemption certificate claiming resale or

they may pay the tax to their supplier and, if the property is resold, claim a credit for the tax paid against any sales tax due.

Note: **Refer to s. Tax 11.002 for description of permit requirements, how to apply for a permit, and the 15-day time period within which the department is required to act on permit applications.**

Examples: **1) A truck purchased to transport pads and packing materials to and from moving jobs qualifies for the exemption in par. (a).**

2) Cutting down trees, cutting them into logs, and hauling them to a mill as a private business operation voids the exemption in par. (a), even though the trucker also hauls logs as a common or contract carrier for other persons at the same time.

3) Vehicles of a milk or cheese factory that engage in hauling milk from farms to its plant for processing do not qualify for the exemption under par. (a).

4) Towing of vehicles to the repair facility of a garage-wrecker operator is part of a private repair business that is not exempt under par. (a).

(2) RAILWAY ROLLING STOCK. (a) Section 77.54 (12), Stats., provides a sales and use tax exemption for the sales price from the sales of and the storage, use, or other consumption in this state of rail freight or passenger cars, locomotives, or other rolling stock used in railroad operations, or accessories, attachments, parts, lubricants, or fuel therefor.

(b) The exemption for rolling stock includes:

1. The sale or furnishing of repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance to exempt rolling stock.

2. Purchases of any equipment that is operated on railroad rails, including an industrial firm's switching locomotives used to switch freight cars on its own property, except vehicles that may also be used on a highway.

3. Fuel used to heat a caboose or run a compressor that cools a railway car.

4. A utility's coal cars used to haul coal from mines to the utility.

(c) The exemption does not apply to:

1. Rails, crossties, and other road building and maintenance materials. However, sales of crossties to a common or contract carrier are exempt if they are shipped wholly or in part by way of the purchasing carrier under a bill of lading, whether the freight is paid in advance or the shipment is made freight charges collect, to a point outside Wisconsin if the property is transported outside Wisconsin for use by the carrier in the conduct of its business as a carrier. The exemption will not be invalidated because of interruption of the shipment for storage, drying, processing, or creosoting of the crossties in Wisconsin.

2. Bracing materials, rough lumber, and dunnage materials.

3. Ice to refrigerate a railway car.

(3) COMMERCIAL VESSELS. (a) Section 77.54 (13), Stats., provides a sales and use tax exemption for the sales price from the sales of and the storage, use, or other consumption in this state of commercial vessels and barges of 50-ton burden or over primarily engaged in interstate or foreign commerce or commercial fishing, and the accessories, attachments, parts, and fuel therefor.

(b) The exemption for commercial vessels applies to:

1. Vessels and barges primarily engaged in interstate or foreign commerce or commercial fishing that are documented under the laws of the United States showing a net volumetric tonnage of 50 tons or more.

2. Items that become a component part of the exempt commercial vessel.

3. The sale or furnishing of repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance of exempt commercial vessels.

(c) The exemption does not apply to consumable supplies or furnishings that are not attached to the vessel, such as bedding, linen, table and kitchenware, tables, chairs, lubricants, work clothes, acetylene gas, nets, fishing tackle, lumber for dry docking, bracing, blocking and dunnage materials and other materials not incorporated into the vessel.

Note: Section Tax 11.16 interprets ss. 77.54 (5) (b), (7) (a), (12), and (13), 77.55 (2m), and 77.57, Stats.

Note: The interpretations in s. Tax 11.16 are effective under the general sales and use tax law on and after September 1, 1969, except: (a) The sale of packing materials to a service provider became taxable effective September 1, 1983, pursuant to 1983 Wis. Act 27; (b) The exemption for certain railroad crossties became effective July 20, 1985, pursuant to 1985 Wis. Act 29; (c) Section 340.01 (61), Stats., which defined "station wagon" was repealed pursuant to 1999 Wis. Act 80; (d) In Freight Lime and Sand Hauling, Inc. v. Wisconsin Department of Revenue, Wisconsin Tax Appeals Commission, November 20, 2002 (CCH 400-646), trucks hauling property of others for hire were found to qualify for exemption, even though the property being hauled had no value; (e) Section 77.57, Stats., was amended to remove the portion of the statute that allowed a purchaser to use the lesser of the cost or fair market value of an item that was purchased exempt and whose first taxable use occurred more than 6 months after it was purchased, pursuant to 2009 Wis. Act 2; and (f) The change of the term "gross receipts" to "sales price" and the separate impositions of tax on coins and stamps sold above face value under s. 77.52 (1) (b), Stats., certain leased property affixed to real property

under s. 77.52 (1) (c), Stats., and digital goods under s. 77.52 (1) (d), Stats., became effective October 1, 2009, pursuant to 2009 Wis. Act 2.

History: *Cr. Register, November, 1978, No. 275, eff. 12-1-78; am. (1) (a) and (d), (3) (b) 1., Register, November, 1981, No. 311, eff. 12-1-81; am. (3) (b) 1., Register, January, 1983, No. 325, eff. 2-1-83; am. (1) (b), (d) and (2) (b) 2., r. and recr. (1) (e), cr. (1) (h) and (i), Register, December, 1983, No. 336, eff. 1-1-84; am. (1) (f) and (3) (b) 1., Register, July, 1987, No. 379, eff. 8-1-87; am. (1) (e) and (3) (b) 1., Register, April, 1990, No. 412, eff. 5-1-90; correction in (1) (a) made under s. 13.93 (2m) (b) 7., Stats., Register, April, 1990, No. 412; am. (1) (a) and (d) and (2) (c) 1., r. (1) (g), renum. (1) (h) to be (g) and (1) (i) to be (h), Register, June, 1991, No. 426, eff. 7-1-91; EmR0924: emerg. am. (1) (a), (b), (c), (f), (h), (2) (a), (b) 1. to 3., (3) (a) and (b) 3., renum. (1) (d) to be (1) (d) (intro.) and am., cr. (1) (d) 1. and 2., eff. 10-1-09; CR 09-090: am. (1) (a), (b), (c), (f), (h), (2) (a), (b) 1. to 3., (3) (a) and (b) 3., renum. (1) (d) to be (1) (d) (intro.) and am., cr. (1) (d) 1. and 2. Register May 2010 No. 653, eff. 6-1-10; CR 10-094: am. (1) (a), (am), (b), (e), (g), (2) (a), (c) 1., 2., (3) (a) Register November 2010 No. 659, eff. 12-1-10.*

APPENDIX E

SECTION TAX 11.27 — INSURANCE AND WARRANTIES

Tax 11.27 Maintenance contracts, insurance, and warranties.

(1) DEFINITIONS. In this section

(a) "Computer software maintenance contract" means a contract that obligates a vendor of computer software to provide a customer with future updates or upgrades to computer software, computer software support services, or both.

(b) "Insurance" means a contract or agreement which promises indemnity against loss or damage resulting from perils outside of and unrelated to defects in tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats.

(c) "Warranty" means a contract or agreement which promises indemnity against defects in tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., sold.

(2) RECEIPTS FROM INSURANCE. The sales price from the sale of insurance, except contracts under s. 77.52 (2) (a) 13m., Stats., are not subject to Wisconsin sales or use tax when separately stated on the invoice provided to the purchaser.

Examples: 1) Company A rents a vehicle to Customer A for $200 which includes insurance. The entire charge of $200 is subject to Wisconsin sales or use tax because the charge for insurance is not separately stated.

2) **Company A rents a vehicle to Customer B for $200. On the invoice, Company A shows a charge for vehicle rental of $175 and a charge for insurance of $25. The charge of $175 is subject to Wisconsin sales or use tax. The $25 charge for the insurance is not subject to tax since it is separately stated on the invoice provided to the purchaser.**

(3) RECEIPTS FROM MAINTENANCE CONTRACTS AND WARRANTIES. Section 77.52 (2) (a) 13m., Stats., imposes Wisconsin sales tax on the sale of contracts, including service contracts, maintenance agreements, computer software maintenance contracts for prewritten computer software, and warranties, that provide, in whole or in part, for the future performance of or payment for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, or maintenance of tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., unless the sale, license, lease, or rental in this state of the property, items, or goods to which the contract relates is or was exempt, to the purchaser of the contract, from taxation under subch. III of ch. 77, Stats.

Examples: 1) Company A sells a machine to Customer C which will be used exclusively and directly in manufacturing. Customer C purchases an extended warranty with the machine. Customer C provides Company A with a properly completed exemption certificate. The sale of the extended warranty is not subject to Wisconsin sales or use tax because the machine to which it relates is exempt from Wisconsin sales or use tax.

2) Customer D, a resident of Minnesota, purchases an automobile from a dealership in Wisconsin. Customer D makes no use of the automobile in Wisconsin other than to drive it to his home in Minnesota. Customer D purchases an extended warranty with the automobile. The sale of the extended warranty is not subject to Wisconsin sales or use tax because the sale of the automobile is exempt from Wisconsin sales or use tax.

3) Assume the same facts as in Example 2, except that Customer D does not purchase the extended warranty at the time of sale of the automobile. Instead, six weeks after the sale, Customer D purchases the extended warranty from the dealer. The sale of the extended warranty is not subject to Wisconsin sales or use tax because the automobile to which the sale relates was exempt from Wisconsin sales or use tax.

4) Customer E, a resident of Wisconsin, purchases an appliance from a store in Wisconsin. Customer E purchases an extended warranty with the appliance. The sale of the extended warranty is subject to Wisconsin sales tax because the sale of the appliance is subject to Wisconsin sales tax.

5) Assume the same facts as in Example 4, except that Customer E does not purchase the extended warranty at the time of sale of the appliance. Instead, 2 months after the sale, Customer E purchases the extended warranty from the store. The sale of the extended warranty is subject to Wisconsin sales tax because the appliance to which the sale relates was subject to Wisconsin sales tax.

(4) REPAIRS BY RETAILERS UNDER INSURANCE PLANS. (a) The sales price from charges by a retailer to a customer or an insurer for taxable repair parts or taxable services performed under an insurance plan are subject to Wisconsin sales or use tax.

Examples: 1) Company A sold an appliance to Customer E. Company A also sold an insurance plan for the appliance to Customer E. The appliance is later repaired by Company A under the insurance plan. Company A bills the insurance company for the repair. The charge to the insurance company is subject to Wisconsin sales or use tax.

2) **Company A sold an appliance to Customer F. Company A also sold an insurance plan for the appliance to Customer F. The appliance is later repaired by Company A under the insurance plan. Company A bills the customer for the repair. Customer F submits the bill to the insurance company and receives reimbursement from the insurance company. The charge to Customer F for the repair is subject to Wisconsin sales tax.**

(b) 1. A retailer who provides parts or performs taxable repair services to tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., under an insurance plan may purchase the tangible personal property

or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., transferred to the customer as part of the repair without Wisconsin sales or use tax as property for resale

2. A person who provides tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., in repairing real property under an insurance plan is the consumer of the tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., transferred to a customer as part of the repair to real property and is subject to Wisconsin sales or use tax on the purchase of the tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., transferred.

Note: Refer to s. Tax 11.68 for information about distinguishing between real and tangible personal property.

(5) REPAIRS BY RETAILERS UNDER MAINTENANCE CONTRACTS AND WARRANTIES. (a) The sales price from charges by a retailer to a customer for taxable repair parts or taxable services performed under a maintenance contract or warranty and that are not reimbursed by the seller of the maintenance contract or warranty are subject to Wisconsin sales or use tax.

Example: Customer A purchased an automobile from a dealership in Wisconsin. Customer A purchased an extended warranty from the dealership which was subject to Wisconsin sales or use tax. Customer A brings the automobile to the dealership for repair under the warranty. Under the terms of the warranty, Customer A must pay a deductible of $100. The $100 charge to Customer A is subject to Wisconsin sales or use tax.

(b) Reimbursement to a retailer from a manufacturer or other person, whether in the form of money or replacement of parts used to perform repair services under a warranty is not subject to Wisconsin sales or use tax.

Example: Customer B purchased a television with an extended warranty from an appliance store. Customer B has the television repaired under the warranty. The appliance store is reimbursed $200 by the warranty company for the repair of the television. The $200 reimbursement is not subject to Wisconsin sales or use tax.

(c) 1. A retailer who provides parts or performs taxable repair services to tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., under a maintenance contract or warranty may purchase the tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., transferred to the customer as part of the repair without Wisconsin sales or use tax as property, items, or goods for resale.

2. A person who provides tangible personal property or items or property, under s. 77.52 (1) (b) or (c), Stats., in repairing real property under a maintenance contract or warranty is the consumer of the tangible personal property or items or property under s. 77.52 (1) (b) or (c), Stats., transferred to a customer as part of the repair to real property and is subject to Wisconsin sales or use tax on the purchase of the tangible personal property or items or property, under s. 77.52 (1) (b) or (c), Stats., transferred.

Note: Refer to s. Tax 11.68 for information about distinguishing between real and tangible personal property or items or property under s. 77.52 (1) (b) or (c), Stats.

(6) REPAIRS NOT BY RETAILERS. If a retailer does not repair tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., under a maintenance contract, warranty, or insurance plan, but instead has another person perform the repairs covered under the maintenance contract, warranty, or insurance plan, the person's sales price from the sale of the repair to the retailer is not subject to Wisconsin sales or use tax provided the retailer gives the person a properly completed exemption certificate. The charge for repairs by the other person is exempt as a sale for resale whether or not the original sale of the property, item, or good to which the maintenance contract, warranty, or insurance plan relates occurred in Wisconsin. The sales and use tax treatment of the charge by the retailer to the customer or plan provider is the same as provided in subs. (4) and (5).

Note: Refer to s. Tax 11.14 for information regarding exemption certificates.

(7) GOODWILL WORK. A retailer who provides free parts or services or both to a customer under an implied warranty in order to maintain good customer relations, although not required to do so under a sales agreement, maintenance agreement, express warranty, or insurance plan may purchase the parts without Wisconsin sales or use tax for resale.

Example: Customer Z, a resident of Wisconsin, purchased an automobile and extended warranty from a Wisconsin dealership. The dealership charged Wisconsin sales tax on the sale of the automobile and warranty. Customer Z brought the vehicle to the dealership for repairs that were covered under the warranty. While performing the repairs, a part is damaged. The dealership, who is not required by the terms of the warranty to provide the part, provides the part free of charge to Customer Z. The dealership may purchase the part provided free to Customer Z without Wisconsin sales or use tax as property for resale.

Note: Section Tax 11.27 interprets ss. 77.51 (14) (intro.), (15b), 77.52 (2) (a) 10. and 13m., and 77.54 (8), Stats.

Note: Note: The interpretations in s. Tax 11.27 are effective under the general sales and use tax law on and after September 1, 1969, except that (a) the definitions in sub. (1) and the provisions in subs. (4) (b) 2. and (5) (c) 2. became effective on February 1, 1994; (b) The definition of computer software maintenance contract became effective October 1, 2009 pursuant to 2009 Wis. Act 2; (c) The specific imposition of tax on maintenance contracts and extended warranties became effective October 1, 2009 pursuant to 2009 Wis. Act 2; and (d) The change of the term "gross receipts" to "sales price" and the separate impositions of tax on coins and stamps sold above face value under s. 77.52 (1) (b), Stats., certain leased property affixed to real property under s. 77.52 (1) (c), Stats., and digital goods under s. 77.52 (1) (d), Stats., became effective October 1, 2009, pursuant to 2009 Wis. Act 2.

History: *Cr. Register, November, 1977, No. 263, eff. 12-1-77; am. (1), (2) (a) and (b), Register, September, 1984, No. 345, eff. 10-1-84; am. (2) (c), Register, July, 1987, No. 379, eff. 8-1-87; r. and recr. Register, January, 1994, No. 457, eff. 2-1-94; EmR0924: emerg. am. (title), (2), (4), (5) (title), (a), (c), (6) and (7), renum. (1) (a) and (b) to be (1) (b) and (c) and am., cr. (1) (a), r. and recr. (3), eff. 10-1-09; CR 09-090: am. (title), (2), (4), (5) (title), (a), (c), (6) and (7), renum. (1) (a) and (b) to be (1) (b) and (c) and am., cr. (1) (a), r. and recr. (3) Register May 2010 No. 653, eff. 6-1-10.*

APPENDIX F

SECTION TAX 11.49 — SERVICE STATIONS AND FUEL OIL DEALERS

Tax 11.49 Service stations and fuel oil dealers.

(1) TAXABLE SALES. Sales by service station operators and fuel oil dealers subject to the sales tax include the following:

(a) The sale of furnace or heating fuel to customers, other than for residential or farm use.

(b) The repair, service, alteration, fitting, cleaning, painting, coating, inspection, and maintenance of motor vehicles, including the total amount charged for parts and labor and including motor vehicles and truck bodies owned by nonresidents except as provided in sub. (2).

(c) The towing of motor vehicles, which includes the hauling of motor vehicles by a tow truck, as defined in s. 340.01 (67n), Stats.

Examples: 1) The charge to a customer for towing a vehicle to a repair facility is taxable.

2) The charge to a customer by a towing company for towing the customer's vehicle from a no parking zone is taxable.

3) The charge to a customer by a towing company for towing a demolished vehicle to a junkyard is taxable.

4) The charge to a Wisconsin governmental unit by a towing company for towing is exempt from tax.

5) The charge to a repair facility by a towing company for towing a vehicle to the facility for repair which will be passed on to the customer is not taxable provided the repair facility gives the towing company a properly completed exemption certificate claiming resale. However, the charge for the towing service to the customer by the repair facility is taxable.

(d) Retail sales of tangible personal property and items, property, and goods under s. 77.52 (1) (b), (c), and (d), Stats., including motor oil, antifreeze, motor vehicle parts and supplies, tobacco products, candy, and soft drinks by service stations except as provided in sub. (2).

(e) Charges for car washes, whether automated or not.

(f) Providing parking for motor vehicles. Providing temporary storage of a motor vehicle is considered parking if the vehicle is ready and available for immediate use.

(2) EXEMPT SALES. Sales by service station operators and fuel oil dealers not subject to the sales tax include the following:

(a) Sales of gasoline, general aviation fuel and special fuel including diesel and L.P. fuel, which are subject to the Wisconsin motor vehicle fuel taxes under ch. 78, Stats. The holder of a Wisconsin special fuel license may issue an exemption certificate to purchase special fuel without sales tax. On special fuel which a licensee puts into highway motor vehicles, the licensee is required to pay the special fuel tax. If motor fuel or special fuel is purchased without tax under s. 77.54 (11), Stats., because it is subject to the excise tax imposed under ch. 78, Stats., and then the excise taxes are later refunded under s. 78.75, Stats., because the buyer does not use the fuel in operating a motor vehicle upon the public highways, the fuel is subject to the tax, unless otherwise exempt under s. 77.54 (1), (3), (5), (6) (c), (9a), (12), (13), (30) (a), Stats., or other exemptions in subch. III, ch. 77, Stats.

(b) Sales made directly to this state or any agency thereof, the University of Wisconsin Hospitals and Clinics Authority, the Wisconsin Aerospace Authority, the Health Insurance Risk-Sharing Plan Authority, the Wisconsin Quality Home Care Authority, and the Fox River Navigational System Authority; any county, city, village, town, or school district in this state; a county-city hospital established under s. 66.0927, Stats.; a sewerage commission organized under s. 281.43 (4), Stats., or a metropolitan sewerage district organized under ss. 200.01 to 200.15 or 200.21 to 200.65, Stats.; any other unit of government in this state or any agency or instrumentality of one or more units of government in this state; any federally recognized American Indian tribe or band in this state; any joint local water authority created under s. 66.0823, Stats.; any transit authority created under s. 59.58 (7) or 66.1039, Stats.; any corporation, community chest fund, foundation, or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, except hospital service insurance corporations under s. 613.80 (2), Stats., no part of the net income of which inures to the benefit of any private stockholder, shareholder, member, or corporation; a local exposition district under subch. II of ch. 229, Stats.; a local cultural arts district under subch. V of ch. 229, Stats. Sales to a cemetery company or corporation described under section 501 (c) (13) of the Internal Revenue Code, are exempt from sales and use tax if the cemetery company or corporation uses the items exclusively for the purposes of the company or corporation. Section 77.55 (1), Stats., provides an exemption for sales to the United States, its unincorporated agencies and instrumentalities, and any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States. Sales to employees of these

entities are not exempt, even though the entity may reimburse the employee for the expenditure.

(c) Sales of accessories, attachments, parts, supplies, and highway fuel for common or contract carrier motor trucks, truck tractors, road tractors, buses, trailers, and semi-trailers used exclusively in common or contract carriage, including the urban mass transportation of passengers as defined in s. 71.38, Stats. This exemption applies to purchases for school buses operated under contract with a public or private school to transport students. A station wagon or van which is not registered as a bus or truck with the division of motor vehicles in the Wisconsin department of transportation does not qualify for this exemption.

(d) Sales to farmers of parts and repairs for tractors or farm machines used directly in farming, but this exemption does not apply if these items are used in motor vehicles for highway use.

(e) Sales to farmers of fuel used in farming.

(f) Sales of general aviation fuel to persons using aircraft as certified or licensed carriers of persons or property in interstate commerce are exempt under s. 77.54 (5) (a), Stats.

(g) Sales of coal, fuel oil, propane, steam, peat, fuel cubes produced from solid waste, wood, and biomass as defined in s. 196.378 (1) (ar), Stats., used for fuel sold for residential use. In this paragraph, "residential use" means use in a structure or portion of a structure which is a person's permanent residence as defined in s. Tax 11.57 (2) (q) 2. and 3.

(h) Sales of repairs, services, alterations, fitting, cleaning, painting, coating, towing, inspection, and maintenance services to common or contract carrier vehicles exempt under sub. (2) (c), mobile mixing and processing units and the vehicle or trailer on which they are mounted, and motor vehicles not required to be licensed for highway use which are exclusively and directly used in conjunction with waste reduction or recycling activities.

(i) Sales of accessories, attachments, parts, supplies, and materials for mobile mixing and processing units and the vehicle or trailer on which they are mounted, including highway fuel for units operated on public highways.

(j) Sales of any residue used for fuel in a business activity that results from the harvesting of timber or the production of wood products including slash, sawdust, shavings, edgings, slabs, leaves, wood chips, bark and wood pellets manufactured primarily from wood or wood residue.

(k) Sales of fuel consumed in manufacturing tangible personal property, or items or property under s. 77.52 (1) (b) or (c), Stats., in Wisconsin.

(l) Sales of fuel consumed in operating an industrial waste treatment facility.

(3) PURCHASES. (a) Service station operators who repair motor vehicles may purchase, without tax, "for resale", repair parts and materials used in the work which are physically transferred to their customers. This includes auto parts, chassis lubricants, wheel greases, car waxes, paints, paint hardeners, plastic body fillers, and welding rods.

(b) A service station operator's purchases of equipment, tools, supplies, and other property, items, or goods not physically transferred to customers as part of the performance of a taxable service are subject to the sales and use tax. Supplies such as sandpaper, masking paper, masking tape, buffing pads, paint and lacquer thinner, clean and glaze compound, paint remover, tack rags, steel wool, metal conditioner, lacquer removing solvent, rubbing compound, wax and grease remover, fluxing materials, disc adhesives, and other property or items used or consumed in performing motor vehicle repair service are taxable.

Note: Section Tax 11.49 interprets ss. 77.52 (2) (a) 8m., 9., and 10. and (2m) (b) and 77.54 (3), (5), (9a), (11), and (30), Stats.

Note: The interpretations in s. Tax 11.49 are effective under the general sales and use tax law on and after September 1, 1969, except: (a) Sales of coal, fuel oil, propane, steam and wood used for fuel became exempt July 1, 1979, pursuant to Chapter 1, Laws of 1979; (b) Sales of jet fuel to persons who were not certified or licensed carriers were taxable prior to January 1, 1982; (c) If the excise tax on motor fuel or special fuel is refunded under s. 78.75, Stats., a tax is payable pursuant to 1985 Wis. Act 29, effective September 1, 1985; (d) The repair of motor vehicles used in waste reduction or recycling processes is exempt pursuant to 1983 Wis. Act 426, effective July 1, 1984; (e) The repair of mobile mixing and processing units and the vehicle or trailer on which mounted, as well as parts, accessories, attachments, supplies and materials are exempt pursuant to 1985 Wis. Act 29, effective July 20, 1985; (f) Peat and solid waste fuel cubes sold for residential use are exempt pursuant to 1985 Wis. Act 149, effective April 2, 1986; (g) Wood residue sold for fuel use in a business activity is exempt pursuant to 1987 Wis. Act 27, effective September 1, 1987; (h) Repair to nonresident vehicles not otherwise exempt is exempt pursuant to 1987 Wis. Act 27, effective September 1, 1987; (i) The exemption for fuel used in farming, other than in machines, became effective October 1, 1991, pursuant to 1991 Wis. Act 39; (j) All towing services became taxable effective May 1, 1993; (k) Fuel consumed in manufacturing became exempt effective January 1, 2006, pursuant to 2003 Wis. Act 99; (L) Towing by a tow truck as defined in s. 340.01 (67n), Stats., became taxable effective July 1, 2009, pursuant to 2009 Wis. Act 28; and (m) The change of the term "gross receipts" to "sales price" and the separate impositions of tax on coins and stamps sold above face value under s. 77.52 (1) (b), Stats., certain leased property affixed to real property under s. 77.52 (1) (c), Stats., and digital goods under s. 77.52 (1) (d), Stats., became effective October 1, 2009, pursuant to 2009 Wis. Act 2.

History: ***Cr. Register, January, 1978, No. 265, eff. 2-1-78; am. (1) (a), cr. (2) (f), Register, January, 1983, No. 325, eff. 2-1-83; am. (2) (a) and (e), Register, June, 1983, No. 330, eff. 7-1-83; am. (2) (a), Register, July, 1987,***

No. 379, eff. 8-1-87; correction in (2) (c) made under s. 13.93 (2m) (b) 7., Stats., Register, April, 1990, No. 412; am. (1) (b) and (d), (2) (b), (c) and (f) and (3) (a), cr. (2) (g), (h) and (i), Register, March, 1991, No. 423, eff. 4-1-91; am. (1) (b) and (2) (d), renum. (1) (c) (intro.) and (2) (e) to (i) to be (1) (c) and (2) (f) to (j) and am. (1) (c), r. (1) (c) 1. to 3., cr. (1) (f) and (2) (e), Register, April, 1993, No. 448, eff. 5-1-93; EmR0924: emerg. am. (1) (b) to (e), (2) (a) to (c), (g) to (j) and (3), cr. (2) (k) and (L), eff. 10-1-09; CR 09-090: am. (1) (b) to (e), (2) (a) to (c), (g) to (j) and (3), cr. (2) (k) and (L) Register May 2010 No. 653, eff. 6-1-10.

APPENDIX G

SECTION TAX 11.79 — LEASES OF HIGHWAY VEHICLES AND EQUIPMENT

Tax 11.79 Leases of highway vehicles and equipment.

(1) GENERAL RULE. The sales price received from the license, lease, or rental of motor vehicles and mobile equipment used on a highway is subject to the sales and use tax.

Note: See s. Tax 11.32 for additional information explaining what is included in the "sales price."

(2) DEDUCTIONS FROM SALES PRICE. In determining a lessor's taxable receipts under sub. (1), the cost of the following items may be deducted if they meet the conditions in sub. (3):

(a) Motor vehicle fuel.

(b) Vehicle license fees.

(c) Federal highway use taxes.

(d) Public liability insurance furnished by the lessor solely for the protection of the lessee but not including collision and comprehensive coverage.

(3) CONDITIONS FOR DEDUCTIONS. (a) The items listed in sub. (2) may be deducted if:

(1) The charge is reasonable.

(2) The charge is separately stated in the lease agreement, billing, or invoice.

(3) The lessor is willing and able to lease the motor vehicle or mobile equipment without providing the items listed in sub. (2).

(b) The deduction is limited to the lessor's cost of the items furnished with the leased equipment.

(4) NONDEDUCTIBLE ITEMS. In determining a lessor's taxable sales price under sub. (1), the cost of the following may not be deducted:

(a) Amounts spent for the lessor's own protection or for the protection of leased property, including collision or other insurance protection.

(b) Maintenance or repair charges incurred by the lessor.

(c) Interest and other financing costs incurred by the lessor.

(d) Dispatch service.

(5) MULTISTATE USE. (a) The sales price received from the license, lease, or rental of motor vehicles and mobile equipment used on a highway is taxable in Wisconsin if the license, lease, or rental payments are sourced to Wisconsin under s. 77.522, Stats., as described in pars. (b) and (c).

(b) A license, lease, or rental of a motor vehicle, trailer, semitrailer, or aircraft that only requires one payment, is sourced as follows:

1. If the motor vehicle, trailer, semitrailer, or aircraft is received by the lessee or licensee at the lessor's or licensor's business location, the payment is sourced to the lessor's or licensor's business location.

2. If the motor vehicle, trailer, semitrailer, or aircraft is not received by the lessee or licensee at the lessor's or licensor's business location, the payment is sourced to the location where the lessee or licensee or the lessee's or licensee's designated donee receives the product. This would include the location indicated by instructions known to the lessor or licensor for delivery to the lessee or licensee or the lessee's or licensee's designated donee. The delivery may be made by the lessor or licensor or by a shipping company hired by the lessee or licensee.

3. If the location cannot be determined under subds. 1. and 2., the payment is sourced to the lessee's or licensee's address as indicated by the lessor's or licensor's business records, if the records are maintained in the ordinary course of the lessor's or licensor's business and if using that address to establish the location of the lease, license, or rental is not in bad faith.

4. If the location cannot be determined under subd. 1., 2., or 3., the payment is sourced to the lessee's or licensee's address as obtained during the consummation of the license, lease, or rental, including the address indicated on the lessee's or licensee's payment instrument, if no other address is available and if using that address to determine the location of the lease, license, or rental is not in bad faith.

5. If the location cannot be determined under subd. 1., 2., 3., or 4., the payment is sourced to the location from which the motor vehicle, trailer, semitrailer, or aircraft was shipped.

(c) Except as provided in par. (b), licenses, leases, and rentals of motor vehicles, trailers, semitrailers, and aircraft that are not transportation equipment, as defined in s. 77.522 (1) (a) 2., Stats., are sourced to the primary location of such property as indicated by an address for the property that is provided by the lessee or licensee and that is available in the business records of the lessor or licensor that are maintained in the ordinary course of the lessor's or licensor's business, provided the use of such address does not constitute bad faith.

(6) EXEMPT LEASES. The sales price from the license, lease, or rental of the following property shall be exempt from sales and use tax provided the lessor receives a properly completed exemption certificate as described in s. Tax 11.14:

(a) Highway vehicles, except automobiles, leased to common or contract carriers who use the vehicles exclusively in common or contract carriage, including urban mass transportation of passengers as defined in s. 71.38, Stats.

(b) Motor vehicles not licensed for highway use which are used exclusively and directly in conjunction with waste reduction or recycling activities described in s. 77.54 (5) (c), Stats.

(c) Mobile units used for mixing and processing, including the motor vehicle or trailer on which the unit is mounted. Accessories, attachments, parts, supplies, and materials for the mobile unit, vehicle, and trailer are also exempt.

(d) Leases of highway vehicles and equipment for resale.

Note: Section Tax 11.79 interprets ss. 77.51 (13) (k) and (14) (intro.) and (j), 77.522, 77.54 (5) (c) and (d) and (26m), and 77.58 (6), Stats.

Note: The interpretations in s. Tax 11.79 are effective under the general sales and use tax law on and after September 1, 1969, except: (a) The exemption for vehicles and equipment used in waste reduction or recycling activities became effective July 1, 1984, pursuant to 1983 Wis. Act 426; (b) The exemption for mobile mixing units became effective July 20, 1985, pursuant to 1985 Wis. Act 29; (c) The sourcing provisions under s. 77.522, Stats., became effective October 1, 2009, pursuant to 2009 Wis. Act 2; and (d) The change of the term "gross receipts" to "sales price" became effective October 1, 2009, pursuant to 2009 Wis. Act 2.

History: *Cr. Register, January, 1977, No. 253, eff. 2-1-77; cr. (4) (d), Register, September, 1984, No. 345, eff. 10-1-84; cr. (6), Register, June, 1991, No. 426, eff. 7-1-91; EmR0924: emerg. am. (1), (2) (title), (intro.), (a), (4) (intro.), (6) (intro.) and (c), renum. (3) to be (3) (a) and (b) and am. (3) (a) 2., r. and recr. (5), eff. 10-1-09; CR 09-090: am. (1), (2) (title), (intro.), (a), (4) (intro.), (6) (intro.) and (c), renum. (3) to be (3) (a) and (b) and am. (3) (a) 2., r. and recr. (5) Register May 2010 No. 653, eff. 6-1-10.*

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APPENDIX H

SECTION TAX 11.14 — EXEMPTION CERTIFICATES

Tax 11.14 Exemption certificates.

(1) STATUTES. The sales tax status of exemption certificates is contained in s. 77.52 (13) to (17), Stats., and the use tax status of exemption certificates is contained in s. 77.53 (10) to (13), Stats.

(2) GENERAL.

(a) Exemption certificates are given to sellers or lessors by purchasers or lessees to verify that a transaction is exempt from Wisconsin sales and use taxes. Sellers and lessors shall exclude from the taxable sales price those transactions for which they have accepted a valid exemption certificate from the purchaser. The following sales and use tax exemption certificates may be used in Wisconsin:

1. Wisconsin sales and use tax exemption certificate, form S-211. This is a multipurpose form which may be used for any Wisconsin sales and use tax exemption provided by law, except as provided in sub. (14). For direct pay, form S-211 may be used as the document described in s. Tax 11.13 (5) (a) 2. if all of the required information is included on the form S-211.

2. Construction contract entered into before the effective date of county/stadium tax, form S-207CT-1. This is a certificate which may be used by a contractor to purchase building materials without a county or stadium tax under the circumstances described in sub. (13).

3. Streamlined Sales and Use Tax Exemption Certificate, SSTGB Form F0003 or Streamlined Sales and Use Tax Exemption Certificate - Wisconsin, Form S-211-SST. These are multistate forms which may be used to claim any sales or use tax exemption provided under Wisconsin law. Since these are multistate exemption certificates, purchasers should use caution when issuing these certificates, since they contain various exemptions that are not applicable in Wisconsin and only apply in other states. Purchasers are responsible for knowing if they qualify for the exemption they are claiming in the state in which the exemption is being claimed. The purchaser will be held liable for any tax, interest, and penalties that result from the purchaser claiming an exemption for which they were not eligible.

(b) Use of an exemption certificate designed by the department is not required by law. A person may use a substitute exemption certificate if it contains all the essential information relating to the transaction and if it is in a form approved by the department. Paper exemption certificates must be signed by and bear the name and address of the purchaser, the name and address of the seller, a general description of the purchaser's business and the reason for the claimed exemption. An electronic exemption certificate shall contain the same information as a paper exemption certificate, except that a signature is not required.

(c) If a purchaser provides an exemption certificate indicating that the property, item, good, or service purchased will be used for activities or under circumstances which make the purchase of the property, item, good, or service exempt from the sales tax or for resale, and the property, item, good, or service is subsequently used by the purchaser in a manner that makes the property, item, good, or service ineligible for exemption from tax, the purchaser is liable for payment of the applicable sales or use tax.

(3) EFFECT OF OBTAINING CERTIFICATE.

(a) Except as provided in par. (b), a seller is relieved of liability for the tax if the seller obtains from the purchaser, prior to the date of the sale or within 90 days after the date of the sale, a fully completed exemption certificate which indicates that the purchaser will use the property or service in a manner that is exempt from Wisconsin sales and use tax.

(b) A seller is not relieved of its liability to collect and remit the applicable Wisconsin sales or use tax on a sale to a purchaser if any of the following apply:

1. The seller fraudulently fails to collect the sales or use tax.

2. The seller solicits the purchaser to claim an unlawful exemption.

3. The seller accepts an exemption certificate from a purchaser claiming to be an entity that is not subject to sales and use taxes, if both of the following apply:

a. The subject of the transaction covered by the exemption certificate is received by the purchaser at the seller's Wisconsin location.

b. The exemption certificate clearly and affirmatively indicates that the claimed exemption is not available in Wisconsin.

Note: All retailers should be familiar with the instructions contained in an exemption certificate.

(4) FAILURE TO OBTAIN CERTIFICATE.

(a) A seller who does not obtain an exemption certificate as provided in sub. (3) (a), shall be relieved from liability

for the tax if, no later than 90 days after the sale, the seller captures and maintains all of the following data elements in its accounting system, with respect to the transaction upon which an exemption is being claimed:

1. Name and business address of the purchaser.

2. Purchaser's state tax identification number and state of issue. If the purchaser does not have a state tax identification number then the purchaser's federal employer identification number is needed. If the purchaser does not have a federal employer identification number then the purchaser's personal driver's license number and state of issue is needed.

3. Purchaser's type of business.

4. The reason for the claimed exemption.

(b) If a seller does not obtain an exemption certificate as provided in sub. (3) (a) or the relevant data elements provided in par. (a), the seller may, within 120 days after it is requested by the department to substantiate a claimed exemption, either obtain, in good faith, a fully completed exemption certificate from the purchaser; or by some other means provide proof that the transaction was not subject to Wisconsin sales or use tax. If a seller cannot prove that a transaction was exempt by one of these methods, the seller is not relieved from liability for the tax, interest, or penalties.

1. A seller accepts an exemption certificate as provided in sub. (4) (b) in good faith if all of the following apply:

a. The exemption claimed was authorized by law on the date of the transaction in the jurisdiction to which the transaction is sourced.

b. The exemption could be applicable to the property, item, good, or service being purchased.

c. The exemption being claimed is reasonable for the purchaser's type of business.

2. If a seller obtains the information in subd. 1., the seller is relieved of its liability for the tax unless it is discovered through the audit process that the seller had knowledge or reason to know at the time the information relating to the exemption was provided that the information was materially false or the seller otherwise knowingly participated in an activity intended to purposefully evade the tax that is properly due on the transaction.

(5) CONTINUOUS CERTIFICATES.

(a) Continuous or blanket exemption certificates do not expire and need not be renewed at any prescribed interval. However, they should be renewed at reasonable intervals in case of a business change, registration number change, or discontinuance of the specific business claiming the exemption. The seller should periodically review exemption certificates on file to ascertain that the person claiming the exemption is the person who furnished the certificate.

(b) If a purchaser provides a continuous or blanket exemption certificate, the purchaser may not issue "this time only" purchase orders or similar documents cancelling the continuous or blanket exemption certificate for the one transaction only. In addition, the notation "taxable" on a purchase order is not sufficient to relieve a purchaser of the responsibility for a previously issued continuous or blanket certificate. The seller is not liable for the tax on transactions covered by a valid exemption certificate. If a purchaser does not want a continuous or blanket exemption certificate to apply, it must notify the seller in writing that it is rescinding a previously issued continuous or blanket exemption certificate.

(6) RESALE.

(a) *Effect of obtaining exemption certificate claiming resale.*

1. The burden of proving that a sale of property, items, goods, or services is not at retail is upon the seller unless the seller accepts an exemption certificate from the purchaser as provided in sub. (3) (a) or captures and maintains the data elements as required in sub. (4) (a) that indicate the property, item, good, or service is purchased for resale. Obtaining the certificate or capturing and maintaining the data elements that indicate the property, item, good, or service is purchased for resale, relieves the seller from liability for the sales tax and the duty of collecting the use tax.

2. If a purchaser gives an exemption certificate as provided in sub. (3) (a) or provides the data elements described in sub. (4) (a), claiming resale for property, item, good, or service acquired and then makes any storage or use of the property, item, good, or service other than retention, demonstration, or display while holding it for sale, lease, license, or rental in the regular course of business, the storage or use is taxable to the purchaser as of the time the property, item, good, or service is first stored or used. The sales tax shall be reported and paid by the purchaser with the tax return for the period in which the property, item, good, or service is first so stored or used.

(b) *Contents of exemption certificates claiming resale.* An exemption certificate claiming resale shall contain the following information for the seller to be relieved from the burden of proving the sale of property or services was not a taxable sale:

1. The name, address, and signature of the purchaser, except that if the exemption certificate is received electronically, a signature is not required.

2. A general description of the purchaser's business.

3. The basis for the claimed exemption including the seller's permit number of the purchaser, except that:

a. A wholesaler who sells only to other sellers for resale may insert "wholesale only" in the space for a seller's permit number.

b. A person registered as a seller in another state, who makes no retail sales in Wisconsin, may insert the name of the state in which registered and the permit number issued to the person by that state.

c. A person who makes exempt sales only in the regular course of business may insert the words "exempt sales only" in the space for a seller's permit number.

(7) MANUFACTURING EXEMPTION.

(a) A supplier who accepts a fully completed exemption certificate claiming a manufacturing exemption marked for "continuous" use may make sales to the manufacturer without collecting the tax if the nature of the property, items, or services sold qualifies for one of the exempt uses claimed by the manufacturer on the form. If an exemption certificate is a "continuous" form, each purchase order of the manufacturer shall refer to it. If an individual order contains both exempt and non-exempt purchases, the purchaser shall designate which items are taxable.

(b) If the manufacturer uses "single purchase" certificates, it may print these as an integral part of its purchase orders, as long as the essential information on the approved form is retained.

(8) FARMER'S EXEMPTION. A retailer shall have a signed exemption certificate for every exempt sale made to a farmer, except that if the exemption certificate is received electronically, a signature is not required.

Note: Section Tax 11.12 describes the types of property, items, goods, and services which may be sold to farmers without tax, and the use of the exemption certificate to claim farming exemptions.

(9) EXEMPTION FOR FUEL OIL, PROPANE, COAL, STEAM, AND WOOD FOR FUEL FOR RESIDENTIAL OR FARM USE. A retailer shall have a signed exemption certificate if the sale of fuel oil, propane, coal, steam or wood for residential or farm use is partially exempt from sales or use tax, except that if the exemption certificate is received electronically, a signature is not required. If the sale is 100% exempt, an exemption certificate is not required.

(10) EXEMPTION FOR ELECTRICITY AND NATURAL GAS SOLD FOR RESIDENTIAL OR FARM USE. A retailer of electricity or natural gas shall have a signed exemption certificate, except that if the exemption certificate is received electronically, a signature is not required, for all sales of electricity or natural gas for residential or farm use which are exempt from sales or use tax unless any, or all, of the following apply:

(a) 100% of the electricity or natural gas is for exempt use.

(b) The sale is to an account which is properly classified as residential or farm pursuant to schedules which are filed for rate tariff with the Wisconsin public service commission which are in force at the time of the sale.

(c) The sale is to an account which is properly classified as residential or farm for classification purposes as directed by the federal rural electrification administration.

(11) GOVERNMENT SALES AND USE TAX EXEMPTION.

(a) A retailer of tangible personal property, items, property, or goods under s. 77.52 (1) (b), (c), or (d), Stats., or taxable services may accept from a federal or Wisconsin governmental unit or any federally recognized American Indian tribe or band in Wisconsin, an exemption certificate as provided in sub. (3) (a) or the data elements as required in sub. (4) (a) as proof that a sale is exempt from sales or use tax.

(b) In lieu of accepting an exemption certificate as provided in par. (a), a retailer who issues its billing or invoice in the name of the Wisconsin or federal governmental unit or any federally recognized American Indian tribe or band in Wisconsin, may accept either one of the following:

1. A purchase order or similar written document from the governmental unit or tribe or band, identifying itself as the purchaser.

2. A verbal indication of the governmental unit's or tribe's or band's, certificate of exempt status, or CES, number, which the retailer shall record on the copy of the invoice it retains.

(12) OTHER EXEMPTIONS. The Wisconsin sales and use tax exemption certificate, form S-211, and the Streamlined Sales and Use Tax Exemption Certificate, SSTGB Form F0003, may also be used to claim any other sales and use tax exemption provided by law, including the following:

(a) Containers and other packaging, packing, and shipping materials used to transfer merchandise to customers of the purchaser.

(b) Tangible personal property and items under s. 77.52 (1) (b), Stats., that are used exclusively and directly by a manufacturer in manufacturing an article of tangible personal property or item or property under s. 77.52 (1) (b) or (c), Stats., that is destined for sale and that becomes an ingredient or component part of the article of tangible personal property or item or property under s. 77.52 (1) (b) or (c), Stats., destined for sale or is consumed or destroyed or loses its identity in manufacturing the article of tangible personal property or

item or property under s. 77.52 (1) (b) or (c), Stats., destined for sale, except as provided in s. 77.54 (30) (a) 6., Stats.

(c) Trailers or accessories, attachments, parts, supplies, materials, and service on motor trucks, tractors, and trailers which are used exclusively in common or contract carriage.

(d) Property, items, goods, or services purchased directly by and used by a religious, charitable, educational, scientific, or other organization or governmental unit holding a Certificate of Exempt Status, "CES". Sales to organizations holding a CES also can be shown to be exempt by a retailer's recording the certificate number on its bill of sale. A corporation, community chest fund, foundation, or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, which is located out-of-state, may use the Wisconsin sales and use tax exemption certificate, form S-211, or the Streamlined Sales and Use Tax Exemption Certificate, SSTGB Form F0003, to purchase without tax even though it has not been issued a Wisconsin CES number.

(e) Railway cars, locomotives and other rolling stock used in railroad operations, or accessories, attachments, parts, lubricants, or fuel therefor.

(f) Commercial vessels and barges of 50-ton burden or over engaged in interstate or foreign commerce or commercial fishing, and accessories, attachments, parts, and fuel therefor.

(13) CONSTRUCTION CONTRACTS ENTERED INTO BEFORE THE EFFECTIVE DATE OF A COUNTY OR STADIUM TAX.

(a) The certificate for a construction contract entered into before the effective date of a county tax, or a stadium tax as defined in s. Tax 11.001 (2) (d), form S-207CT-1, is used by contractors to purchase building materials without the county or stadium tax. The certificate shall be used by a contractor only if the following 3 conditions are met:

1. The contractor entered into a written contract or made a formal bid before the effective date of the county or stadium tax to construct, alter, repair, or improve real estate for another person.

2. The written contract is for a fixed price that cannot be changed or the formal written bid cannot be altered or withdrawn.

3. The building materials purchased on or after the effective date of the county or stadium tax are affixed and made a part of real estate in fulfilling the written contract or formal written bid.

(b) The certificate shall give the descriptive name of the contract, job site, county or stadium tax effective date, date of prime contract and bid, date contract was signed, seller's name, date of performance of the contract, and contractor's name and address and shall be signed by the contractor, except that if the certificate is received electronically, a signature is not required.

(14) 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.

Note: For information on who qualifies for a direct pay permit and how to use direct pay, refer to s. Tax 11.13.

(15) IMPROPER USE OF CERTIFICATES.

(a) A purchaser who gives an exemption certificate knowing at the time that the transaction is not exempt may be guilty of a misdemeanor under s. 77.52 (16), Stats. The purchaser may also be liable for other penalties provided by law for filing incorrect returns.

(b) A purchaser who uses an exemption certificate in a manner that is prohibited by or inconsistent with Wisconsin law or who provides incorrect information to a seller or certified service provider relating to an exemption being claimed will also be subject to a penalty of $250 for each invoice or bill of sale related to the prohibited or inconsistent use to which the incorrect information applies.

(16) EXEMPTION CERTIFICATE NOT NEEDED FOR CERTAIN SALES. No exemption certificate is required for sales of property, items, goods, or services that are exempt from Wisconsin sales and use tax under s. 77.54 (7), (7m), (8), (10), (11), (14), (15), (17), (20n), (21), (22b), (31), (32), (35), (36), (37), (42), (44), (45), (46), (51), and (52), Stats.

Note: Section Tax 11.14 interprets ss. 77.52 (13) to (17), 77.53 (10) to (13), 77.60 (13), and 77.77 (3), Stats.

Note: The interpretations in s. Tax 11.14 are effective under the general sales and use tax law on and after September 1, 1969, except: (a) The exemption for railroad lubricants became effective July 1, 1978, pursuant to Chapter 418, Laws of 1977; (b) The use of direct pay permits in Wisconsin became effective for taxable years beginning on or after January 1, 1995, pursuant to 1993 Wis. Act 437; (c) The elimination of the exemption certificate requirement for sales of certain consigned commodities became effective December 1, 1997 as it relates to sales taxes on commodities consigned for resale, pursuant to 1997 Wis. Act 27, and June 17, 1998 as it relates to sales and use taxes on commodities consigned for sale, pursuant to 1997 Wis. Act 237; (d) The multipurpose exemption certificate, form S-211, was created in November 1998 to replace various types of exemption certificates; (e) The removal of the good faith requirement if a fully completed exemption certificate is obtained by the seller from the purchaser within 90 days of the date of sale became effective October 1, 2009, pursuant to 2009 Wis. Act 2; (f) The requirement that a seller is allowed 120 days after the Department of Revenue requests that they obtain an exemption certificate or otherwise prove that a transaction is exempt became effective October 1, 2009, pursuant to 2009 Wis. Act 2; (g) The exemption from sales and use tax for federally recognized American Indian bands or tribes in Wisconsin became effective July 1, 2009, pursuant to 2009 Wis. Act 28; (h) The acceptance of the Streamlined Sales and Use Tax Exemption Certificate to prove a transaction is exempt became effective

October 1, 2009, pursuant to 2009 Wis. Act 2; (i) The penalty for prohibited or inconsistent use of an exemption certificate or direct pay permit became effective October 1, 2009 pursuant to 2009 Wis. Act 2; (j) The identification of the specific exemptions for which an exemption certificate is not required became effective October 1, 2009, pursuant to 2009 Wis. Act 2; and (k) The change of the term "gross receipts" to "sales price" and the separate impositions of tax on coins and stamps sold above face value under s. 77.52 (1) (b), Stats., certain leased property affixed to real property under s. 77.52 (1) (c), Stats., and digital goods under s. 77.52 (1) (d), Stats., became effective October 1, 2009, pursuant to 2009 Wis. Act 2.

History: ***History: Cr. Register, November, 1978, No. 275, eff. 12-1-78; am. (7) (a)., Register, June, 1983, No. 330, eff. 7-1-83; cr. (2) (c) and am. (10), Register, July, 1987, No. 379, eff. 8-1-87; cr. (2) (a) 5. and 6., (10), (11) and (14), am. (2) (a), (5) (b), (6) (b) (intro.) and 5., (7) (a) (intro.) and 4. and 5., (8) (a) and (9), renum. (10) and (11) to be (12) and (13) and am., Register, March, 1991, No. 423, eff. 4-1-91; am. (2) (c), (3) (b) and (c), (6) (b) 4., r. and recr. (12), Register, June, 1995, No. 474, eff. 7-1-95; renum. (12), (13) and (14) to be (13), (14) and (15), am. (2) (a) (intro.), cr. (2) (a) 7. and (12), Register, October, 1997, No. 502, eff. 11-1-97; am. (1) (c), (3) (a) and (b), (5) (b), (6) (a) 2., (b), 3., r. and recr. (2) (a) 1. and 2., cr. (6) (b) 4. c. and (16), r. (2) (a) 3. to 7., (7) (b), (10) (b), (11) (b) and (12) (b) 1., renum. (7) (a) 1. to 6. to be (12) (a) to (f) and am. (12) (d), renum. (8) to (10) (a) to be (7) to (9) and am. (7) (a), (8) and (9), renum. (11) (a) 1. to 3. to be (10) (a) to (c), renum. (12) (a) to be (11) (a) and am., renum. (12) (b) 2. and 3., (13), (14) and (15) to be (11) (b) 1. and 2., (13), (14) and (15) and am. (13) (a), 1. and 3. and (b), Register, August, 1999, No. 524, eff. 9-1-99; CR 02-128: am. (6) (a) 2., and (13) (a) (intro.) and (b), Register July 2003 No. 571, eff. 8-1-03; EmR0924: emerg. am. (2) (a) (intro.), 1., (b), (c), (5) (a), (6) (a) 1., 2., (b) 2., (7) (a), (11), (12) (intro.), (b) to (f), (13) (a) 1. and (b), cr. (2) (a) 3. and (15) (b), r. and recr. (3), (4), (5) (b) and (16), r. (6) (b) 3. and 5., renum. (6) (b) 4. and (15) to be (6) (b) 3. and (15) (a) and am. (6) (b) 3. (intro.), eff. 10-1-09; CR 09-090: am. (2) (a) (intro.), 1., (b), (c), (5) (a), (6) (a) 1., 2., (b) 2., (7) (a), (11), (12) (intro.), (b) to (f), (13) (a) 1. and (b), cr. (2) (a) 3. and (15) (b), r. and recr. (3), (4), (5) (b) and (16), r. (6) (b) 3. and 5., renum. (6) (b) 4. and (15) to be (6) (b) 3. and (15) (a) and am. (6) (b) 3. (intro.) Register May 2010 No. 653, eff. 6-1-10; CR 10-094: am. (2) (c), (3) (a), (4) (b), (5) (a), (6) (a), (7) (a), (9), (12) (a), r. and recr. (4) (c) Register November 2010 No. 659, eff. 12-1-10; CR 12-014: am. (2) (a) 3., (6) (b) 1., (8), (9), (10) (intro.), (13) (b) Register August 2012 No. 680, eff. 9-1-12.***

APPENDIX I
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WISCONSIN SALES AND USE TAX EXEMPTION CERTIFICATE

Check One ► ☐ Single Purchase ☐ Continuous

Purchaser's Business Name	Purchaser's Address

The above purchaser, whose signature appears on the reverse side of this form, claims exemption from Wisconsin state, county, baseball or football stadium, local exposition, and premier resort sales or use tax on the purchase, lease, license, or rental of tangible personal property, property under s.77.52(1)(b), items under s.77.52(1)(c), goods under s.77.52(1)(d), or taxable services, as indicated by the box(es) checked below.

I hereby certify that I am engaged in the business of selling, leasing, licensing, or renting: _____

_____
(Purchaser's description of property, items, goods, or services sold by purchaser.)

Purchaser's description of property or services purchased (itemize property, items, or goods purchased if "single purchase"):

_____

_____

Seller's Name	Seller's Address

REASON FOR EXEMPTION

☐ **Resale** (Enter purchaser's seller's permit or use tax certificate number)_____

Manufacturing and Biotechnology

☐ Tangible personal property (TPP) or item under s.77.52(1)(b) that is used exclusively and directly by a manufacturer in manufacturing an article of TPP or items or property under s.77.52(1)(b) or (c) that is destined for sale and that becomes an ingredient or component part of the article of TPP or items or property under s.77.52(1)(b) or (c) destined for sale or is consumed or destroyed or loses its identity in manufacturing the article of TPP or items or property under s.77.52(1)(b) or (c) destined for sale.

☐ Machines and specific processing equipment and repair parts or replacements thereof, exclusively and directly used by a manufacturer in manufacturing tangible personal property or items or property under s.77.52(1)(b) or (c) and safety attachments for those machines and equipment.

☐ The repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance of machines and specific processing equipment, that the above purchaser would be authorized to purchase without sales or use tax, at the time the service is performed. Tools used to repair exempt machines are not exempt.

☐ Fuel and electricity consumed in manufacturing tangible personal property or items or property under s.77.52(1)(b) or (c) in this state.

Percent of fuel exempt: _____ % Percent of electricity exempt: _____ %

☐ Portion of the amount of fuel converted to steam for purposes of resale. (Percent of fuel exempt _____ %

☐ Property used exclusively and directly in qualified research, by persons engaged in manufacturing at a building assessed under s. 70.995, by persons engaged primarily in biotechnology in Wisconsin, or a combined group member conducting qualified research for another combined group member that meets these requirements.

Farming (To qualify for this exemption, the purchaser must use item(s) exclusively and directly in the business of farming, including dairy farming, agriculture, horticulture, floriculture, silviculture, or custom farming services.)

☐ Tractors (except lawn and garden tractors), all-terrain vehicles (ATV) and farm machines, including accessories, attachments, and parts, lubricants, nonpowered equipment, and other tangible personal property or items or property under s.77.52(1)(b) or (c) that are used exclusively and directly, or are consumed or lose their identities in the business of farming. This includes services to the property and items above.

☐ Feed, seeds for planting, plants, fertilizer, soil conditioners, sprays, pesticides, and fungicides.

☐ Breeding and other livestock, poultry, and farm work stock.

☐ Containers for fruits, vegetables, grain, hay, and silage (including containers used to transfer merchandise to customers), and plastic bags, sleeves, and sheeting used to store or cover hay and silage. Baling twine and baling wire.

☐ Animal waste containers or component parts thereof (may only mark certificate as "Single Purchase").

☐ Animal bedding, medicine for farm livestock, and milk house supplies.

S-211 (R. 7-13) This Form May Be Reproduced Wisconsin Department of Revenue

APPENDIX I
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Federal and Wisconsin Governmental Units

Enter CES No., if applicable

- ☐ The United States and its unincorporated agencies and instrumentalities and any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States.
- ☐ Any federally recognized American Indian tribe or band in this state.
- ☐ State of Wisconsin or any agency thereof; Local Exposition District, Professional Baseball Park District, or Professional Football Stadium District.
- ☐ Wisconsin county, city, village, or town, including public inland lake protection and rehabilitation district, municipal public housing authorities, uptown business improvement districts, local cultural arts district, the Wisconsin Aerospace Authority, the Health Insurance Risk-Sharing Plan Authority, the Fox River Navigational System Authority, and the Wisconsin Economic Development Corporation.
- ☐ Wisconsin public schools, school districts, universities, and technical college districts.
- ☐ County-city hospitals or UW Hospitals and Clinics Authority.
- ☐ Sewerage commission, metropolitan sewerage district, or a joint local water authority.

Other

- ☐ Containers and other packaging, packing, and shipping materials, used to transfer merchandise to customers of the purchaser.
- ☐ Trailers and accessories, attachments, parts, supplies, materials, and service for motor trucks, tractors, and trailers which are used exclusively in common or contract carriage under LC or IC No. (if applicable)_____.
- ☐ Items or services purchased directly by and used by religious, charitable, educational, scientific, or other organizations holding a Wisconsin Certificate of Exempt Status. CES No. _____.
- ☐ Tangible personal property and items, property and goods under s.77.52(1)(b), (c), and (d) to be resold by _____ on my behalf where _____ is registered to collect and remit sales tax to the Department of Revenue on such sales.
- ☐ Tangible personal property, property, items and goods under s.77.52(1)(b), (c), and (d), or services purchased by a Native American with enrollment # _____, who is enrolled with and resides on the _____ Reservation, where buyer will take possession of such property, items, goods, or services.
- ☐ Tangible personal property and items and property under s.77.52(1)(b) and (c) becoming a component of an industrial or municipal waste treatment facility, including replacement parts, chemicals, and supplies used or consumed in operating the facility. Caution: Do not check the "continuous" box at the top of page 1.
- ☐ Portion of the amount of electricity or natural gas used or consumed in an industrial waste treatment facility. (Percent of electricity or natural gas exempt _____%)
- ☐ Electricity, natural gas, fuel oil, propane, coal, steam, corn, and wood (including wood pellets which are 100% wood) used for fuel for **residential** or **farm** use.

	% of Electricity Exempt	% of Natural Gas Exempt	% of Fuel Exempt
☐ Residential	_____%	_____%	_____%
☐ Farm	_____%	_____%	_____%

Address Delivered: _____

- ☐ Percent of printed advertising material solely for out-of-state use. _____%
- ☐ Catalogs, and the envelopes in which the catalogs are mailed, that are designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms.
- ☐ Property used exclusively and directly in raising animals sold for use in qualified research or manufacturing.
- ☐ Other purchases exempted by law. (State items and exemption). _____

(DETACH AND PRESENT TO SELLER)

I hereby certify that if the item(s) being purchased are not used in an exempt manner, I will remit use tax on the purchase price at the time of first taxable use. I understand that failure to remit the use tax may result in a future liability that may include tax, interest, and penalty.

Signature of Purchaser	Print or Type Name	Title	Date

APPENDIX J

IRS Annual Lease Value Table

(From IRS Reg. § 1.61-21(d)(2) as of November 1, 2000)

Automobile Fair Market Value	Annual Lease Value*	Automobile Fair Market Value	Annual Lease Value*
$0 to 999	$ 600	22,000 to 22,999	$ 6,100
1,000 to 1,999	850	23,000 to 23,999	6,350
2,000 to 2,999	1,100	24,000 to 24,999	6,600
3,000 to 3,999	1,350	25,000 to 25,999	6,850
4,000 to 4,999	1,600	26,000 to 27,999	7,250
5,000 to 5,999	1,850	28,000 to 29,999	7,750
6,000 to 6,999	2,100	30,000 to 31,999	8,250
7,000 to 7,999	2,350	32,000 to 33,999	8,750
8,000 to 8,999	2,600	34,000 to 35,999	9,250
9,000 to 9,999	2,850	36,000 to 37,999	9,750
10,000 to 10,999	3,100	38,000 to 39,999	10,250
11,000 to 11,999	3,350	40,000 to 41,999	10,750
12,000 to 12,999	3,600	42,000 to 43,999	11,250
13,000 to 13,999	3,850	44,000 to 45,999	11,750
14,000 to 14,999	4,100	46,000 to 47,999	12,250
15,000 to 15,999	4,350	48,000 to 49,999	12,750
16,000 to 16,999	4,600	50,000 to 51,999	13,250
17,000 to 17,999	4,850	52,000 to 53,999	13,750
18,000 to 18,999	5,100	54,000 to 55,999	14,250
19,000 to 19,999	5,350	56,000 to 57,999	14,750
20,000 to 20,999	5,600	58,000 to 59,999	15,250
21,000 to 21,999	5,850		

For vehicles having a fair market value in excess of $59,999, the annual lease value is equal to (.25 X the fair market value of the automobile) + 500.

* Annual lease value must be divided by 12 to arrive at monthly lease value.