EQUIPMENT LEASING AND FINANCE ASSOCIATION



1825 K Street NW Suite 900 F 202.238-3401 Washington, DC 20006 www.elfaonline.org Suite 900

P 202.238-3400 F 202.238-3401

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Craig Johnson Vicki Gibbons Division of Income, Sales, and Excise Tax Wisconsin Department of Revenue PO Box 8933 Madison, WI 53708-8933

The Equipment Leasing and Finance Association (ELFA) appreciated the opportunity on November 30th to discuss our concerns with Wisconsin's implementation of the Streamlined Sales and Use Tax Agreement (SSUTA). ELFA asks that the Department of Revenue consider the following questions before adopting permanent Streamline regulations:

Are the below listed charges by a Lessor included or excluded from the lease sales price?

- Personal property tax
 - 1. Those imposed on lessor
 - 2. Those imposed directly on lessee
- Personal property tax administration fee
- Contract documentation and administration fees
- UCC, title and registration fees(excluded)
 - 1. Legal fees?
- Late payment fees (as a flat charge, penalty percentage or at a non-usurious interest rate) (exclude if due to late payment on invoice)
- Returned check fees
- Insurance charges (make mention of 7754.8 exemption for insurance charges)
 - 1. Credit life and accident insurance
 - 2. Health Insurance
 - 3. Casualty, theft and loss
 - 4. GAP insurance
- Disposal and return fees
 - 1. examples
- Service contracts
- Warranty and maintenance agreements

What is the proper tax treatment of transactions involving leases with a mandatory purchase and nominal purchase option ("Excluded Lease")?

- We are concerned the permanent regulations do not address variations of finance and conditional sale type leases and how taxpayers should calculate tax after Wisconsin's adoption of the Streamline Lease definition. Discussion should include examples of these various forms of leases:
 - 1. Mandatory purchase leases and balloon payments
 - 2. Nominal purchase option leases, greater of 1% or \$100 of gross contract

- In a sale leaseback how will Wisconsin treat the leaseback transaction when it is an excluded transaction from the lease definition? Will Wisconsin recognize this as a finance arrangement and not a transaction for sales tax purposes?
- When a Lessor claims resale on the purchase of property and enters into an Excluded Lease must tax be paid at inception of the lease or will Wisconsin allow an option to collect tax on the installments? Will there be an installment option for retailers maintaining their books and records on a cash basis?
- How is the tax to be calculated on Excluded Leases? Or on the purchase of property financed under an Excluded Lease? If the Lessor is collecting tax as a retailer on a transaction involving an Excluded Lease, please explain the exclusion of interest and finance charges from sales price and if the charge must be separately stated in the documents provided to lessee or if a Lessor may rely upon the charges separately maintained in the books and records?
- If sales tax on an Excluded Lease is collected at the inception of lease on the entire gross proceeds of the contract without an exclusion for interest, will Wisconsin allow for a sales tax adjustment as a result of reduction in gross proceeds due to early payoff?
- If property under an 'Excluded Lease" is relocated to another state, will Wisconsin allow a partial refund of the tax paid at lease inception? Does the answer change if the state of relocation does not give credit for Wisconsin tax paid?

Thank you for your time in considering these important questions for leasing.

Dennis Brown Vice President, State Government Relations Equipment Leasing and Finance Association 1825 K Street NW, Suite 900 Washington, DC 20006

Phone: (202) 238-3411 Fax: (202) 238-3401 dbrown@elfaonline.org www.elfaonline.org