

Clearinghouse Rule 98-144

CERTIFICATE

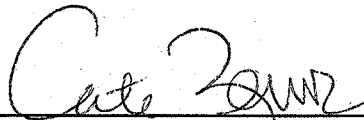
STATE OF WISCONSIN)

) SS

DEPARTMENT OF REVENUE)

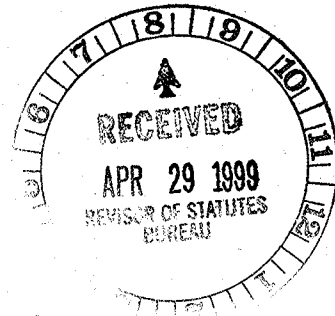
I, Cate Zeuske, Secretary of the Department of Revenue and custodian of the official records, certify that the annexed rule, relating to printed material exemptions and the sales and use tax treatment of advertising materials, was duly approved and adopted by this department on April 27, 1999, I further certify that this copy has been compared by me with the original on file in this department and that it is a true copy of the original, and the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 125 South Webster Street in the city of Madison, this 27 day of April, 1999.



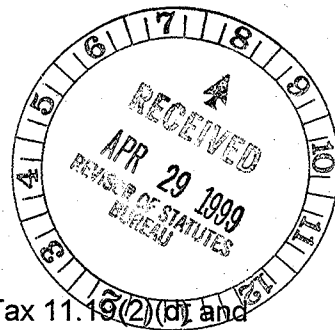
Cate Zeuske
Secretary of Revenue

e:rules\1119 Adopt - Certificate



7-1-99
98-144

ORDER OF THE DEPARTMENT OF REVENUE
AMENDING AND CREATING RULES



The Wisconsin Department of Revenue adopts an order to: amend Tax 11.19(2)(d) and (f), (5)(intro.) and (b) and (6); and create Tax 11.70(3)(m), relating to printed material exemptions and the sales and use tax treatment of advertising agencies.

Analysis by the Department of Revenue

Statutory authority: s. 227.11(2)(a), Stats.

Statutes interpreted: s. 77.54(9a), Stats., s. 77.51(18) and (22)(a), Stats., as amended by 1997 Wis. Act 27, and s. 77.54(43), Stats., as created by 1997 Wis. Act 27

SECTION 1. Tax 11.19(2)(d) and (f) and (5)(intro.) and (b) are amended, to reflect the amendment of s. 77.51(18) and (22)(a), Stats., and the creation of s. 77.54(43), Stats., by 1997 Wis. Act 27. These changes provide a sales tax exemption for raw materials of printed materials transported and used solely outside of Wisconsin. Previously, these materials were only exempt from use tax.

Tax 11.19(6) is amended, to clarify that the exemption for governmental units applies only to Wisconsin governmental units, and to reflect that certificate of exempt status numbers are being given to governmental units.

SECTION 2. Tax 11.70(3)(m) is created, to reflect the amendment of s. 77.51(18) and (22)(a), Stats., and the creation of s. 77.54(43), Stats., by 1997 Wis. Act 27.

SECTION 1. Tax 11.19(2)(d) and (f), (5)(intro.) and (b) and (6) are amended to read:

Tax 11.19(2)(d) Section 77.54(2m), Stats., provides an exemption for the "gross receipts from the sales of and the storage, use or other consumption of tangible personal property or services that become an ingredient or component of shoppers guides, newspapers or periodicals or that are consumed or lose their identity in the manufacture of shoppers guides, newspapers or periodicals, whether or not the shoppers guides, newspapers or periodicals are transferred with charge to the recipient." This exemption applies to newspapers, shoppers guides and periodicals which are issued at average intervals not exceeding 3 months. It does not apply to advertising supplements that are not newspapers as defined in s. 77.51(8), Stats.

(f) Section ~~77.51(18) and (22)~~ 77.54(43), Stats., provides that ~~storage and use for purposes of imposing Wisconsin use tax does not include the keeping, retaining or exercising~~

~~any right or power over a sales and use tax exemption for raw materials for used for the processing, fabricating or manufacturing into, attachment of, attaching to or incorporation into incorporating into, printed materials to be that are transported outside Wisconsin and thereafter used solely outside Wisconsin.~~

(5)(intro.) Wisconsin sales and use tax is not imposed on raw materials that would otherwise be subject to use tax under s. 77.53(1), Stats., purchased by a publisher or printer of printed materials if both of the following conditions are met:

(b) The resulting printed materials will be ~~shipped outside Wisconsin for use~~ transported and used solely outside Wisconsin.

(6) EXEMPT PURCHASERS. Sales of printed material to federal and Wisconsin governmental units, and Wisconsin public schools, and certain nonprofit religious, charitable, educational or scientific organizations holding a certificate of exempt status are exempt under s. 77.54(9a) or 77.55(1), Stats. Sales to federal and Wisconsin governmental units and public schools need not be supported by exemption certificates, if a copy of the purchase order from the organization is retained or the governmental unit's certificate of exempt status number is recorded on the bill of sale. Sales to ~~persons~~ nonprofit organizations holding a certificate of exempt status can be shown to be exempt by recording the certificate of exempt status number on the bill of sale.

Note to Revisor: 1) In sub. (3), all quoted statutory material should be in italics.

2) Replace the first note at the end of Tax 11.19 with the following:

Note: Section Tax 11.19 interprets ss. 77.51(8) and (13h), 77.52(2)(a)11., 77.54(2m), (9a), (15), (25) and (43) and 77.55(1), Stats.

3) In the second note at the end of Tax 11.19, remove the word "and" before part (i) and add the following at the end of the note:

; and (j) The sales and use tax exemption for raw materials becoming printed materials transported and used solely outside Wisconsin became effective December 1, 1997, pursuant to 1997 Wis. Act 27.

SECTION 2. Tax 11.70(3)(m) is created to read:

Tax 11.70(3)(m) Raw materials processed, fabricated or manufactured into, attached to or incorporated into printed materials that are transported and used solely outside Wisconsin.

Example: Company A, located in Wisconsin, publishes catalogs it gives away to potential customers. Company A purchases paper from a company who delivers it to a Wisconsin printer that prints the catalogs for Company A. The catalogs are transported and used solely outside Wisconsin.

The paper purchased by Company A for the catalogs is exempt from Wisconsin sales or use tax.

Note to Revisor: 1) At the end of sub. (2)(b), change the word "**Example**" to "**Examples.**"

2) In the second example at the end of sub. (2)(c), add the words "by the advertising agency" at the end of the fourth sentence, after "are produced"; also renumber the example from 2 to 3 and add the following new examples:

2) Assume the same facts as Example 1, except that Company C mails 90% of the flyers to customers outside Wisconsin and 10% to customers in Wisconsin.

Ten percent of the total charge to Company C by the advertising agency for the flyers, including the preliminary art, finished art and flyers, is subject to tax.

4) Assume the same facts as Example 3, except that 5 dubs are mailed by the advertising agency to radio stations outside Wisconsin.

Fifty percent of the entire charge by the advertising agency for the production of the master tape and dubs is subject to tax. The remaining 50% is not subject to tax because that portion of the sale took place outside Wisconsin.

3) In the example at the end of sub. (3)(j), change "an advertising agency" to "a Wisconsin advertising agency"; also, change the word "**Example**" to "**Examples,**" number the example 1, and add the following new example:

2) Assume the same facts as Example 1, except that Company I provides the paper to the printer, in addition to the finished art.

The charge to Company I by the Wisconsin advertising agency for the preliminary art and finished art is subject to Wisconsin sales tax. The printer is selling a printing service, and not tangible personal property, to Company I. The destined for sale requirement is not met and exemption from tax does not apply. Even though Company I is furnishing a printing service, however, it is still considered to be engaged in manufacturing, and its machinery and equipment qualify for exemption under s. 77.54(6)(a), Stats.

4) In the first note at the end of Tax 11.70, change the zip code from "53708" to "53708-8902."

5) Replace the second note at the end of Tax 11.70 with the following:

Note: Section Tax 11.70 interprets ss. 77.51(14)(intro.) and (h) and (14r), 77.52(1) and (2) and 77.54(2), (2m), (6)(b), (25) and (43), Stats.

6) In the third note at the end of Tax 11.70, remove the word "and" before part (c) and add the following at the end of the note:

; and (d) The sales and use tax exemption for raw materials for printed materials transported and used solely outside Wisconsin became effective December 1, 1997, pursuant to 1997 Wis. Act 27.

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22(2)(intro.), Stats.

Final Regulatory Flexibility Analysis

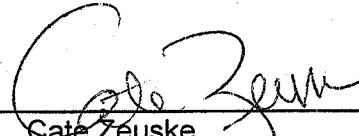
This rule order does not have a significant economic impact on a substantial number of small businesses.

DEPARTMENT OF REVENUE

Dated: _____

April 27, 1999

By: _____


Cate Zeuske
Secretary of Revenue

e.rules\1119 Adopt - Order

LRB or Bill No./Adm. Rule No.

TAX 11.19 and 11.70

Amendment No. if Applicable

FISCAL ESTIMATE
DOA-2048 N(R10/94)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

Subject

Sales and Use Tax Treatment of Printed Materials

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:

2. Decrease Costs
 Permissive Mandatory

4. Decrease Revenues
 Permissive Mandatory

Towns Villages Cities

Counties Others _____

School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This rule reflects the creation of a sales tax exemption for printed materials by 1997 Wisconsin Act 27. It also clarifies the exemption for sales to governmental units. It has no fiscal effect.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department Of Revenue Dennis Collier, (608) 266-5773	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	9/22/98



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

Tommy G. Thompson
Governor

Cate Zeuske
Secretary of Revenue

April 28, 1999


Douglas La Follette Secretary of State
30 W Mifflin St 10th Fl
Madison WI 53703

Dear Secretary La Follette

Enclosed are a Certificate and an Order of the Department of Revenue adopting Clearinghouse Rule 98-144.

These materials are filed with you pursuant to s. 227.20(1), Stats.

Sincerely,


Cate Zeuske
Secretary of Revenue

CZ:MPW:cll
e:rules\1119 Adopt - Secretary of State

Enclosure

cc: Deputy Revisor



State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
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Tommy G. Thompson
Governor

Cate Zeuske
Secretary of Revenue

April 28, 1999

Gary L Poulson Deputy Revisor
131 W Wilson St Ste 800
Madison WI 53703-3233


Re: Clearinghouse Rule 98-144

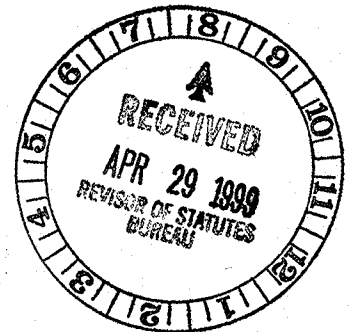
Dear Mr. Poulson:

Enclosed are a certified copy and an extra copy of an Order of the Department of Revenue promulgating rules relating to printed material exemptions and the sales and use tax treatment of advertising materials.

These materials are filed with you pursuant to s. 227.20(1), Stats.

Sincerely,


Cate Zeuske
Secretary of Revenue



CZ:MPW:cil
e:rules11119 Adopt - Revisor

Enclosure

cc: Douglas J. La Follette, Secretary of State
Commerce Clearinghouse, Inc.
Research Institute of America, Inc.