

[Home](#) / [Government](#) / Walker signs tax-exemption bill

Walker signs tax-exemption bill

By: [Dan Shaw, dan.shaw@dailyreporter.com](#) December 16, 2015 2:09 pm



Gov. Scott Walker signs the tax-exemption bill Wednesday while surrounded by construction industry representatives at the state Capitol in Madison. (Photo courtesy of Nick Novak, Associated Builders and Contractors of Wisconsin)

Come Jan. 1, contractors will no longer have to pay sales and use taxes on materials bought for various sorts of tax-exempt owners.

Representatives of the construction industry gathered around Gov. Scott Walker in Madison on Wednesday to watch him sign Senate Bill 227 into law. Starting next year, the new law will prevent sales and use taxes from being owed on materials bought for school, local government and other sorts of nonprofit projects.

The exemptions have been sought by industry representatives for years, not so much because they will let contractors keep more money but because they will simplify existing procedures already used to legally avoid paying the taxes.

Current law lets schools, local governments and nonprofit groups avoid sales and use taxes if they directly purchase the construction materials needed for a particular nonprofit project. But if a contractor buys the materials instead, sales and use taxes apply.

Knowing that such costs tend to be passed on to owners, many contractors have set up separate affiliates that exist solely to ensure materials can be bought tax-free for nonprofit projects. Proponents of the law Walker signed Wednesday have argued that, unless the state provides companies with some means of avoiding sales and use taxes on building materials, the cost of tax-exempt projects will be unnecessarily inflated.

With Walker's signing the proposal into law on Wednesday, industry representatives say they will next turn their attention to making sure contractors know how to take advantage of the new exemptions. Jim Boullion, director of governmental affairs for the Associated General Contractors of Wisconsin, said he has spoken to state Department of Revenue officials about the possibility of issuing guidelines before the new law takes effect on Jan. 1.

Boullion said one question he would like to see answered concerns what happens to projects that have already been started but aren't likely to be finished until after the New Year. Otherwise, he said, his belief is that the new exemptions will easily fit into the state's existing taxation policies and procedures without the need to establish new ones.

Before reaching the governor's desk on Wednesday, Senate Bill 227 had been passed unanimously by both the state Assembly and Senate. The proposal was amended in the Senate to provide exemptions to additional types of nonprofit entities, including city and county hospitals, local sewerage districts and public-water authorities.



A statement from the Business Credit Management Association (BCMA) for the benefit of our member clients. Sales tax is an area that BCMA does not specialize in. It is BCMA's desire to keep our clients informed on all matters that may impact or effect creditor's accounts receivable balances.

A further clarification as to the use, impact or procedures related to this new sales tax law follows in a brief summary that provides some additional guidance. The Business Credit Management Association, WI Headquarters recommends that member company clients consult with their CPA's, tax accountants, tax attorneys or those who specialize in sales tax laws and compliance. BCMA urges that companies perform their own due diligence as to how to meet or take advantage of the requirements of this new legislation related to the handling of Wisconsin Sales Tax.

II. NEW TAX LAWS

A. Exemption for Building Materials for Local Government and Certain Nonprofit

Organization Facilities (2015 Wis. Act 126, create sec. 77.54(9m), first applies to contracts entered into on January 1, 2016)

A sales and use tax exemption is created for the sale of building materials sold to a construction contractor who, in fulfillment of a real property construction activity, transfers the building materials to exempt entities described below, if the building materials become part of a facility in Wisconsin, owned by the exempt entity.

For purposes of this exemption, a qualifying exempt entity is:

- Any county, city, village, town or school district in this state
- 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.
- Any joint local water authority created under sec. 66.0823, 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 sec. 613.80 (2), Wis. Stats., no part of the net income of which inures to the benefit of any private stockholder, shareholder, member or corporation.

Caution: This exemption does not apply to all exempt organization facilities. It applies to building materials for facilities constructed for **only** the exempt entities listed above. **For example, it does not apply to facilities constructed for state or federal governmental entities.**

"Facility" is defined as any building, shelter, parking lot, parking garage, athletic field, athletic park, storm sewer, water supply system, or sewerage and waste water treatment facility, but does not include a highway, street, or road.

This law first applies to contracts entered into on January 1, 2016. Contractors who make qualifying purchases must provide a fully completed exemption certificate to the seller. The contractor should check "other purchases exempted by law" on the certificate and enter "exempt under sec. 77.54(9m), Wis. Stats."