

SALES AND USE TAX EXEMPTION

Do your bids reflect the new Sales and Use Tax Exemption?

The new exemption is an advantage for contractors whose bids properly omit sales and use tax from the purchase of exempt materials on qualified projects.

The new Sales and Use Tax Exemption, effective as of January 1, 2016, is designed to fix the long-standing issue of qualified owners having to purchase building materials directly in order to receive the tax free benefit. Now, thanks in large part to the efforts of AGC, contractors can make these purchases free of sales and use tax.



During the rollout of this new law, the AGC has worked closely with the Wisconsin Department of Revenue (DOR) to ensure our contractors are prepared and confident when purchasing exempt materials. As owners become aware of this change, you will want your subs and suppliers to be ready as well. Here are a few important tips.

Documentation/Information. Contractors who wish to purchase materials under the new exemption are required to provide, to the seller, a completed [Sales and Use Tax Exemption Certificate and Instructions](#), or DOR [S-211 Form](#). On this form, purchasers should complete the top half of the first page and then, under "Reason for Exemption," skip to the bottom of the second page and check the box for "Other purchases exempted by law" and enter "Exempt under sec. 77.54(9m), Wis. Stats."

Contractors are also advised to retain proof that the exemption applies by obtaining the owner's Wisconsin Certificate of Exempt Status (CES) number and maintaining contracts and invoices showing the work was for the qualified exempt entity.

Subcontractors. Subcontractors may purchase materials tax free in the same manner as general contractors. Subcontractors are also required to provide a completed Sales and Use Tax Exemption Certificate ([S-211 Form](#)) to sellers, and both general contractors and subcontractors are advised to retain proof that the exemption applies (see above).

Separate and Mixed Purchases. The S-211 Form asks purchasers to indicate whether the purchase is "Single" or "Continuous." If Continuous is checked, the seller may not charge tax on future purchases, even if those purchases no longer apply for the exemption. Likewise, if only a percentage of the materials are purchased used in an exempt manner, the seller may not charge tax on the remaining non-exempt material.

The best practice, which is not required, is to create separate purchase orders for exempt purchases and provide a completed Sales and Use Tax Exemption Certificate ([S-211 Form](#)) for those purchases.

For further details, review the DOR's [Wisconsin Tax Bulletin 192](#), or contact Nathan Jurowski, AGC General Counsel, at njurowski@agc-gm.org or (414) 778-4104.

