

WISCONSIN SALES AND USE TAX MATRIX FOR ELECTRICAL CONTRACTORS

Common Sales and Use Tax Exemptions

Although sales of tangible personal property are typically subject to sales tax, various exemptions exist. Some of the exemptions most commonly encountered by electrical contractors are listed below. For almost all exemptions, it is necessary for the seller to obtain a properly completed Wisconsin Sales Tax Exemption Certificate from the purchaser to protect the seller from liability for the tax. For most of these exemptions it is not practical to address all specifics of the exemption in this document; we recommend you see your tax advisor for additional details.

- Sales for Resale: Tax does not apply to tangible personal property or taxable services that will be resold. For example, if a subcontractor is hired by a general contractor to install data cabling, or to install new bulbs and ballasts in existing light fixtures (which are considered sales of tangible personal property), the sale is an exempt sale for resale. (This example assumes the “10%” rule addressed in the following paragraph does not apply.)
- Construction Contracts Where the Value of the Taxable Items are Less than 10% of the Contract Price: In connection with a construction contract, if the total value of the taxable products and services provided are less than 10% of the total contract price, then the contractor’s sales of these items to the customer are not subject to tax, but the contractor’s purchases of the materials and supplies for the items are taxable. This rule generally applies to contracts dated on or after Dec. 1, 2017. Special provisions apply regarding contracts with exempt organizations and sales by subcontractors.
- Manufacturing Machinery and Equipment: Tax does not apply to machinery and equipment used exclusively and directly by a manufacturer in manufacturing tangible personal property, and does not apply to repairs and other services to such exempt machines and equipment. To be exempt the machinery or equipment must be used directly in the manufacturing process, so the exemption does not apply to non-manufacturing equipment, even if owned by a manufacturer. For example, repairs to equipment in a manufacturer’s office area or warehouse are not exempt.
- Research and Development Machinery and Equipment: Tax does not apply to machinery and equipment used in “qualified” research by a manufacturer or a person primarily engaged in biotechnology in Wisconsin. Repairs or other services to such equipment are also exempt.

- Tax-Exempt Organizations—Tangible Personal Property: Various types of governmental entities and exempt organizations are eligible to purchase otherwise taxable property and services tax-free. Eligible entities include Wisconsin state and local governments and organizations holding a Wisconsin Certificate of Exempt Status (“CES”) (which includes organizations exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code). (This list is not all inclusive.)
- Tax-Exempt Organizations—Real Property Construction: A contractor is not required to pay tax on materials incorporated into a real estate construction project if all the following criteria are satisfied:
 - The materials are transferred to a “qualifying” tax-exempt organization that will be the owner of the project. The most commonly encountered “qualifying” organizations include Wisconsin municipalities and public school districts, the University of Wisconsin, Wisconsin Technical College Districts, and organizations holding a Wisconsin Certificate of Exempt Status (“CES”) (typically Internal Revenue Code Sec. 501(c)(3) organizations). Most other tax-exempt organizations are not “qualifying” organizations, including the State of Wisconsin and its subdivisions (other than those already listed here), other states and their municipalities, Federal governmental units, and non-profit organizations not qualifying for a CES.
 - The project is a qualifying “facility” located in Wisconsin. The definition of “facility” is broad and covers most projects, including buildings, structures, and parking lots, but it excludes some projects, such as highways, streets, and roads.

This exemption is generally effective for contracts dated on or after Jan. 1, 2016, although the effective date is July 1, 2018 for the University of Wisconsin and Wisconsin Technical College Districts.

- Professional Sports and Entertainment Stadiums and Arenas: There are exemptions applicable to purchases for building, renovating or developing certain professional sports and entertainment facilities. The details of these exemptions vary.
- Electronics and Information Technology Manufacturing Zone (FoxConn): There is an exemption for the sale of building materials, supplies, equipment, and landscaping services to owners, lessees, contractors, subcontractors, or builders if that property or service is acquired solely for, or used solely in, the construction or development of a facility in an “electronics and information

technology manufacturing zone.” This exemption relates to the FoxConn project in Racine County.

- Materials for Construction Projects for Exempt Entities Outside Wisconsin: Effective June 1, 2020, there is an exemption for the purchase of materials by a contractor that will be used in real property construction outside Wisconsin for (i) a nonprofit organization, (ii) a public school district, or (iii) a business in a tax incentive district. To be exempt the materials must not be stored in Wisconsin for more than 120 days. The exemption includes property that is altered by converting, fabricating, manufacturing, printing, processing, or shaping before its use outside of the state.
- Farming—Machinery and Equipment. There is an exemption for tractors (except lawn and garden tractors), all-terrain vehicles, and farm machines, including accessories, attachments, and parts, nonpowered equipment, and other tangible personal property, and services to such property that are used exclusively and directly, or are consumed or lose their identities in the business of farming. However, the exemption does not extend to motor vehicles for highway use, and does not extend to:
 - Personal property that is attached to, fastened to, connected to, or built into real property or that becomes an addition to, component of, or capital improvement of real property (certain exceptions apply).
 - Property used or consumed in the erection of buildings or in the alteration, repair, or improvement of real property, regardless of any contribution the property makes to the production process in that building or real property and regardless of the extent to which that property functions as a machine.
- Fertilizer Blending, Feed Milling or Grain Drying—Machinery and Equipment: There is an exemption for machines and specific processing equipment used exclusively and directly in a fertilizer blending, feed milling, or grain drying operation, including repair parts, replacements, and safety attachments and services to such machines and equipment.
- Fertilizer Blending, Feed Milling or Grain Drying—Building Materials. There is an exemption for building materials acquired solely for and used solely in the construction or repair of holding structures used for weighing and dropping feed or fertilizer ingredients into a mixer or for storage of such grain, if such structures are used in a fertilizer blending, feed milling, or grain drying operation.

- Waste Treatment Facilities: There is an exemption for personal property used in a real property construction activity to construct an industrial or municipal waste treatment facility.
- Construction on Native American Reservations: There are exemptions for:
 - The sale of construction materials to a Native American contractor if delivery of the materials to the Native American contractor occurs on the Native American contractor's tribal reservation and the construction materials will be used on the Native American contractor's tribal reservation.
 - The sale and delivery of construction materials to a non-Native American contractor on or off the reservation which the contractor uses in a construction project on the reservation for the Tribe, provided certain criteria are satisfied.