



State Procurement Manual

Department of Administration, State Bureau of Procurement

Number
PRO-415

Section	Effective	Replaces
CONTRACT ADMINISTRATION AND TRANSACTIONS	9/16/19	PRO-D-31, E-15 Various Dates
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VENDOR COLLECTION OF SALES AND USE TAX; AGENCY TAX EXEMPTION AND PAYMENTS OF CERTAIN TAXES		1 of 3

SCOPE: The purpose of this policy is to establish official procedure for the administration of Wisconsin’s tax laws as they relate to doing business with, and as, the state in goods and services contracting.

POLICY: State agencies have a responsibility to ensure they are not doing business with ineligible suppliers for failure to follow sales and use tax laws. Further, agencies are responsible for understanding when they are to be treated as tax exempt, and when certain taxes must be paid for certain purchases.

Vendor Tax Compliance

The Wisconsin Department of Revenue (DOR) is responsible for verifying that vendors and their affiliates follow applicable tax law. DOR will certify a list of vendors that are not in compliance to the Department of Administration. These ineligible vendors will be listed in the Certification for Collection of Sales and Use Tax Vendor Directory. Before doing business with a vendor, agencies will ensure that the vendor’s taxpayer identification number (TIN) does not appear in this directory.

Regardless of dollar amount, state agencies will not enter into any contract or order for the purchase of materials, supplies, equipment or contractual services with vendors or their affiliates who are not registered, collecting and remitting Wisconsin sales or use tax on sales of tangible personal property or taxable services in Wisconsin. Contractors performing construction activities are required to pay state use tax on the cost of materials; UW System buildings are exempt from these taxes per §77.54(9m), Wis. Stats.

Agency Tax Exemption and Certain Payment Responsibilities

State agencies are exempt from payment of some federal taxes and Wisconsin state and local taxes on its purchases. Often the exemption is determined by the circumstances surrounding the purchase.



Legal Authority

Wis. Stats. 16.70(1b), (1e), (3e); 16.75(10m); 77.51(10); 77.54(9a), (11); 77.66

Agencies Affected: All, unless otherwise noted

Authorized:

Sara Redford, Director
State Bureau of Procurement



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State agencies are required to pay the Wisconsin excise or occupation tax on its purchase of beer, liquor, wine, cigarettes, tobacco products, motor vehicle fuel, and general aviation fuel. However, it is exempt from payment of Wisconsin sales or use tax on its purchase. The State of Wisconsin may be subject to other states' and tribal taxes on its purchases in that state or on tribal lands depending on the laws of that state or tribe.

State agencies do not pay the federal excise tax on purchases of gasoline and jet fuels used in aircraft owned or operated by the state.

State agencies do pay federal tax on airline tickets.

PROCEDURE:

- I. Agency Action Regarding Vendor Compliance
 - A. If the agency determines that it has an existing contract with an ineligible contractor, the agency may contact the contractor and advise them of this requirement and encourage registration to become an eligible contractor by contacting DOR (608/266-3969 or DORVendorLaw@wisconsin.gov) to request assistance in obtaining the registration. If the contractor's status remains unchanged, the agency must terminate the contract. The agency may not withhold payment pending a change in the contractor's eligibility status.
 - B. For a pending contract award with a vendor that is listed in the directory, the agency may advise the vendor to contact DOR to request a rush registration. However, the agency also reserves the right to not award a contract to an ineligible vendor if the vendor was advised of this requirement in a solicitation and was not responsive at the time of bid award. See PRO-305, Basis for Bid Awards; PRO-308, Basis of Award for Competitive Negotiation (RFP); PRO-401, Basic Contract Eligibility.



Legal Authority

Wis. Stats. 16.70(1b), (1e), (3e); 16.75(10m); 77.51(10); 77.54(9a), (11); 77.66

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C. Questions related to the administration of the sales and use tax list should be referred directly to the DOR.

II. Agency Tax Exemption

A. Registration No. 39-73-1021-K was issued to the State of Wisconsin by the IRS to authorize tax-free transactions under Chapter 32 of the Internal Revenue Code. This registration number is on file with the District Director, U.S. Treasury Department, Internal Revenue Service, Milwaukee, Wisconsin. Chapter 32 does not exempt the state from all federal taxes.

B. The Wisconsin Department of Revenue issues tax exempt numbers for Wisconsin sales and excise tax purposes to the State of Wisconsin, s. 77.54(9a). The Income, Sales and Excise Tax Division of the Wisconsin Department of Revenue should have a record of tax exemption certificates issued.

C. Blanket registration number 39-74-0002-Y is used by all agencies for refund on aircraft fuels.



Legal Authority

Wis. Stats. 16.70(1b), (1e), (3e); 16.75(10m); 77.51(10); 77.54(9a), (11); 77.66

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