

Dear Wisconsin Grocer,

The purpose of this letter is to make you aware of some important changes that will affect the **Wisconsin sales and use tax** treatment of various products that you sell, **effective October 1, 2009**. The Wisconsin Grocers Association is working closely with the Wisconsin Department of Revenue in implementing these changes.

As you may already be aware, the State of Wisconsin has passed the legislation necessary to conform its laws to the requirements of the Streamlined Sales and Use Tax Agreement (SSUTA). This legislation was passed as part of 2009 Wisconsin Act 2. Most of the law changes in Act 2 become effective October 1, 2009 in Wisconsin.

The SSUTA is the result of a nationwide effort to help reduce the administrative burdens placed on retailers and purchasers in complying with multiple states' sales and use tax laws. This reduction in burden is accomplished by states conforming their laws to the requirements of the SSUTA, which requires among other things:

- State level administration of sales and use taxes,
- Uniform state and local tax bases within a state,
- Certain uniform definitions, and
- Uniform sourcing of transactions.

By Wisconsin conforming its laws to meet the requirements of the SSUTA, the **Wisconsin sales and use tax exemption for food and food ingredients and the definitions related to this exemption will change effective October 1, 2009**. In order to give you as much advance notice as possible to help you plan for this change, enclosed with this letter you will find the statutory changes that are directly related to the exemption for food and food ingredients in Wisconsin along with the related statutory definitions that become effective October 1, 2009. In addition, the last page of the document compares the Wisconsin sales and use tax treatment of certain items under current law with the Wisconsin sales and use tax treatment of those same products under the laws that will be effective October 1, 2009.

The change in the exemption and the definitions will result in changes in the Wisconsin sales and use tax treatment of numerous products you sell. For example, Wisconsin will continue to tax "candy", however, the definition of "candy" will change effective October 1, 2009 to exclude any items that contain flour or require refrigeration. Therefore, items such as Twix® bars and Kit Kat® bars will become exempt since they contain flour. However, the new definition of candy will include items such as chocolate chips and M&M® baking bits, which will become taxable in Wisconsin effective October 1, 2009.

Although the result of Wisconsin conforming its laws to the requirements of the SSUTA is that you will need to change your computer systems, the good news is that Wisconsin's laws and definitions will now be more uniform with the laws of the 22 other states that have already conformed their laws to meet the requirements of the SSUTA. In addition, for the most part, there will also be objective tests or requirements in place that a product must meet before it will be taxed or exempted. This should help take much of the "guesswork" out of determining the proper Wisconsin sales and use tax treatment of many of the products you sell.

In the coming months, the Wisconsin Department of Revenue will be putting together additional information to help grocers and other retailers in Wisconsin comply with these law changes. Among the information you can expect from the Department of Revenue is an updated Administrative Rule (Section Tax 11.51) relating specifically to grocery related items; an update to Publication 220, titled "Grocers: How Do Wisconsin Sales and Use Taxes Affect Your Operations?"; and lists of various items that fall within each of the definitions of taxable food related items you may sell in Wisconsin (i.e., candy, soft drinks, dietary supplements and prepared food). The Department of Revenue will be seeking input from various grocers in helping develop these listings. The above information will be posted on the Department's website on a page specifically related to Streamlined Sales and Use Tax, which is available at: <http://www.revenue.wi.gov/sstp/index.html>.

Finally, the Wisconsin Department of Revenue will also be offering training seminars and webinars beginning in mid to late July that deal specifically with these sales and use tax law changes so that you will be ready for the changes when they become effective October 1, 2009.

If you would like additional information relating to the national Streamlined Sales Tax Project, including a complete copy of the SSUTA, that information may be obtained from the Streamlined Sales Tax Governing Board's website at: <http://www.streamlinedsalestax.org>.

In addition, if you have any Streamlined Sales and Use Tax related questions, you may contact Craig Johnson, Staff Specialist, Wisconsin Department of Revenue, either by telephone at (608) 634-6794 or by email at craig.johnson@revenue.wi.gov.

Sincerely,

