

Assembly Hearing Slip

(Please print plainly)

Date: 1-5-00
Bill No. AB572
Or
Subject
Kathi Kilgore
(Name)
2801 Fish Hatchery Rd.
(Street Address or Route Number)
Madison, WI 53713
(City & Zip Code)
WIE RESTAURANT ASSN.
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 1/5
Bill No. AB572
Or
Subject
Tom Oarada - Vicki Gibbons
(Name)
DOR
(Street Address or Route Number)
(City & Zip Code)
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 1-5-00
Bill No. AB572
Or
Subject
Sen. Burke
(Name)
(Street Address or Route Number)
Milwaukee
(City & Zip Code)
3rd Sen. Dist
(Representing)

Speaking in favor:
Speaking against:
Registering in favor:
Registering against:
Speaking for information only:
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 1-5-2000
Bill No. AS-2000
Or. AS-72
Subject: Sinceri
(Name)
(Street Address or Route Number)
(City & Zip Code)
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
- Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: JAN 5, 2000
Bill No. AB 572
Or.
Subject: Allison Kujawa
(Name)
(Street Address or Route Number)
100 RIVER PACE SUITE 101
MONONA WI 53716
(City & Zip Code)
WI COUNTIES ASSOCIATION
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only:
- Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Committee on Ways and Means

DATE _____

Moved by Wood Seconded by Spill

AB 572 SB _____ Clearinghouse Rule _____

AJR _____ SJR _____

A _____ SR _____ Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

- Be recommended for:
- Passage
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence

	Committee Member	Aye	No	Absent	Not voting
1.	Rep. Mickey Lehman, chair	1			
2.	Rep. Tom Sykora, vice-chair	2			
3.	Rep. Bob Goetsch	3			
4.	Rep. Mike Huebsch	4			
5.	Rep. Frank Lasee	5			
6.	Rep. John Ainsworth	6			
7.	Rep. Suzanne Jeskewitz				
8.	Rep. Carol Owens	7			
9.	Rep. Joan Spillner	8			
10.	Rep. Wayne Wood	9			
11.	Rep. John La Fave	10			
12.	Rep. Lee Meyerhofer				
13.	Rep. Johnie Morris-Tatum	11			
14.	Rep. Jeffrey Plale	✓			
15.	Rep. Bob Turner	12			
16.	Rep. Bob Ziegelbauer	13			
	Totals				

MOTION CARRIED MOTION FAILED

Assembly Committee on Ways and Means

DATE _____

Moved by Wood Seconded by Zieg
 AB 572 SB _____ Clearinghouse Rule _____

AJR _____ SJR _____

A _____ SR _____ Other _____

A/S Amdt LRB1126

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

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W / Leh*

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- Introduction
- Adoption
- Rejection

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- Nonconcurrence

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2.	Rep. Tom Sykora, vice-chair	2			
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4.	Rep. Mike Huebsch	4			
5.	Rep. Frank Lasee	5			
6.	Rep. John Ainsworth	6			
7.	Rep. Suzanne Jeskewitz				
8.	Rep. Carol Owens	7			
9.	Rep. Joan Spillner	8			
10.	Rep. Wayne Wood	9			
11.	Rep. John La Fave	10			
12.	Rep. Lee Meyerhofer				
13.	Rep. Johnie Morris-Tatum	11			
14.	Rep. Jeffrey Plale	✓			
15.	Rep. Bob Turner	12			
16.	Rep. Bob Ziegelbauer	13			
	Totals				

MOTION CARRIED

MOTION FAILED



State Representative
Lee **Meyerhofer**

January 26, 2000

Representative Michael Lehman, Chair
Assembly Committee on Ways and Means
103 West, State Capitol

Dear Chairman Lehman:

I was unable to attend the January 12, 2000 meeting of the Ways and Means Committee. Please enter the following votes into the record.

AB 634

Yes on adoption of LRB 1140/1

Yes on adoption of LRB 1146/1

Yes on passage of AB 634 as amended

AB 41

Yes on passage of AB 41

AB 393

Yes on adoption of Substitute Amendment 1

Yes on passage of AB 393 as amended

AB 572

Yes on adoption of LRB 1126/1

Yes on passage of AB 572 as amended

AB 614

Yes on adoption of LRB 1127/1

Yes on passage of AB 619 as amended

Thank you for your attention to this request. Please feel free to contact me if I you have any questions.

Sincerely,

LEE P. MEYERHOFER

State Representative

5th Assembly District

1999 - 2000 LEGISLATURE

1999 ASSEMBLY BILL 572 

November 3, 1999 - Introduced by Representatives Sinicki, F. Lasee, Plale, Krug, Hasenohrl, Musser, Staskunas, Gunderson, J. Lehman, Underheim, Seratti and M. Lehman, cosponsored by Senators Grobschmidt, Burke, Farrow and A. Lasee. Referred to Committee on Ways and Means.

Pg1Ln1 **An Act** to amend 77.51 (4) (c) 2. and 77.51 (15) (c) 1.; and to create 77.51 (4) (b)
Pg1Ln2 2m. and 77.51 (15) (b) 2m. of the statutes; relating to: the sales tax and the use
Pg1Ln3 tax on tips and gratuities.

Analysis by the Legislative Reference Bureau

AB572 

Under current law, the state imposes a sales tax on all retailers at the rate of 5% of the gross receipts from the sale, lease or rental of tangible personal property and the sale of services. Under current law, retailers generally pass on all sales taxes to the consumer.

AB572 

Under current law, for purposes of imposing a sales tax, gross receipts include any addition to the sales price of tangible personal property that is charged to a customer in lieu of a tip or a gratuity. Under this bill, for purposes of imposing a sales tax, gross receipts do not include any addition to the sales price of tangible personal property that is charged to a customer in lieu of a tip or a gratuity.

AB572 

Under current law, the state imposes a use tax on all consumers, at the rate of 5% of the sales price, for the consumption, use or storage of goods in this state that the consumer purchases from an out-of-state retailer and the consumption or use of services in this state that the consumer purchases from an out-of-state retailer.

AB572 

Under current law, for purposes of imposing a use tax, the sales price of tangible personal property includes any addition to the sales price that is charged to a customer in lieu of a tip or a gratuity. Under this bill, for purposes of imposing a use tax, the sales price of tangible personal property does not include any addition to the

sales price of tangible personal property that is charged to a customer in lieu of a tip or a gratuity.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

AB572, s. 1 

Pg2Ln1

Section 1. 77.51 (4) (b) 2m. of the statutes is created to read:

AB572, s. 1 - continued 

Pg2Ln2

Pg2Ln3

Pg2Ln4

77.51 (4) (b) 2m. Any services that are a part of the sale of tangible personal property, including any fee, service charge, labor charge or other addition to the price charged a customer by the retailer that represents or is in lieu of a tip or gratuity.

AB572, s. 2 

Pg2Ln5

Section 2. 77.51 (4) (c) 2. of the statutes is amended to read:

AB572, s. 2 - continued 

Pg2Ln6

Pg2Ln7

Pg2Ln8

Pg2Ln9

77.51 (4) (c) 2. ~~Any~~ For taxes imposed under subch. V, any services that are a part of the sale of tangible personal property, including any fee, service charge, labor charge or other addition to the price charged a customer by the retailer which represents or is in lieu of a tip or gratuity.

AB572, s. 3 

Pg2Ln10

Section 3. 77.51 (15) (b) 2m. of the statutes is created to read:

AB572, s. 3 - continued 

Pg2Ln11

Pg2Ln12

Pg2Ln13

77.51 (15) (b) 2m. Any services that are a part of the sale of tangible personal property, including any fee, service charge, labor charge or other addition to the price charged a customer by the retailer that represents or is in lieu of a tip or gratuity.

AB572, s. 4 

Pg2Ln14

Section 4. 77.51 (15) (c) 1. of the statutes is amended to read:

AB572, s. 4 - continued 

Pg2Ln15

Pg2Ln16

Pg2Ln17

Pg2Ln18

77.51 (15) (c) 1. ~~Any~~ For taxes imposed under subch. V, any services that are a part of the sale of tangible personal property, including any fee, service charge, labor charge or other addition to the price charged a customer by the retailer which represents or is in lieu of a tip or gratuity.

AB572, s. 5 

Pg2Ln19

Section 5. 77.52 (5m) of the statutes is created to read:

AB572, s. 5 - continued 

Pg3Ln1

Pg3Ln2

Pg3Ln3

77.52 (5m) A retailer shall list separately on a receipt for a service any fee, service charge, labor charge or other addition to the price of the service charged to a customer by the retailer that represents or is in lieu of a tip or gratuity.

AB572, s. 6 

Pg3Ln4

Section 6. Effective date.

AB572, s. 6 - continued 

Pg3Ln5

Pg3Ln6

Pg3Ln7

(1) This act takes effect on the first day of the 2nd month beginning after publication.

(End)

Proposal Issue Page

For use at public hearings and any other forum of debate

Date 1-5-00

Proposal AB 572

Lead Author(s) Sinicki

Pros:

Remove Food & Beverage gratuity from sales tax.

☒ Gratuities are already subject to inc. tax.

Not exempt from co. tax, stad tax etc.

Cons:

Amend to clarify only on gratuities & not service charges on any long pers prop.

Applying to only spec sales taxes creates admin probs as some sales taxes would apply & some not

Amend needed to facilitate ease of taxation.



Date: January 5, 2000

To: Assembly Committee on Ways and Means
Representative Michael Lehman, Chairman

From: Kathleen Kilgore, Government Relations Specialist
Wisconsin Restaurant Association

Re: Support of Assembly Bill 572

~~~~~  
A tip is money a customer voluntarily gives a server for courteous and prompt service. A service charge, on the other hand, is a required payment. For example, if a menu states that a 15 percent gratuity will be added to all parties of eight or more, or a catering contract states that an 18 percent tip will be added, these are service charges. It doesn't matter if the charge is called a gratuity, service charge or tip, Wisconsin law defines these required payments as service charges and sales tax must be paid on them. Assembly Bill 572 would make these service charges tax exempt.

This bill does not have a direct economic benefit on restaurants. The real issue here is of customer satisfaction. Explaining to customers why an involuntary service charge is taxable and a voluntary tip is tax-exempt is not easy or enjoyable for a restaurateur. It is difficult for our members to explain why this is, except for "it's the law." Some customers understand, but others range from mildly perturbed to irate. It is this misunderstanding that leads to a dissatisfied customer, who, most cases, never returns to the restaurant again.

On behalf of the 7,000 members of the Wisconsin Restaurant Association, I ask for your support of Assembly Bill 572.



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## WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536  
Telephone: (608) 266-1304  
Fax: (608) 266-3830  
Email: [leg.council@legis.state.wi.us](mailto:leg.council@legis.state.wi.us)

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DATE: January 10, 2000

TO: REPRESENTATIVE MICHAEL LEHMAN, CHAIRPERSON, ASSEMBLY COMMITTEE ON WAYS AND MEANS

FROM: Robert J. Conlin, Senior Staff Attorney

SUBJECT: 1999 Assembly Bill 572 and Assembly Amendment \_\_\_ (LRBa1126/1),  
Relating to the Sales Tax and the Use Tax on Tips and Gratuities

This memorandum provides a brief description of Assembly Amendment \_\_\_ (LRBa1126/1), to 1999 Assembly Bill 572, relating to the sales and use tax on tips and gratuities. The bill was introduced by Representative Sinicki and others; cosponsored by Senator Grobschmidt and others. The Assembly Committee on Ways and Means held a public hearing on the bill on January 5, 2000. The committee has scheduled an executive session on the bill for Wednesday, January 12, 2000.

### **A. THE BILL**

The bill provides that the term "gross receipts," for purposes of calculating the state sales and use tax, does not include any services that are a part of the sale of tangible personal property, including a fee, service charge, labor charge or other addition to the price charged a customer by the retailer that represents or is in lieu of a tip or gratuity. However, under the bill these services, including the fees or charges that represent or are in lieu of tips or gratuities would still be included in "gross receipts" for purposes of imposing county and stadium park district sales and use taxes. Finally, the bill provides that a retailer must list separately on a receipt for a service any fee, service charge, labor charge or other addition to the price of the service charged to a customer by the retailer that represents or is in lieu of a tip or gratuity.

### **B. ASSEMBLY AMENDMENT — (LRBa1126/1)**

The proposed amendment makes the following two changes to the bill:

1. The amendment limits the scope of the bill so that instead of applying to any services that are part of the sale of tangible personal property, the bill *applies only to services that are part of the sale of meals, food or beverages.*

2. The amendment provides that, in addition to being excluded from "gross receipts" for purposes of state sales and use taxes, the sale of such services are also excluded from "gross receipts" for purposes of *county and stadium park district sales and use taxes.*

The amendment does not modify the bill's requirement that a retailer separately list fees or charges charged to a customer that represents or is in lieu of a tip or gratuity.

If you have any questions on this matter, please feel free to contact me at the Legislative Council Staff offices.

RJC:rv:ksm;tlu



Wisconsin  
State  
Assembly

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**Christine Sinicki**  
State Representative

January 12, 2000

Rep. Michael Lehman, Chairman  
Committee on Ways & Means  
State Capitol

Dear Mr. Chairman:

Rep. Sinicki intended to attend this morning's executive session on AB 572;  
unfortunately, she has come down with the flu.

She asked that I attend to answer any questions the committee may have, if necessary.

Sincerely,

A handwritten signature in cursive script that reads "Janet Koloen".

Janet Koloen  
Office of State Representative Christine Sinicki  
20th Assembly District

CS:jan



## **BILL SUMMARY**

**AB 572: Sales & Use Tax on Tips & Gratuities**

**Date: March 30<sup>th</sup>, 2000**

### **BACKGROUND**

Under current law, the state imposes a sales tax of 5% of the gross receipts for the sale, lease or rental of tangible personal property and the sale of services. Gross receipts include any addition to the sales price that is charged to a customer in lieu of a tip or gratuity.

### **SUMMARY OF AB 572 (AS AMENDED BY COMMITTEE)**

Under AB 572, for purposes of calculating the state sales and use tax, any services that are a part of the sale of meals, food or beverages that represents or is in lieu of a tip or gratuity, shall not be included. Also, these services are not to be included in "gross receipts" for purposes of imposing county and stadium park district sales and use taxes.

### **AMENDMENTS**

**Assembly Amendment 1** made two changes to AB 572.

- 1) The amendment limited the scope of the bill to apply only to services that are a part of the sale of meals, food or beverages.
- 2) The amendment excludes the services from county and stadium park district sales and use taxes.

**Assembly Amendment 2** (adopted by JFC 3-28-2000) further specifies that the bill is limited in scope only to services that are a part of the sale of meals, food or beverages and that those non-taxable charges are to be specifically indicated as such on the receipts.

**Assembly Amendment 3** (adopted by JFC 3-28-2000) changes the effective date of the legislation to July 1, 2001.

### **FISCAL EFFECT**

A fiscal estimate prepared by the Department of Revenue indicates that the Department is unable to provide a concrete number for the fiscal impact. However, based on the information provided, the Department estimates that the loss of revenue to the state would be approximately \$2 million annually.

The loss of revenue to the Southeast Baseball Park District would be approximately \$125,000 annually.

### **PROS**

The bill removes involuntary food and beverage gratuities from the sales tax. Such gratuities are already subject to the income tax. Under this bill, all tips and gratuities and service charges in lieu of a tip or gratuity are treated equally.

### **CONS**

- 1) The approximate \$2 million fiscal impact.
- 2) Also, the DOR indicates that some administration difficulties may exist with certain portions of receipts being excluded from the sales and uses tax.

### **SUPPORTERS**

Rep. Christine Sinicki, author; Sen. Richard Grobschmidt, lead co-sponsor; WI Restaurant Association.

### **OPPOSITION**

WI Counties Association.

### **HISTORY**

Assembly Bill 572 was introduced on November 11, 1999, and referred to the Assembly Committee on Ways and Means. A public hearing was held on January 5, 2000. On January 12, 2000, the Committee voted 14-0 [Reps. Jeskewitz and Meyerhofer absent] to recommend passage of AB 572 as amended. On January 19, 2000, AB 572 was referred to the Joint Committee on Finance. On March 28, 2000, the Committee voted 16-0 to recommend passage of AB 572 as amended.

**CONTACT:** Andrew Nowlan, Office of Rep. Michael Lehman