

**2001 DRAFTING REQUEST**

**Bill**

Received: 01/24/2001

Received By: phurley

Wanted: As time permits

Identical to LRB:

For: Bonnie Ladwig (608) 266-9171

By/Representing: Sara Popp

This file may be shown to any legislator: NO

Drafter: phurley

May Contact:

Addl. Drafters: jkreye

Subject: Tax - sales  
Transportation - mot veh dealers

Extra Copies: TNF, ARG

Submit via email: NO

Requester's email:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Sales tax on vehicles purchased subsequent to lemon law refund

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**Instructions:**

See Attached

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**Drafting History:**

| <u>Vers.</u> | <u>Drafted</u>        | <u>Reviewed</u>    | <u>Typed</u>          | <u>Proofed</u> | <u>Submitted</u>           | <u>Jacketed</u>               | <u>Required</u> |
|--------------|-----------------------|--------------------|-----------------------|----------------|----------------------------|-------------------------------|-----------------|
| /1           | phurley<br>05/02/2001 | jdye<br>05/04/2001 | martykr<br>05/07/2001 | _____          | lrb_docadmin<br>05/07/2001 | lrb_docadminS&L<br>05/31/2001 |                 |
|              | jkreye<br>05/02/2001  |                    |                       | _____          |                            |                               |                 |
|              |                       |                    |                       | _____          |                            |                               |                 |

FE Sent For:

<END>

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|              | jkreye<br>05/02/2001  |                    |                       | _____          |                            |                 |                 |
|              |                       |                    |                       | _____          |                            |                 |                 |

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May Contact:

Alt. Drafters: **jkreye**Subject: **Tax - sales  
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|--------------|----------------|-----------------|--------------|----------------|------------------|-----------------|-----------------|
| 1?           | phurley        | 1 5/4 jld       | 2/5/4        | ch 5<br>dm 7   |                  |                 |                 |

FE Sent For:

&lt;END&gt;

Ladwig 6-9171

Sara Popp

Lemon Law

Cl got refund but need to buy another vehicle w/ the \$ & p need to buy another vehicle & pay sales tax w/ a trade-in

He got the refund for the sales tax he paid the 1st time, but now will have to buy a ~~new~~ new vehicle w/ a trade-in, so

↑ taxes: 218.0171 (2) (b) 2.6

|                             |              |
|-----------------------------|--------------|
|                             | (2) (e)      |
|                             | (2) (F) into |
| So: Trade in = 25k          | (2) (F) 1.   |
| new veh = 35k               | (2) (F) 3.   |
| dif = 10k                   |              |
| sales tax on that = 1000    |              |
| refund = 25k + 1000 = 36000 |              |
| now new veh = 35k           |              |
| sales tax = 3580 = 38500    |              |

\* Chapter 77 - put in file

\* LA add in 218-0172 that  
manufacturer provides  
documentation & itemization  
of refund.

Will  
enter request do my part &  
forward it to Joe

2 (a) repair or

(b) refund/replace

1. shall do:

2. a. replace } purchasers  
b. refund }

3. lessors stuff

a. lessor refund

b. lessor refund def

c. lessor more refund def.

(c) buyer to return vehicle to get (b)(1) or (2)

(cm) lessor to return vehicle to get (b)(3)

so create (cg) certificate

(d) disclosure on title

use language (e) reverse refund sales tax to manufacturer or  
from here? (f) to buyer



Handwritten initials: Jld

# 2001 BILL

in 5-2-01

SOON

gan

1 AN ACT ...; relating to: sales tax on motor vehicles purchased after a consumer  
2 receives a refund under a new motor vehicle warranty. ✓

### *Analysis by the Legislative Reference Bureau*

Currently, the law governing repair, replacement, and refund under a new motor vehicle warranty, commonly called the "lemon law," provides remedies for a person who purchases or leases a motor vehicle, or who otherwise may enforce a motor vehicle warranty (a consumer). ✓ Under the lemon law, if a motor vehicle cannot be repaired, the manufacturer must either replace the vehicle or give the consumer, \* and any holder of a perfected security interest in the consumer's vehicle, a full refund. A full refund includes, in addition to the purchase price and other charges, any sales taxes paid by the consumer at the point of sale. The sales tax is calculated at 5% ✓ of the difference between the purchase price of the vehicle and any vehicle the consumer traded in when he or she purchased the vehicle.

Under current law, if a consumer receives a refund under the lemon law and subsequently purchases a motor vehicle to replace the vehicle for which he or she received a refund, the person pays a sales tax based on the full purchase price of the replacement vehicle.

This bill requires a manufacturer, upon payment of a refund under the lemon law, to provide a written statement to the consumer that includes the purchase price of the vehicle and the date on which the manufacturer issued the lemon law refund. Under the bill, a consumer who makes a subsequent purchase of a motor vehicle and presents the written statement to a motor vehicle dealer within 180 days of the date on which the manufacturer issued the refund pays sales tax only on that part of the

**BILL**

purchase price that is the difference between the full purchase price of the original vehicle and the replacement vehicle.

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

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

1           **SECTION 1.** 77.51 (4) (b) 3m. ✓ of the statutes is created to read:

2           77.51 (4) (b) 3m. If a person who purchases a motor vehicle presents a  
3 statement issued under s. 218.0171 (2) (cq) ✓ to the seller at the time of purchase, and  
4 the person presents the statement within 180 days from the date of receiving a  
5 refund under s. 218.0171 (2) (b) 2. b. ✓, ~~the gross receipts shall be only that portion of~~  
6 ~~the purchase price that is the difference between the full purchase price of the motor~~  
7 ~~vehicle and~~ the purchase price specified in the statement issued under s. 218.0171  
8 (2) (cq). ✓

9           **SECTION 2.** 77.51 (15) (b) 4m. ✓ of the statutes is created to read:

10          77.51 (15) (b) 4m. If a person who purchases a motor vehicle presents a  
11 statement issued under s. 218.0171 (2) (cq) ✓ to the seller at the time of purchase, and  
12 the person presents the statement within 180 days from the date of receiving a  
13 refund under s. 218.0171 (2) (b) 2. b. ✓, ~~the sales price shall be only that portion of the~~  
14 ~~purchase price that is the difference between the full purchase price of the motor~~  
15 ~~vehicle and~~ the purchase price specified in the statement issued under s. 218.0171  
16 (2) (cq).

17          **SECTION 3.** 218.0171 (2) (cq) ✓ of the statutes is created to read:

18          218.0171 (2) (cq) Upon payment of a refund to a consumer under par. (b) 2. b. ✓  
19 the manufacturer shall provide to the consumer a written statement that specifies



**BILL**

1 the full purchase price of the motor vehicle having the nonconformity<sup>✓</sup> and the date  
2 on which the manufacturer provided the refund.

3 **SECTION 4. Initial applicability.**

4 (1) The treatment of section 218.0171 (2) (cq)<sup>✓</sup> of the statutes first applies to  
5 refunds that are made on the effective date of this subsection.<sup>✓</sup>

6 **SECTION 5. Effective date.**

7 (1) This act takes effect on the first day of the 2<sup>nd</sup><sup>h</sup> month<sup>✓</sup> beginning after  
8 publication.

9 (END)



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET  
5TH FLOOR  
MADISON, WI 53701-2037

STEPHEN R. MILLER  
CHIEF

LEGAL SECTION: (608) 266-3561  
LEGAL FAX: (608) 264-6948

May 7, 2001

### MEMORANDUM

To: Representative Ladwig

From: Peggy J. Hurley, Legislative Attorney

Re: LRB-2209/1 Sales tax on vehicles purchased subsequent to lemon law refund

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

JACKET FOR ASSEMBLY     JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-8906 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.



# State of Wisconsin

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100 NORTH HAMILTON STREET  
P. O. BOX 2037  
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561  
REFERENCE SECTION: (608) 266-0341  
FAX: (608) 266-5648

STEPHEN R. MILLER  
CHIEF

July 12, 2001

## MEMORANDUM

**To:** Representative Ladwig

**From:** Peggy Hurley, Legislative Attorney, (608) 266-8906  
Joseph T. Kreye, Legislative Attorney, (608) 266-2263

**Subject:** Technical Memorandum to 2001 AB-453 (LRB 01-2209/1)

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We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

**MEMORANDUM**

July 12, 2001

**TO:** Peggy Hurley and Joseph Kreye  
Legislative Reference Bureau

**FROM:** Dennis Collier  
Department of Revenue

**SUBJECT:** Technical Memorandum on 2001 AB 453 Regarding Sales Tax on Vehicles  
Purchased Subsequent to a Lemon Law Refund

Under current law, sales tax is imposed on the amount of the difference between the purchase price of a motor vehicle and the trade-in value, if any. If the purchaser returns the vehicle to the manufacturer under the lemon law, the sales tax is refunded. If the purchaser subsequently buys a replacement vehicle, sales tax is imposed on the entire purchase price of that vehicle, with no allowance for the value of the purchaser's trade-in on the lemon.

Under the bill, if the purchaser buys a replacement vehicle within 180 days of receiving a lemon law refund, sales tax is imposed only on the amount of the difference between the price of the replacement vehicle and the price of the lemon. Thus, for the replacement vehicle, sales tax is not paid on an amount equal to the purchase price of the lemon under the bill.

We suggest that the bill be amended so that sales tax is imposed on the amount of the difference between the purchase price of the replacement vehicle and the trade-in value on the lemon. With this amendment, the sales tax on a replacement vehicle will be comparable to the tax on other motor vehicle purchases.

If you have questions regarding this technical memorandum, please contact Blair Kruger at 266-1310 or [bkruger@dor.state.wi.us](mailto:bkruger@dor.state.wi.us).

DC:BPK