

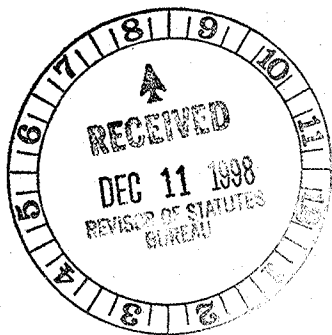
CERTIFICATE

STATE OF WISCONSIN)
) SS
DEPARTMENT OF REVENUE)

I, Cate Zeuske, Secretary of the Department of Revenue and custodian of the official records, certify that the annexed rule, relating to sales and use taxes, was duly approved and adopted by this department on December 9, 1998.

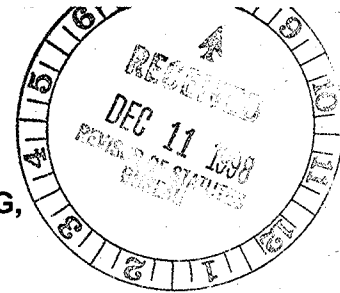
I further certify that this copy has been compared by me with the original on file in this department and that it is a true copy of the original, and of the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 125 South Webster Street in the city of Madison, this 9 day of December, 1998.



Cate Zeuske
Cate Zeuske
Secretary of Revenue

**ORDER OF THE DEPARTMENT OF REVENUE
REPEALING, RENUMBERING, RENUMBERING AND AMENDING,
AMENDING AND CREATING RULES**



The Wisconsin Department of Revenue adopts an order to: repeal Tax 11.56(1)(a) and (6)(b)1. and 2.; renumber Tax 11.56(1)(c) and (3)(c); renumber and amend Tax 11.56(1)(b), (3)(a) and (b)1. and 2., (6)(b)(intro.) and (c) and (7)(b); amend Tax 11.56(2)(a), (5) and (6)(a)2.; and create Tax 11.56(1)(b), relating to the printing industry.

Analysis by the Department of Revenue

Statutory authority: s. 227.11(2)(a), Stats.

Statutes interpreted: ss. 77.51(8), (11) and (14)(h), 77.52(1) and (2)(a)11. and 77.54(2), (2m), (6)(a) and (b) and (43), Stats.

SECTIONS 1. AND 3. Tax 11.56(1)(a) is repealed and recreated as Tax 11.56(1)(b)1. and Tax 11.56(1)(b)2. is created, to describe various traditional processes and machines and equipment used in manufacturing printed materials, and to reflect technological advances within the printing industry which are considered part of manufacturing printed materials.

SECTION 2. Tax 11.56(1)(b) and (c) are renumbered Tax 11.56(1)(c) and (a), and Tax 11.56(1)(c) as renumbered is amended, to list the definitions in alphabetical order and to reflect proper grammar, per Legislative Council Rules Clearinghouse standards.

SECTION 4. Tax 11.56(2)(a) is amended, to reflect correct terminology.

SECTION 5. Tax 11.56(3)(a), (b)1. and 2. and (c) are renumbered Tax 11.56(3)(a)(intro.), 1. and 2. and (b), and Tax 11.56(3)(a)(intro.), 1. and 2. as renumbered are amended, to reflect correct terminology and grammatical standards.

SECTION 6. Tax 11.56(5) and (6)(a)2. are amended, to reflect correct statutory language and to remove the example within sub. (6)(a)2. and set it forth separately as an example, per Legislative Council Rules Clearinghouse standards.

SECTIONS 7. AND 8. Tax 11.56(6)(b)(intro.) is renumbered Tax 11.56(6)(b) and amended and Tax 11.56(6)(b)1. and 2. are repealed, to remove the language relating to the examples and place the examples at the end of sub. (6)(b), per Legislative Council Rules Clearinghouse standards.

SECTION 9. Tax 11.56(6)(c) and (7)(b) are renumbered Tax 11.56(7)(b) and (c) and amended, to reflect the change in the taxability of raw materials which are processed, fabricated or manufactured into printed materials which will be used solely outside Wisconsin, due to the repeal of s. 77.51(18)(b) and creation of s. 77.54(43), Stats., by 1997 Wis. Act 27.

SECTION 1. Tax 11.56(1)(a) is repealed.

SECTION 2. Tax 11.56(1)(b) and (c) are renumbered Tax 11.56(1)(c) and (a), and Tax 11.56(1)(c) as renumbered is amended to read:

Tax 11.56(1)(c) "Typesetting" includes converting images into standardized letter forms of a certain style which usually are hyphenated, justified and indented automatically by means of machinery and equipment. Typesetting machinery and equipment includes: fonts, video display terminals, tape and disc making equipment, computers and typesetters which are interconnected to operate essentially as one machine. A system shall be considered to operate essentially as one machine whether or not the tape or disc is automatically fed to the typesetter.

SECTION 3. Tax 11.56(1)(b) is created to read:

Tax 11.56(1)(b) "Manufacturing printed matter" includes either of the following processes by a manufacturer:

1. Initial typesetting and composition, producing a paste-up, combining photographs with words, making page makeups and taking pictures of them, making proofs and paper for editing, producing negatives which go to the stripping department for assembly of the flat and taking a picture, either positive or negative, of a flat which after it is finally proofed is known as plate-ready film, and producing an image carrier which is installed on a printing press, or using equivalent prepress technology to produce an image carrier, and the bindery/finishing stage.
2. Using computers, scanners, proofers, typesetters, photographic equipment, film processors and direct-to-plate equipment exclusively in performing any of the processes listed in subd. 1. "Manufacturing printed matter" does not include using the equipment described in this subdivision to design, write or compose an original document to be printed.

SECTION 4. Tax 11.56(2)(a) is amended to read:

Tax 11.56(2)(a) Charges for printing, lithography, photolithography, rotogravure, gravure, letter press, silk screen printing, imprinting, multilithing, mimeographing, photostating, steel die engraving, and similar operations for ~~consumers~~ customers, whether or not the paper and other

materials are furnished by the ~~consumers~~ customers. A printer's charge for printing on paper furnished by a customer to produce printed matter not to be sold is subject to the tax.

SECTION 5. Tax 11.56(3)(a), (b)1. and 2. and (c) are renumbered Tax 11.56(3)(a)(intro.), 1. and 2. and (b), and Tax 11.56(3)(a)(intro.), 1. and 2. as renumbered are amended to read:

Tax 11.56(3)(a)(intro.) Sales of tangible personal property by persons who are not printers, including so-called "trade shops" such as typesetters, image reproduction manufacturers, color separators and binders or finishers are taxable unless the sales qualify for a statutory exemption under s. 77.54(2) or (2m), Stats., or other statutes., including the following:

1. Section 77.54(2), Stats., which exempts the gross receipts from sales of "...tangible personal property becoming an ingredient or component part of an article of tangible personal proeprty or which is consumed or destroyed or loses its identity in the manufacture of tangible personal property in any form destined for sale..."

2. Section 77.54(2m), Stats., which exempts the gross receipts from sales of "tangible personal property or services that become an ingredient or component of shoppers guides, newspapers or periodicals or that are consumed or lose their identity in the manufacture of shoppers guides, newspapers or periodicals, whether or not the shoppers guides, newspapers or periodicals are transferred without charge to the recipient. ...The exemption... does not apply to advertising supplements that are not newspapers."

SECTION 6. Tax 11.56(5) and (6)(a)2. are amended to read:

Tax 11.56(5) EXEMPT PRINTING MACHINERY AND EQUIPMENT. Section 77.54(6)(a), Stats., provides that "~~Machinery~~ Machines and specific processing equipment and repair parts or replacements thereof, exclusively and directly used by a manufacturer in manufacturing tangible personal property..." are exempt from the sales or use tax. This includes machinery and equipment and repair parts or replacements thereof of the machiinery

and equipment used exclusively and directly by a manufacturer in the printing process to manufacture tangible personal property.

(6)(a)2. Section 77.54(2), Stats. Property such as chemicals, emulsions, acids, raw film, lubricating oils, greases, nonoffset spray, finished art, color separations, plate-ready film, other positives and negatives, flats and similar items which are consumed, destroyed or lose their identity in the manufacture of tangible personal property to be sold. ~~For example, a printer's purchases of positives and negatives which are used to produce catalogs and shoppers guides it sells to other persons.~~

Example: A printer's purchases of positives and negatives which are used to produce catalogs and shoppers guides it sells to other persons are exempt from the tax.

SECTION 7. Tax 11.56(6)(b)(intro.) is renumbered Tax 11.56(6)(b) and amended to read:

Tax 11.56(6)(b) The exemption under s. 77.54(2), Stats., described in par. (a)1. and 2., applies to property purchased by a person who does not use the property other than to provide it to a manufacturer described in par. (a) for use by the manufacturer in manufacturing tangible personal property to be sold. The exemption under s. 77.54(2), Stats., does not apply if the manufactured tangible personal property is not to be sold by the manufacturer to its customer or by the customer. ~~Examples of nontaxable purchases include:~~

Examples: 1) A paper manufacturer's purchases of negatives which it transfers to a printer, who uses the negatives to produce printing which the printer sells to the paper manufacturer are exempt from the tax.

2) An advertising agency's purchases of color separations which are furnished to a commercial printer who uses the color separations to produce advertising material the printer sells to the advertising agency are exempt from the tax.

SECTION 8. Tax 11.56(6)(b)1. and 2. are repealed.

SECTION 9. Tax 11.56(6)(c) and (7)(b) are renumbered Tax 11.56(7)(b) and (c) and amended to read:

Tax 11.56(7)(b) Wisconsin sales or use tax is not imposed on raw materials ~~that would otherwise be subject to use tax under s. 77.53(1), Stats., purchased by a publisher or printer of printed materials~~ if both of the following conditions are met:

1. The raw materials are processed, fabricated or manufactured into, attached to or incorporated into printed materials.

2. The resulting printed materials will be ~~shipped outside Wisconsin for use~~ transported and used solely outside Wisconsin.

(c) The tax applies to purchases of artwork, single color or multicolor separations, negatives, flats and similar items if those purchases are used in the manufacture of tangible personal property not to be sold, other than items exempt under par. (a) or (b). A printer who does not supply paper used in printing tangible personal property is not selling tangible personal property but rather, is selling a service.

Note to Revisor: 1) Move the examples at the end of Tax 11.56(6)(c) before renumbering to the end of Tax 11.56(7)(b) as renumbered, and in the second sentence in example 2 insert the word "not" between "is" and "subject." In addition, add example 3 to Tax 11.56(7)(b) as renumbered, as follows:

3) Company B purchases finished artwork from an advertising agency. The artwork and paper are provided to a printer who will print catalogs for Company B. The catalogs are provided without charge to customers outside Wisconsin. The charge by the advertising agency to Company B is exempt from Wisconsin sales and use tax even though the printer is not selling tangible personal property because the finished artwork is used for processing, fabricating or manufacturing printed material that is transported and used solely outside Wisconsin.

2) Change the introductory phrase for the examples at the end of Tax 11.56(7)(a) to read as follows:

Examples. Examples of nontaxable purchases for use in manufacturing printed matter include: 1)

3) Replace example 2 at the end of Tax 11.56(7)(c) as renumbered with the following example:

2) Company B purchases finished artwork from an advertising agency. The artwork and paper are provided to a printer who will print catalogs for Company B. The catalogs are provided without charge to customers in Wisconsin. The charge by the advertising agency to Company B is subject to Wisconsin sales and use tax. The exemption under s. 77.54(2), Stats., does not apply because the printer is not selling tangible personal property and the exemption under s. 77.54(43), Stats., does not apply because the printed material is used in Wisconsin.

4) Replace the first note at the end of Tax 11.56 with the following note:

Note: Section Tax 11.56 interprets ss. 77.51(8), (11) and (14)(h), 77.52(1) and (2)(a)11. and 77.54(2), (2m), (6)(a) and (b) and (43), Stats.

5) In the second note at the end of Tax 11.56, remove the word "and" before part (c), and at the end add part (d) as follows:

; and (d) The sales and use tax exemption for raw materials transported and used solely outside Wisconsin became effective December 1, 1997, pursuant to 1997 Wis. Act 27.

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin administrative register as provided in s. 227.22(2)(intro.), Stats.

Final Regulatory Flexibility Analysis

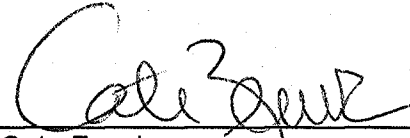
The rule order does not have a significant economic impact on a substantial number of small businesses.

DEPARTMENT OF REVENUE

Dated: _____

Dec 9, 1998

By: _____



Cate Zeuske
Secretary of Revenue

i:\rule\1156 Order

FISCAL ESTIMATE

ORIGINAL UPDATED

DOA-2048 N(R10/94)

CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

TAX 11.56

Amendment No. if Applicable

Subject

Sales and Use Tax Treatment of Firms within the Printing Industry

Fiscal Effect

State: No State Fiscal Effect
Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
- Decrease Existing Appropriation Decrease Existing Revenues
- Create New Appropriation

Increase Costs - May be Possible to Absorb
Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

- 1. Increase Costs
 Permissive Mandatory
- 2. Decrease Costs
 Permissive Mandatory

- 3. Increase Revenues
 Permissive Mandatory
- 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:

- Towns Villages Cities
- Counties Others _____
- School Districts WTCS Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

The rule order updates the Wisconsin Administrative Code with respect to firms engaged in manufacturing printed materials. These changes conform to current law and reflect the Department's position; thus they do not have a fiscal effect.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)

Wisconsin Department of Revenue

Craig D. Kammholz, (608) 261-8984

Authorized Signature/Telephone No.

Yeang-Eng Braun

(608) 266-2700

Date

4/17/98

Yeang Eng Braun



State of Wisconsin • DEPARTMENT OF REVENUE

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Tommy G. Thompson
Governor

Cate Zeuske
Secretary of Revenue

December 9, 1998

Gary L. Poulson
Deputy Revisor
131 West Wilson Street, Suite 800
Madison, WI 53703-3233

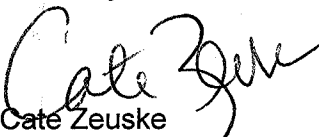
Re: Clearinghouse Rule 98-067

Dear Mr. Poulson:

Enclosed are a certified copy and an extra copy of an Order of the Department of Revenue promulgating rules relating to sales and use taxes.

These materials are filed with you pursuant to s. 227.20(1), Stats.

Sincerely,


Cate Zeuske
Secretary of Revenue

CZ:MPW:cil
i:rule1156 Adopt - Revisor

Enclosure

cc: Douglas J. La Follette, Secretary of State
Commerce Clearing House, Inc.
Research Institute of America, Inc.





State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WI 53708-8933
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Tommy G. Thompson
Governor

Cate Zeuske
Secretary of Revenue

December 9, 1998

Douglas La Follette
Secretary of State
30 West Mifflin Street, 10th Floor
Madison, WI 53703

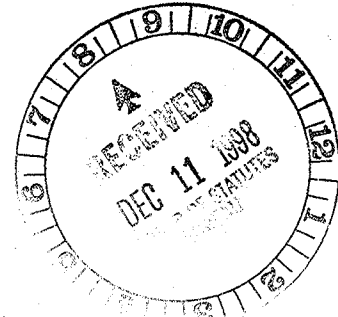
Dear Secretary La Follette:

Enclosed are a Certificate and an Order of the Department of Revenue adopting Clearinghouse Rule 98-067.

These materials are filed with you pursuant to s. 227.20(1), Stats.

Sincerely,


Cate Zeuske
Secretary of Revenue



CZ:MPW:cil
i:\rule\1156 Adopt - Secretary of State

Enclosure

cc: Deputy Revisor