

WI Sales & Use Tax: Funeral Homes

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3 WI Sales & Use Tax: Funeral Homes

Sales & Use Tax Basics

Overview of basic sales and use tax.

Sales & Services

Tax treatment for common sales and services.

Occasional Sales

Exemption for sales of taxable products and services.

Purchases

Common types of taxable and nontaxable purchases.

Audit

Overview of sales and use tax audit.

4 SALES & USE TAX BASICS

WHAT IS SALES AND USE TAX?

5 Sales & Use Tax Basics

Sales Tax

Imposed on Seller

A tax on the *sales price* of retail sales of taxable services and tangible personal property

Use Tax

Imposed on Purchaser

A tax on the *purchase price* of taxable products or services that are stored, used, or consumed in WI, and upon which a WI sales or use tax has not previously been paid

Tax Rate

5% WI State

0.5% County*

6 Sales & Use Tax Basics

Sales Tax Applies to the “Sales/Purchase Price”

Determining Sales/Purchase Price

If an item/service you are providing is subject to sales tax, certain other charges related to that item/service are also subject to sales tax

- Retail price of the product/service
- Labor or service cost
- Delivery charges
- Installation charges
- Taxes that are the obligation of the seller
- Tips or service charges added to the bill by seller
- Services necessary to complete the sale
- All items required as a condition of the sale

Not Included in “Sales Price”

- Credit allowed for TPP taken in trade in the same transaction
- Interest
- Finance charges from the extension of credit
- Taxes legally imposed on the purchaser, if separately stated on the invoice
- Delivery charges for direct mail
- Discounts or coupons, unless reimbursed by a third party Included in Taxable “Sales Price”

7 Sales & Use Tax Basics

What is taxable?

- **Sales, leases, licenses, or rentals of:**
 - Tangible personal property (TPP)
 - Coins and stamps sold or traded as collector’s items, above face value
 - Certain leased tangible property affixed to real property, if the lessor has the right to remove the leased property upon break or termination of lease agreement.
 - Certain digital goods
- **Specified services:**
 - Admissions and access privileges

- Amusement devices
- Cable television
- Landscaping and lawn maintenance
- Laundry and dry cleaning
- Parking and docking
- Photographic and videotaping services
- Producing, fabricating, and printing
- Repair and service of taxable products (repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance)
- Contracts for future performance of services*
- Rooms and lodging for less than one month
- Internet access, prepaid calling, telecommunications, and ancillary services
- Telecommunications message services
- Towing and hauling of motor vehicles by a tow truck
- Delivery charges*

8 SALES & SERVICES

WHAT IS TAXABLE?

9 Sales & Services

Non-Taxable vs. Taxable

Non-Taxable

- Funeral Services
- Caskets & Burial Vaults (Exempt)
- Cremation Caskets Cremated with Human Remains
- Cremation Urns
- Outdoor Memorials & Memento Chests Used to Hold Cremated Remains
- Services To & Items Affixed to Caskets/Urns

Taxable

- Taxable Products & Services That Are Separate & Optional from the Sale of Funeral Service

- Containers That Are Not Caskets or Burial Vaults
- Casket Inserts Used with Rental Caskets
- Miniature Urns, Jewelry & Keepsakes
- Urn Bases*

10 **Sales & Services**

• **Other Taxable Sales (Not All-Inclusive)**

- Crosses
- Memorial Cards
- Mourner Ribbons
- Prayer Cards
- Register Book
- Rosaries
- Candles
- Thank You Cards
- Catered Meal
- Coffee/Soda
- Flowers
- Jewelry
- Sales of Property Without a Funeral Service
- Cremation Diamonds
- Videography/Photography, Videos/Photos

11 **Sales & Services**

Funeral Service – Nontaxable Service

- Charges by funeral home for property transferred incidentally with funeral services are not taxable to customer
- Funeral home must pay sales or use tax on its purchase of property provided incidentally with funeral services, unless an exemption applies (e.g., casket for human remains)

Separate & Optional Charges - Taxable

- Charges by funeral home for taxable products & services provided separate and optional from the funeral service are taxable to customer
 - Purchaser is allowed to choose which property he/she wants for additional charge, and
 - Purchaser has the option to purchase the property from the funeral home or from someone else
- Funeral home may purchase these items without tax, for resale

12 **OCCASIONAL SALES**

DOES THIS EXEMPTION APPLY TO YOUR SALES OR PURCHASES?

13 **Occasional Sale Exemption**

What Is It?

- Occasional sales of taxable products and services by a person who does not hold and is not required to hold a seller's permit may be exempt from Wisconsin sales tax.
- A seller who has less than \$2,000 in sales of taxable products or services in a calendar year is not required to hold a seller's permit.
- Wisconsin law presumes a seller is not pursuing a vocation, occupation, or business as a vendor of taxable products if that seller's sales of taxable products or services do not exceed \$2,000 in a year.
- If you are not in the full or part-time business of selling taxable products or services and make isolated and sporadic sales of \$2,000 or more, your sales may qualify for the occasional sale exemption.
- If your sales are exempt occasional sales, you must pay tax on your purchase of the products that you sell.

14 **Occasional Sales**

Who Is Required to Hold Seller's Permit?

- A business that makes \$2,000 or more in taxable sales per calendar year.

Note: If you only make nontaxable or exempt sales, less than \$2,000 in taxable sales per calendar year, or more than \$2,000 in taxable sales if sales are isolated and sporadic... you are not required to hold a Seller's Permit.

You are liable for remitting sales tax if:

- You are required to hold a Seller's Permit
- You voluntarily register for a Seller's Permit

Caution: If you exceed \$2,000 in taxable sales in a year, you are liable for ALL taxable sales that year including the initial \$2,000 in sales.

- Different requirements for nonprofits. See WI DOR Publication 206, *Sales Tax Exemptions for Nonprofit Organizations*
- Unregistered Seller's may want a Consumer's Use Tax Certificate to regularly report use tax.

15 Occasional Sale Exemption

Occasional Sale Exemption & Purchases

- A sale that is exempt due to the Occasional Sale Exemption also exempts the purchaser from use tax.
- Occasional Sale Exemption also applies to sales by a business that holds a Seller's Permit but is going out of business (liquidating assets) or closing a location.
 - Exemption does not apply to motor vehicles or inventory.
 - Exemption only applies to assets of the location closing.
- Occasional Sale Exemption does NOT apply to motor vehicles or inventory.

Document your purchases that qualify for the Occasional Sale Exemption:

- Seller & contact information
- Date of purchase
- Amount of sale
- Description of item(s) purchased

16 PURCHASES

WHAT IS TAXABLE?

17 Purchases

Common Purchases Use Tax Applies To:

- Credit card purchases

Common Purchases Use Tax Applies To (cont.):

- Software or Software as a Service
- Specialty vendors located out of state
- Office supplies
- Fixed asset purchases (IT, machinery, equipment, vehicles)
- Contractor services (installs, repairs)
- Motor vehicle parts, repairs
- Telecomm and email services
- Used in business or outside scope of exemption

TIP – At tax time, when updating depreciation/asset schedules, review related asset purchase invoices and verify correct sales tax was paid.

18 Purchases

Funeral Service – Nontaxable Service/ Taxable Purchases

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Separate & Optional Charges – Taxable/Purchase Without Tax, For Resale

- Charges by funeral home for taxable products & services provided separate and optional from the funeral service are taxable to customer
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19 Purchases

Reporting Use Tax

Purchaser is obligated to accurately account for, report, and pay use tax

- Information to record (e.g., sales journal)
 - Date of purchase
 - Invoice number
 - Vendor's name and description of item

- Taxable amount
- Amount of state and local use taxes paid
- Keep a copy of the back-up documentation with each Sales and Use Tax Return

20 **AUDIT**

HELPFUL TIPS FOR YOU.

21 **Record keeping for audit.**

Audit period:

Prior 4 years if registered for Seller's Permit.

Prior 6 years if unregistered.

Good Records

Retain & maintain records.

Consistency

Develop procedures and follow consistently.

Accurate Reports

Develop streamlined reporting process and verify annually.

22 **Audit**

Common Audit Issues

- Funeral service package separate and optional sales
- Not documenting/remitting sales tax on office equipment or vehicles
- Line 1 of Sales & Use Tax Return – not reporting ALL revenue (just reporting taxable sales)

Common Audit Issues (cont.)

- Incorrect reporting/errors in reports used to complete Sales and Use Tax Return
- Not remitting all use tax
- Not retaining documentation of purchases
- Not documenting what use tax was remitted for
- Lack of receipts for credit card purchases

23 **Summary**

Sales and use tax requires tax knowledge for every purchase, use, and sale.

Sales & Use Tax Resources:

- WI Dept of Revenue Publication 246, *Funeral Homes*. (**Note:** not up-to-date.)
- WI Dept of Revenue Publication 206, *Nonprofit Organizations*
- WI Dept of Revenue Publication 201, *General Sales & Use Tax Information*
- WI Dept of Revenue Sales & Use Tax page: revenue.wi.gov/Pages/SalesAndUse/Home
- **DOR Customer Service:**
 - DORSalesandUse@wisconsin.gov
 - (608) 266-2776

24 THANK YOU

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