



POSITION: **FRIEND OF GROCERS KEY VOTE!** Wisconsin Grocers Association (WGA) is seeking support for legislation that would provide an increase in the retailer's discount from taxes due.

SUMMARY: This legislation would increase the amount paid to retailers for administration of sales and excise tax. In Wisconsin, Retailers collect excise and sales taxes from the public on behalf of the State. They are provided a "retailer's allowance" of .5% of the taxes they collect (capped at \$1000 per filing period) as compensation for the costs they incur in collecting the tax. Labor costs, utility costs, and other business costs all go into the total overall costs. Interestingly one of the most egregious cost incurred to collect sales tax relates to credit card swipe fees. Credit card swipe fees are charged on the total amount, including tax, not just the sale itself. They range from 1.35% to 4% per transaction, with the U.S. average at 2%. Retailers are paying substantially more on the interchange fee for the sales tax than the retailer's discount provides.

February 2023: The Mississippi House just passed a bill 109-2, entitled "The retailer Tax Fairness Act"; To Define Certain Terms Relating To Electronic Payment Transactions; To Provide That The Amount Of Any State And Local Taxes That Are Collected Through An Electronic Payment Transaction Shall Result In A Credit To The Merchant Or Seller For Associated Fees; And For Related Purposes.

IMPACT ON GROCERS/CONSUMERS:

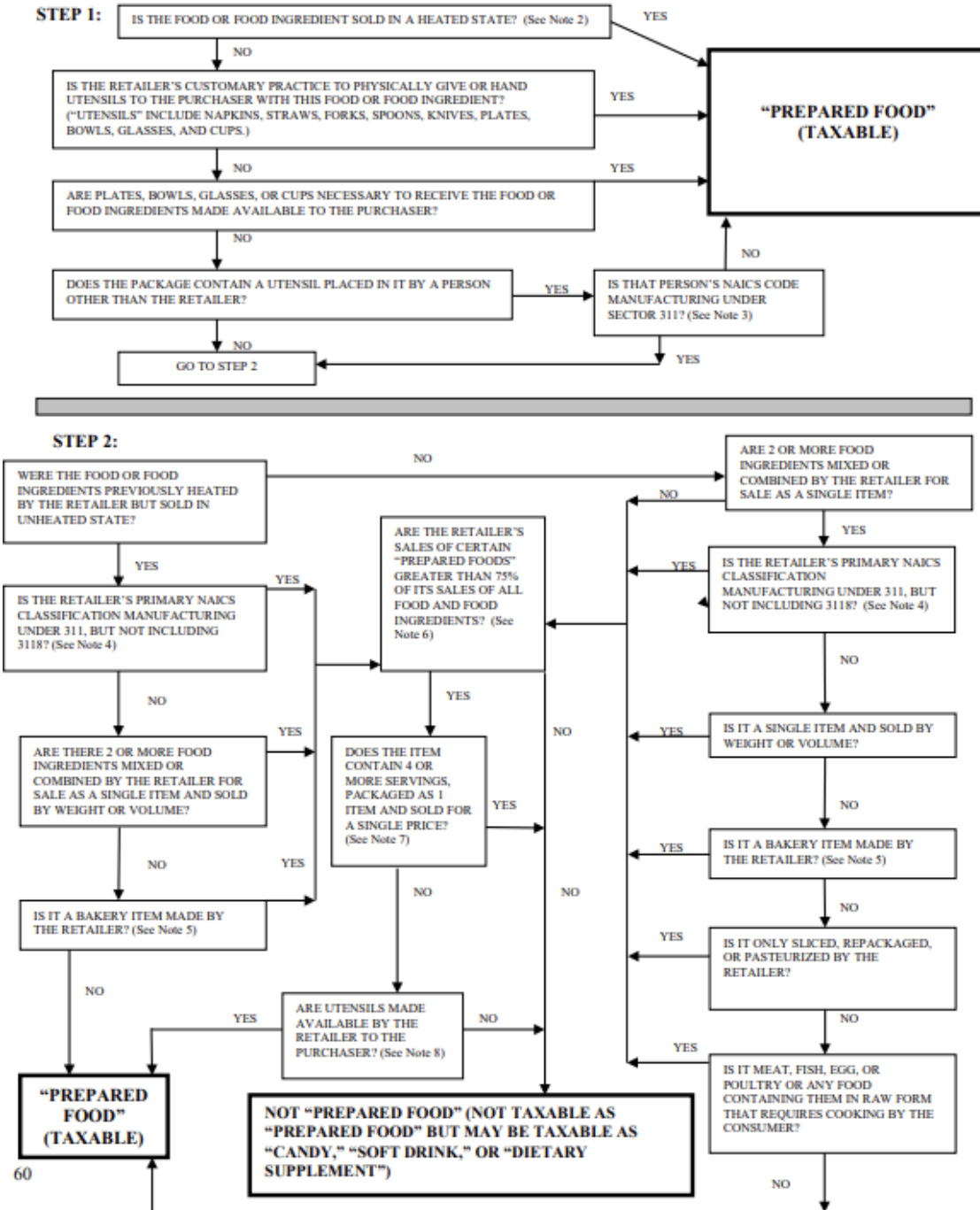
Sales tax compliance is fraught with challenges for businesses of all sizes and types. Sales taxes impact grocers on a daily basis with legal liability requirements and they affect the grocery industry on a broader scale by their influence on both internal strategic decision-making and consumer purchasing power.

Increasing the discount rate allows grocers to recoup part of the administrative costs associated with acting as the sales tax agent for the state of Wisconsin.

Wisconsin doesn't collect sales tax on purchases of most prescription drugs and groceries but does in select situations, increasing the complexity of the tax. Some items may not be eligible for these reduced sales tax rates, such as expensive clothing, some food, drinks like soda, and certain non-essential pharmaceuticals. Wisconsin does not treat **prepared foods, candy, or soda** as groceries, which means they are not subject to reduced grocery sales tax rates. Other items including gasoline, alcohol, and cigarettes are subject to various [Wisconsin excise taxes](#) in addition to the sales tax.

In 2016 (and updated regularly), Wisconsin Department of Revenue created a 61-page manual to help grocery store retailers with filing. Here is an excerpt from the document showing a flow chart for how retailers to follow when asking the question "Are You Selling Prepared Food (taxable):

ARE YOU SELLING "PREPARED FOOD"?
 (This flowchart only helps you determine if the "food and food ingredient" (See Note 1) being sold meets the definition of "prepared food" provided in sec. 77.51(10m), Wis. Stats.)



BACKGROUND: Sales tax is a tax paid to a governing body (state or local) on the sale of certain goods and services. Wisconsin first adopted a general state sales tax in 1961, and since that time, the rate has risen to 5 percent. On top of the state sales tax, there may be one or more local sales taxes, as well as one or more special district taxes, each of which can range between 0 percent and 0.6 percent. Currently, combined sales tax rates in Wisconsin range from 5 percent to 5.6 percent, depending on the location of the sale.

A business owner selling taxable goods or services, acts as an agent of the state of Wisconsin by collecting tax from purchasers and passing it along to the appropriate tax authority. Sales and use tax in Wisconsin is administered by the Wisconsin Department of Revenue (DOR).

Any sales tax collected from customers belongs to the state of Wisconsin and it's a business owner's responsibility to manage the taxes they collect to remain in compliance with state and local laws. Failure to do so can lead to penalties and interest charges.

Though all states penalize businesses for filing and/or remitting sales tax late, many also reward vendors for filing and remitting sales tax on time. A couple even sweeten the pot for businesses that file sales tax early. Rewards for filing and paying sales tax on time (and correctly) vary by state and generally range from 0.25% to a whopping 5% of the tax due. Yet the overall rewards may not differ as greatly as it first seems: New York offers a generous 5% discount but has maximum discount of \$200 per quarter; on the other hand, Nevada doesn't cap its 0.25% discount. The [greatest savings and complexity for small sellers may be available in Colorado](#), where the vendor discount for state sales tax is 4%, there's no cap, and many local tax jurisdictions offer an additional local discount.

Illinois	1.75% of the tax collected on receipts from sales of tangible personal property
Indiana	Collection allowance of 0.73% of the tax paid if total tax liability for previous 12 months ending June 30 is \$60,000 or less; 0.53% if total is \$60,000.01 through \$600,000; 0.26% if total is more than \$600,000
Iowa	None
Michigan	Discount allowed for timely filing applies to 0.6667 of the sales and/or use tax collected at the 6% rate. The rate and maximum discount vary depending on reporting frequency and amount of tax filed
Minnesota	None
North Dakota	1.5%; maximum of \$110 per month
Ohio	0.75 of 1% of the tax liability reported on line 6 of the Universal Sales Tax return.
South Dakota	1.5% of the gross amount of the tax due; maximum of \$70 per month; applies to electronic filers only
Source:	Vendor discounts for filing sales tax on time, a state-by-state guide (avalara.com)

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