STATE OF WISCONSIN
DEPARTMENT OF HEALTH SERVICES
DIVISION OF ENTERPRISE SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 12 – Travel 1.5	EFFECTIVE DATE: 10/14/1987
TITLE: Sales Tax Status of State Employees: Purchase of Meals, Lodging and Other Costs While Traveling on State Business	REVISION DATE: 10/29/2014
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

BACKGROUND

The Secretary's Office wants organizations to reduce unnecessary employee travel costs wherever possible. If these guidelines are followed, employees in travel status should be exempt from the state and county sales taxes as well as the local room taxes.

Due to changes in the sales tax rules by the Wisconsin Department of Revenue (DOR), employees that travel on state business can be exempt from payment of state sales tax on meals and lodging if the conditions identified later in this procedure are met.

The Wisconsin Sales and Use Tax Law in Wis. Stat. § 77.54 (9a) provides an exemption for sales of tangible personal property and services to the state of Wisconsin, or any agency thereof, as well as other governmental agencies and nonprofit organizations.

The transaction is exempt from the Wisconsin sales and use tax if:

- the retailer of meals or lodging receives a purchase order from the state agency before the sale is completed and
- the seller bills the state agency the amount due, and this amount is subsequently paid by the state agency directly to the retailer.

In addition, the Wisconsin DOR has issued a sales and use tax report indicating that under certain conditions, state employees may purchase meals and lodging without having to pay sales tax. The state has taken the position that an employee who pays a hotel/motel bill with his/her own funds, while on state business, is exempt from the state and county sales taxes as well as the local room taxes. This is under the condition that guidelines established by the Wisconsin DOR for exemption of taxes are met. These conditions (guidelines) are identified in the following procedures.

Each organization should evaluate its existing internal travel procedures in regard to the extra effort needed to procure meals and lodging directly versus the extra cost – tax – of reimbursing the employees. This evaluation may need to be done on a case-by-case basis.

With the re-issue of this procedure, the Secretary's Office is stressing that each division should take steps to make sure that all employees who travel try to obtain this tax exemption.

PROCEDURES

In order for a sale, to a state employee, to be exempt from Wisconsin sales and use tax, all of the following conditions must occur:

1. The vendor (e.g., a motel or restaurant) must issue the billing or invoice for the item purchased in the name of the state of Wisconsin or a state agency.

2. The vendor receives a tax exempt letter from the state agency (see Letter – Wisconsin Sales Tax Exemption, F-22609), or similar written document. Divisions should use the letter example option to create their own tax exemption document.

3. The vendor keeps a copy of the documents referenced in conditions (1) and (2) above, to substantiate that the sale was exempt from Wisconsin sales and use tax.

If all three conditions are met, the sale is exempt from Wisconsin sales and use tax, regardless of whether the state, or its employee, pays the vendor.

The letter or card of authorization under condition (2) above should identify the employee by name, the type(s) of purchases authorized (e.g., meals and/or lodging), and the occasion or period of time the authorization remains valid. The authorization letter or card need not name a specific vendor, although agencies in some circumstances may wish to do so. The period of time the authorization remains valid would depend upon the employee using the letter and the policy of the agency issuing the letter. If an employee travels often, the period of authorization may extend up to one year (but should not exceed a year). If an employee only travels occasionally, the authorization letter or card may be issued for the specific period of time covering a particular trip.

Since a vendor will retain a copy of the authorization letter or card, the employee using the letter may be given a supply of the authorization letters or cards at the beginning of a trip, or be allowed to make photocopies as necessary.

The following examples illustrate situations under which sales may be taxable or exempt:

Example 1
An employee of the state of Wisconsin purchased a meal and lodging in a motel. The billing is made in the employee's name and the employee pays the bill out of his/her own funds. The employee is subsequently reimbursed by the state of Wisconsin for the amount of the meal and lodging.

Tax Status: The above sale is taxable because it is a sale to the employee, rather than to the state of Wisconsin. These sales would still be taxable even if the employee had submitted a letter from the employing agency indicating that it would ultimately be responsible for the costs of the meal and lodging.

Example 2
An employee from the state of Wisconsin, when purchasing a meal and lodging, submits a letter to the vendor from his or her employing agency indicating that the employee is on state business, and the state is authorizing the employee to purchase meals and lodging relating to such state business. This letter is placed in the vendors' files. The vendor makes out the bill in the name of the state of Wisconsin, or the respective agency. The employee pays the bill with his or her own funds and is subsequently reimbursed by the state.

Tax Status: This is an exempt sale to the state of Wisconsin under Wis. Stat. § 77.54 (9a), and the employee does not pay the sales tax to the vendor.

FORMS

Wisconsin Sales Tax Exemption Letter, F-22609

REFERENCES

Wis. Stat. § 77.54 (9a)
Administrative Rule Tax 11.05 (4) (d) – Governmental Units
DHS APP Section 13 – Tax 6.0 (Sales Tax Exempt Numbers)

CONTACTS

Travel Voucher Processing, Accounts Payable/Preaudit Section

Unit Supervisor, Accounts Payable/Preaudit Section