

## **TAX AND WEALTH ADVISOR ALERT: SALES TAX RELIEF FOR WISCONSIN CONTRACTORS**

Thanks to Wisconsin Senate Bill (SB) 227, contractors working with tax-exempt clients will benefit from a sales tax exemption. Generally, contractors are deemed the final consumers of materials that they incorporate into real property and must pay sales tax on the purchase of those materials. Consequently, exempt clients must purchase those materials directly, or contractors must pass along that expense in the form of a higher contract price. SB 227 now exempts contractors from sales tax when they buy materials for construction projects for tax-exempt organizations or municipal governments.

This legislation reduces administrative burdens for both contractors and exempt entities. Contractors will rely less on related purchasing companies to buy construction materials for exempt entity contracts, and exempt entities should be able to negotiate lower purchase prices with contractors.

The legislation specifies that the purchased construction materials must be incorporated into a "facility," which is defined as "any building, shelter, parking lot, parking garage, athletic field, athletic park, storm sewer, water supply system, or sewerage and waste water treatment facility, but does not include a highway, street, or road."

Not all contracts will be exempt under the legislation, such as contracts with the State of Wisconsin and federally recognized Native American Tribes. Contractors and tax-exempt entities should review the law to ensure it applies to their facts.