

WI CONTRACTOR EXEMPTION REFERENCE GUIDE

Quick guide for Purchasing, Project Management, Accounts Payable, and Tax

START HERE: First identify the contractor's purchasing method. Option 1: purchase all materials with tax and claim a line 5 deduction for qualifying materials resold or used in a personal-property job. Option 2: purchase all materials for resale, then accrue use tax when materials are consumed in real-property work or otherwise used by the contractor. Apply the selected method consistently and retain final-use support.

1 DEFAULT PURCHASING TREATMENT - SELECT ONE METHOD			
Exemption / treatment	What purchases it covers	Qualifying criteria	How to claim & document
Option 1 - Tax-paid purchasing	Purchase all materials with Wisconsin sales or use tax paid to the vendor.	Use this method consistently. Materials later resold or transferred in a qualifying personal-property job may qualify for a deduction.	Report the qualifying tax-paid materials as a deduction on line 5 of the Wisconsin sales and use tax return. Retain vendor invoices showing tax paid and job records supporting resale or qualifying personal-property use.
Option 2 - Purchase for resale	Purchase all job materials without tax under a valid resale certificate.	Materials must be intended for resale or physical transfer in a qualifying personal-property sale or service. Final use must support the resale claim.	Give the vendor a fully completed resale certificate. Track materials by job and final use. Accrue Wisconsin use tax when materials are consumed in real-property work or otherwise used by the contractor.
Items not qualifying for resale	Tools, safety gear, uniforms, office supplies, software, vehicles, vehicle repairs, lift or equipment rentals, and items consumed while providing services.	The contractor uses or consumes the item rather than transferring it to the customer in a qualifying resale or personal-property job.	Under Option 1, pay tax to the vendor and do not deduct the item. Under Option 2, pay vendor tax or accrue use tax when the item is consumed. Do not claim resale unless another specific exemption independently applies.

2 WISCONSIN CONTRACTOR PROJECT EXEMPTIONS			
Exemption / treatment	What purchases it covers	Qualifying criteria	How to claim & document
Construction Contract Exemption (CCE)	Mixed-contract products and services when the real-property construction portion exceeds 90% of the total contract sales price.	Mixed contract; more than 90% of total contract sales price relates to real-property construction activities; applicable contractor-customer certificate rules satisfied.	Customer sale is treated as exempt real-property construction. Contractor pays tax on taxable purchases and does not claim resale. Retain contract, change orders, threshold calculation, and any contractor certificate.
Building Materials Exemption	Qualifying building materials consumed in real-property construction for a qualifying exempt entity and incorporated into a qualifying Wisconsin facility.	Qualifying exempt entity; Wisconsin facility; ownership and transfer requirements satisfied; property becomes part of the facility.	Provide the vendor appropriate exemption documentation. Retain project, entity, facility, ownership, transfer, invoices, and Form S-227-type support. Do not simply pass through the customer CES number.
Temporary Storage Exemption	Qualifying tangible personal property temporarily stored in Wisconsin before use in a qualifying out-of-state real-property project; qualifying services to that property may also be covered.	Property stored in Wisconsin 120 days or less; qualifying contractor and out-of-state project/customer; property used solely outside Wisconsin as required.	Give a certificate citing the temporary-storage exemption. Retain purchase invoices, storage dates, Wisconsin location, destination job, customer eligibility, and project records.
Qualified Data Center	Qualifying property incorporated into or used exclusively at a WEDC-certified qualified data center, including eligible mechanical, cooling, power, cabling, monitoring, security, and related property.	WEDC certification is in effect before purchase; property and use qualify; contractor transfer/component requirements met.	Use Form S-211 or S-211E and identify the qualified data center. Retain certification support, contracts, invoices, transfer/component evidence, and final-use records.

CRITICAL DISTINCTION: An exempt customer does not automatically make the contractor purchases exempt. Analyze the customer sale and the contractor purchase separately.

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Use the Tax Determination Worksheet whenever final use, classification, or exemption eligibility is uncertain

3 FABRICATION-SHOP AND SPECIAL-PURPOSE EXEMPTIONS			
Exemption / treatment	What purchases it covers	Qualifying criteria	How to claim & document
Manufacturing machinery & equipment	Machinery and specific processing equipment used in the fabrication shop; qualifying controls, safety attachments, repair parts, replacements, and repair services.	Manufacturing occurs at a fixed plant, shop, or warehouse; machinery is used exclusively and directly in manufacturing; process produces a new article with a different form, use, and name and is popularly regarded as manufacturing.	Issue a manufacturing exemption certificate to the vendor. Retain equipment identity, location, function, production-flow evidence, use analysis, invoices, and repair linkage. Jobsite equipment and general plant support do not qualify merely because fabricated items are later installed.
Manufacturing consumables	Items used exclusively and directly in manufacturing that become an ingredient/component or are consumed, destroyed, or lose identity in the process.	Exclusive and direct manufacturing use; qualifying relationship to the product manufactured; applicable destined-for-sale requirement satisfied.	Claim on an exemption certificate. Retain item-level use description, production step, consumption evidence, purchase invoices, and product-disposition records.
Waste treatment facility	Qualifying property that becomes a component of an industrial waste treatment facility, including certain pollution-abatement or filtering systems.	Property and facility satisfy the waste-treatment exemption; component relationship and qualifying use are established.	Provide an exemption certificate stating the applicable basis. Retain engineering descriptions, facility purpose, system diagrams, invoices, component evidence, and customer/job records.
Waste reduction / recycling	Qualifying machinery and equipment used exclusively and directly in waste reduction or recycling activities, such as certain balers, compactors, or recycling systems.	Exclusive and direct qualifying use; equipment performs the exempt waste-reduction or recycling activity.	Provide an exemption certificate. Retain equipment specifications, process description, use analysis, invoices, and installation/project records.

4 EXEMPT-CUSTOMER SALES: DOCUMENTATION, NOT A BLANKET PURCHASE EXEMPTION			
Exemption / treatment	What purchases it covers	Qualifying criteria	How to claim & document
Wisconsin or federal government; Wisconsin tribe/band	Taxable personal-property sales to a qualifying entity.	Invoice is issued in the qualifying entity name and the entity qualifies under Wisconsin rules.	Retain purchase order, exemption certificate, or qualifying CES documentation. Separately determine tax on the contractor material purchases.
Wisconsin nonprofit	Taxable personal-property sales to a qualifying Wisconsin nonprofit.	Valid CES status or other qualifying Wisconsin exemption requirements are met; invoice is in the organization name.	Record CES number and/or retain a completed exemption certificate. Separately test the building-materials exemption for real-property material purchases.
Qualifying out-of-state nonprofit	Taxable personal-property sales to an organization qualifying under Wisconsin requirements.	Organization qualifies under the applicable Wisconsin rule and invoice is in the organization name.	Obtain a Wisconsin exemption certificate. A Wisconsin CES number may not be required for the qualifying out-of-state organization.

5 FIVE-POINT CLAIM AND AUDIT CHECKLIST				
1. Identify Name the exact exemption or resale basis. Do not use "customer is exempt" as the purchase reason.	2. Verify Confirm purchaser, property, use, project, location, dates, percentages, and every exemption-specific condition.	3. Claim Use the proper exemption certificate and identification number; describe the exempt purchase scope accurately.	4. Retain Keep the certificate, vendor invoice, contract/job link, calculation, project evidence, and final-use support.	5. Revisit If property is later used differently, accrue use tax. Update the analysis when final use or project facts change.

WHEN TO USE THE TAX DETERMINATION WORKSHEET: Mixed contracts; new or blanket vendor certificates; exempt-entity jobs; fabrication-shop machinery; data center, temporary-storage, building-materials, or waste exemptions; or any purchase where final use is uncertain.

STOP AND REVIEW: Do not claim resale or another exemption because a vendor requests a certificate. The certificate must match the contractor's purchase, actual use, and supporting records.

Internal reference only. Verify current Wisconsin statutes, administrative rules, forms, rates, and Wisconsin Department of Revenue guidance before relying on an exemption.