



## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

**2001 Assembly Bill 64**

**Assembly Substitute  
Amendment 1**

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Under *current law*, a tip which is given directly to an employee or which is added by a customer to a bill which is then paid to an employee is exempt from the sales tax if the amount of the tip is wholly in the discretion of the customer and the customer does not make the payment pursuant to an arrangement made with the seller. However, a flat amount or flat percentage, whether designated as a tip or as a service charge, that is added to the price of a meal or other product under a requirement of the seller or an arrangement made with the seller is subject to the sales tax.

*Assembly Bill 64* would exempt from the sales tax any amounts charged for services that are a part of the sale of tangible personal property that represents a tip or a gratuity.

*Assembly Substitute Amendment 1* would exempt from the sales tax any amounts charged for the sale of meals, food, food products or beverages that represent a tip or a gratuity, if these amounts are listed separately on the receipt that the retailer gives to the purchaser. Assembly Substitute Amendment 1 provides a narrower exemption from the sales tax for tips than is provided under the original bill, because the substitute amendment only covers tips for the sale of food and beverages.

Passage of Assembly Substitute Amendment 1 was recommended by the Assembly Committee on Ways and Means, Ayes 11; Noes, 0, on March 7, 2001.