Vendor Compensation Credit

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Wyoming Department of Revenue

If a vendor or direct payer pays taxes due and payable under this chapter on or before the fifteenth day of the month that the taxes are due under paragraph (v) of this subsection, a credit shall be allowed against the taxes imposed by this chapter for expenses incurred by a vendor or direct payer for the accounting and reporting of taxes. For the first six thousand two hundred fifty dollars ($6,250.00) of tax due, the credit is equal to one and ninety-five hundredths percent (1.95%) of the amount of tax due. For any tax due in excess of six thousand two hundred fifty dollars ($6,250.00), the credit for that additional amount shall be one percent (1%) of that amount, provided that the total credit under this paragraph and W.S. 39-16-107(b)(viii) shall not exceed five hundred dollars ($500.00) in any month. The vendor or direct payer shall deduct the credit for each tax period on forms prescribed and furnished by the department. The credit shall be deducted only from the share of the tax that is distributed to the general fund under W.S. 39-15-111(b)(i).

The above statute, W.S. 39-15-107(a)(ii), was created during the Sixty First Legislative Session and was signed by Governor Mead in 2011. It took effect on January 1, 2012 and had the effect of providing a credit to vendors or direct payers for the collection and payment of Wyoming sales and use taxes. Essentially it allows vendors to take an offsetting credit on their periodic sales/use tax returns if the return is filed and paid on or before the fifteenth (15) of the month instead of waiting until the last day of the month following the end of the reporting period.

Eligibility Requirements

All licensed vendors and direct payers are permitted to take advantage of the credit so long as their account is in good standing. This means that all returns currently due must be filed and paid in full and the account cannot have any outstanding balance prior to filing a return seeking vendor compensation. The Department will verify a taxpayer's account for any outstanding balance before allowing vendor compensation.

For any vendor who has entered into a payment plan arrangement with the Department for a prior account delinquency, their account will be considered in good standing and will be eligible for vendor compensation on their current return(s) provided:

- the vendor is abiding by the payment terms under the payment plan,
- all returns for periods not included in the payment plan are filed and there is no balance outstanding on those returns, and
- the vendor's return claiming vendor compensation is filed and paid by the 15th of the month

following the end of the reporting period.

For those vendors engaged in an audit, their account will be considered in good standing and therefore eligible for vendor compensation providing their audit balance is not delinquent. For example, if in the normal course of the audit an additional liability is discovered, the auditee is sent an assessment for the additional tax due. Provided the auditee (a) pays the audit in full; (b) enters into a payment arrangement with the Department for the balance; or (c) appeals the audit decision to the State Board of Equalization, within the timeframe of the assessment billing notice, their account will be considered in good standing.

Calculation

Vendors and direct payers are allowed a credit of 1.95% of the tax due for the first $6,250 due in tax and 1% of the amount of tax due for any amount exceeding $6,250. Vendors who report over $44,062 in a reporting period will receive the maximum vendor compensation, or $500, as the credit cannot exceed this amount in any reporting period.

Example: Presuming a vendor/direct payer has a total tax due for their filing period of $7,500 they will be entitled to $134.37 in vendor compensation, calculated in this way:

$6,250 X 1.95% = $121.88
($7,500 - $6,250) X 1% = $12.50
$121.88 + $12.50 = $134.38

For vendors with multiple licenses under the same ownership we recommend filing a consolidated return so that the vendor compensation can be calculated on a singular return since the compensation is earned by taxpayer ownership, and not by individual license. This is by far the simplest way for it to be handled in our system. For vendors who choose not to file a consolidated return (instead filing a return for each location) the vendor compensation credit is calculated on a first come first earned basis as the returns are posted in our system and may not correspond with the calculations noted on the vendor's returns. For example a vendor with ten locations (filing ten separate returns) may calculate vendor compensation on returns 1 and 2 and not calculate vendor compensation on returns 3 through 10 but the returns may be posted in our system in a different order. This could cause one or more returns to be overpaid while others are underpaid, which in turn will force a denial of vendor compensation in our system. To reconcile this if the vendor is unable or unwilling to file a consolidated return, we recommend not calculating vendor compensation on any of the returns and allowing our system to calculate the credit.

If a return qualifies for vendor compensation but the vendor does not calculate it on their periodic return, the Department will calculate the vendor compensation and hold the credit on the taxpayers account. Please note many times the vendor will not receive a credit notice for earned but unused vendor compensation. This often occurs because the credit has been moved to a return that is not yet due. For example, available credits are noted on the vendor's March, June, September and December return. Should a vendor wish to use their credit prior to these reporting periods and the vendor does not have a current credit notice from the Department, we recommend contacting the Department to verify the amount but there is no restriction on when it can be used.

Completing the Return

Proper completion of the sales/use tax return is necessary to ensure that a vendor earns their appropriate vendor compensation. Full instructions for completing the Form 41 and 42 are available online but to recap a vendor should complete lines A, B and C of Part I (Summary) and then skip to Part II. The vendor should also complete Part III (Jurisdictional Tax Information) if necessary and Part IV (Lodging Tax Information) if they have a lodging tax responsibility. Once these Parts are completed the vendor should then return to Part I (Summary) to complete the remaining lines. This will avoid some common mistakes that cause vendor compensation to be denied.

To illustrate and presuming the vendor is using the Form 41, when a single return is filed (for one or more locations) and the vendor reports total tax due in a single jurisdiction of $7,500, the vendor indicates this amount in Part II Column 4, Part II Column 7 as well as on Line K and Line M. Returning to Part I (Summary) the same figure would be written on Line D and Line F presuming the vendor does not sell lodging services. Vendor compensation is not calculated until Line G where it will be noted that the vendor is taking $134.38 credit. Making the assumption that there are no other adjustments Line J would then indicate a total amount due of $7,365.62 and payment would then be made to the Department for $7,365.62. Please note vendor compensation is NOT calculated on the net taxable sales amount nor is it "backed" out of the total jurisdictional taxes in Parts II, III or IV of the return.

If the vendor reports multiple returns the same procedure would be followed until the vendor obtains the maximum vendor compensation credit. To illustrate we will presume that the vendor files ten returns, each with a total tax due in a single jurisdiction of $7,500.

On the first return the vendor would earn $134.38 in vendor compensation:

$121.88 + $12.50 = $134.38
($7,500 - $6,250) X 1% = $12.50
$121.88 + $12.50 = $134.38

Completing the return, the vendor indicates total tax due of $7,500 in Part II Column 4, Part II Column 7 as well as on Line K and Line M. Returning to Part I (Summary) the same figure would be written on Line D and Line F presuming the vendor does not sell lodging services. Vendor compensation would be noted on Line G where it will be noted that the vendor is taking $134.38 credit. Making the assumption that there are no other adjustments Line J would then indicate a total amount due of $7,365.62.

The next four returns the vendor would earn $75 vendor compensation per return:

$7,500 X 1% = $75

Completing each of these four returns, the vendor again indicates total tax due of $7,500 in Part II Column 4, Part II Column 7 as well as on Line K and Line M. Returning to Part I (Summary) the same figure would be written on Line D and Line F presuming the vendor does not sell lodging services. Vendor compensation would be noted on Line G where it will be noted that the vendor is taking $75.00 credit. Note that the vendor is only entitled to 1% credit on these returns since the 1.95% credit was taken in its entirety by the first return. Making the assumption that there are no other adjustments Line J would then indicate a total amount due of $7,425.00.

On the sixth return the vendor would earn $65.62 in vendor compensation.

$7,500 X 1% = $75
Exceeds maximum credit available - vendor only earns $65.62.

Completing this return the vendor indicates total tax due of $7,500 in Part II Column 4, Part II Column 7 as well as on Line K and Line M. Returning to Part I (Summary) the same figure would be written on Line D and Line F presuming the vendor does not sell lodging services. Vendor compensation would be noted on Line G where it will be noted that the vendor is taking $65.62 credit. Note that this figure makes use of the remaining credit amount but is adjusted because the vendor has reached the maximum vendor compensation for the period. Making the assumption that there are no other adjustments Line J would then indicate a total amount due of $7,434.38.

The vendor would not earn any vendor compensation on the remaining four returns. It is because this process is less than eloquent that we recommend vendors who have multiple locations to either consolidate their returns into a single filing or abstain from calculating vendor compensation so that our system can calculate it as the returns are processed.

Rejected Returns

If a vendor files his return and it must be rejected due to calculation error, lack of signature or is otherwise unable to be processed, the Department will provide the vendor with a replacement return. The vendor's account will remain in good standing provided the initial return and payment were timely postmarked, and the vendor files the replacement return and remits the additional tax due, if any, by the due date printed on the replacement return. If the replacement return and additional tax due, if any, is not postmarked by the new due date, the vendor forfeits any vendor compensation claimed on the original return and is responsible for remitting the claimed vendor compensation, late filing fees, penalty and interest.

Amended Returns

If a vendor amends a return that originally qualified for vendor compensation during the open vendor compensation period (e.g.. filed and paid the original return on the 5th of the month and then filed and paid any difference on an amended return before the 15th of the same month) the return will receive vendor compensation as it is earned on the amended return. However if the vendor amends a return after the vendor compensation period is closed (i.e. amends the return after the 15th of the month) no additional compensation will be earned. Furthermore if the amended return reduces the amount of tax due, the corresponding vendor compensation will also be reduced.

Example A: Original return qualifies for $50 vendor compensation and is filed on the 4th of the month. Amended return qualifies for $75 vendor compensation and is filed on the 10th of the same month. The vendor will receive $75 in vendor compensation.

Example B: Original return qualifies for $50 vendor compensation and is filed on the 4th of the month. Amended return would have calculated a vendor compensation amount of $75 but is not filed until the 30th of the same month. Vendor only receives $50 vendor compensation – the amount reported on the original return.

Example C: Original return qualifies for $50 vendor compensation and is filed on the 4^{th} of the month. Amended return calculates a vendor compensation amount of $35. Regardless of when the amended return is filed, the vendor is only entitled to $35 vendor compensation.

Electronic Returns

WYIFS, the Department's secure internet portal, is designed NOT to automatically calculate vendor compensation but if the return is filed prior to the fifteenth of the month the vendor compensation field will be accessible for self-calculation. The reason for this is two-fold. First the system's security protocol does not verify and reflect up to the minute account balances. Second, at the time the open return is submitted the vendor has not yet made payment on that return. The WYIFS system is designed to allow vendors to schedule payments in advance and the system does not know if payment will be made during the open vendor compensation period or if the vendor will be making payment at the end of the month.

If a vendor's return is entitled to vendor compensation but the vendor chooses not to calculate it on their electronic return, the Department's system will credit the taxpayers account for any vendor compensation earned once the open return is submitted and posted to the system and the payment has been credited to the account. Like traditional paper returns, any earned but unused credit will be noted on the vendor's March, June, September and December electronic returns. Should a vendor wish to use their credit prior to these reporting periods, we recommend contacting the Department to verify the amount but there is no restriction on when it can be used.

FAQ

What if I file my return by the 15^{th} but the return is not paid until the end of the month?

The claim for vendor compensation will be denied. In order to qualify for vendor compensation both the return and payment must be postmarked on or before the 15^{th} of the month following the end month of the reporting period.

What if I have a credit on my account that will satisfy the balance due on my return? Do I need to submit another payment to show my return has been paid?

No, as long as the return can be paid in full by the available credit, no additional funds will be due to satisfy the timely payment requirement.

What if the 15^{th} of the month falls on a weekend or a holiday? When does the return and payment have to be postmarked to qualify for vendor compensation?

Per *Wyoming Department of Revenue Rules, Chapter 2 Section 7(c)* the due date of a return is the last day of the month following the last month of the reporting period. If a due date falls on a weekend or on a Federal or Wyoming State holiday, the next business day serves as the new due date. This has, by policy, been extended to the due date for vendor compensation as well. If the fifteenth of the month falls on a weekend or on a Federal or Wyoming State holiday, the next business day serves as the new vendor compensation due date.

What is the postmark date of a WYIFS submitted return?

The postmark date is the return submittal date. Returns that are begun and saved but not submitted prior to the 15th of the month are disqualified from earning vendor compensation.

What is the postmark date of a WYIFS submitted payment?

The postmark date is the effective date of the payment, meaning the date that the payment is authorized to be deducted from the taxpayer's bank account. The WYIFS system is programmed so that payments are effective the date they are entered into the system unless the user chooses a different effective date. Payments entered into the system prior to the 15th of the month with an effective date after the 15th of the month are disqualified from vendor compensation.

What happens if I miscalculate my return and claim too much vendor compensation?

Claiming excess vendor compensation has a negative cascading effect. First, miscalculating vendor compensation will show the return as underpaid, voiding any claim of vendor compensation on the current return. Second because the account has a balance, it is no longer in good standing and future vendor compensation will be denied until the account balance is fully satisfied. If a vendor is not comfortable self-calculating vendor compensation a vendor may elect not to calculate it on their return and the Department will calculate the vendor compensation and issue a credit to the taxpayer's account for future use.

Please be advised that this bulletin addresses issues in general terms and cannot be appropriate or applicable in all situations. If your situation is markedly different or you have concerns about this issue, please do not hesitate to contact this department. You can do so by e-mail directed to:
DOR_taxability@wyo.gov

<u>Supporting Authority -</u>

W.S. 39-15-107(b)(xi)
If a vendor or direct payer pays taxes due and payable under this chapter on or before the fifteenth day of the month that the taxes are due under paragraph (v) of this subsection, a credit shall be allowed against the taxes imposed by this chapter for expenses incurred by a vendor or direct payer for the accounting and reporting of taxes. For the first six thousand two hundred fifty dollars ($6,250.00) of tax due, the credit is equal to one and ninety-five hundredths percent (1.95%) of the amount of tax due. For any tax due in excess of six thousand two hundred fifty dollars ($6,250.00), the credit for that additional amount shall be one percent (1%) of that amount, provided that the total credit under this paragraph and W.S. 39-16-107(b)(viii) shall not exceed five hundred dollars ($500.00) in any month. The vendor or direct payer shall deduct the credit for each tax period on forms prescribed and furnished by the department. The credit shall be deducted only from the share of the tax that is distributed to the general fund under W.S. 39-15-111(b)(i).

WY Dept. of Rev Rules, Chap 2 Sec 5(c)

Due Date. Monthly filers shall submit returns and tax on or before the last day of the month following the month in which the sales occurred; quarterly filers shall submit returns and tax on or before January 31, April 30, July 31 and October 31 of each calendar year and annual filers shall submit returns on or before January 31 of each calendar year. If a due date falls on a weekend or federal or Wyoming state holiday the next business day serves as the new due date.

(i) Consumers, including contractors, remitting sales or use tax not paid to vendors shall remit the tax on or before the last day of the month following the month of purchase.

(ii) The postmark date recorded by the Department o date submitted electronically shall be deemed the date of filing. Consumers remitting tax and/or tax returns in person shall receive a receipt indicating the amount of tax paid and the date received. Hand delivered returns shall be date stamped by the Department at the time received.

WY Dept. of Rev Rules, Chap 2 Sec 5(d)

(i)Vendors and direct payors who report and remit sales and use taxes which they have collected and/or accrued on or before the 15th day of the month in the month when the tax is postmarked on or before the 15th of the month when due.

(ii) Any person not holding a valid Wyoming sales and use tax license is not allowed credit against taxes paid.

(iii) Any person requesting an extension of the filing due date shall not be allowed to claim the credit for early payment of the taxes due.

(iv) The credit allowed shall be limited to each person acting as a vendor or direct payor in Wyoming and not to each license held by the person. Should the total tax remitted from all locations reported by the vendor exceed the amount which would result in the $500 cap on the credit the vendor shall be limited to a $500 credit.

(v) Any amendments to taxes previously reported are not eligible for the credit unless the amendment is also reported prior to the 15th of the month when the taxes are due. Should the amendment reduce the amount of tax originally reported the credit originally allowed shall be reduced accordingly.

(vi) Any vendor or direct payor that has an outstanding balance on their account from either unpaid taxes or a department assessment shall be ineligible for credits on their current taxes.

(vii) Any return and payment not postmarked by the discount date.