

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-3285/1		Introduction Number AB-663	
Subject Income tax exemption for VFW and the American Legion			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Indeterminate		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs		5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities	
1. <input type="checkbox"/> Increase Costs		<input type="checkbox"/> Counties <input type="checkbox"/> Others	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
2. <input type="checkbox"/> Decrease Costs			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
3. <input type="checkbox"/> Increase Revenue			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
4. <input type="checkbox"/> Decrease Revenue			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
Fund Sources Affected Affected Ch. 20 Appropriations			
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS State forestry tax			
Agency/Prepared By		Authorized Signature	
DOR/ Rebecca Boldt (608) 266-6785		Dennis Collier (608) 266-5773	
		Date	
		11/26/2003	

Fiscal Estimate Narratives

DOR 11/26/2003

LRB Number	03-3285/1	Introduction Number	AB-663	Estimate Type	Original
Subject					
Income tax exemption for VFW and the American Legion					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, property owned and used exclusively for benevolent purposes are exempt from taxation, subject to a 10-acre limit. Current law also exempts memorial halls that are owned and operated by any organization of United States war veterans. Where such halls are used for unrelated business activities that produce pecuniary profit that is taxable under sections 511 to 515 of the internal revenue code, the portion of the property used for such activities is taxable in part under s. 70.1105.

Under current law, depending upon their organization and purposes, veterans' organizations may be recognized as tax exempt under section 501 (c) of the Internal Revenue Code. Income from activities generally carried on by a trade or business that is not substantially related to the exempt purpose of the entity is subject to tax.

Under the bill, property owned by the American Legion and the Veterans of Foreign Wars is exempt up to a 30-acre limit. The bill also exempts the unrelated business income of Veterans of Foreign Wars and American Legion posts from tax.

Based on information from the internet sites of the American Legion and Veterans of Foreign Wars, there are more than 1,000 posts in Wisconsin. Less than 100 of those posts filed income or franchise tax returns in 2001 and paid \$8,000 of tax. As such, the bill would reduce corporate tax revenues by \$8,000 annually.

It is assumed that property owned by these organizations is currently exempt either as a benevolent organization or a memorial hall. However, to the extent that any property owned by these organizations is currently taxable in part due to the use of the property for unrelated business activities, such property would be exempt under the bill due to the exemption from income tax for such income.

The bill is expected to produce a very modest property tax shift from property owned by these organizations to other taxable property.

The bill will increase department costs related to revisions in the Wisconsin Property Assessment manual, the costs of which can be absorbed.

The bill will result in minimal loss of state forestry tax collections.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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 Corrected
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Subject			
Income tax exemption for VFW and the American Legion			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-8,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-8,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-8,000	\$See text of fiscal note.
Agency/Prepared By		Authorized Signature	
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		Date	
		11/26/2003	