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TO: Members of the Assembly Committee on Ways and Means

FROM: Rep. André Jacque

DATE: Nov. 1, 2017

RE: Assembly Bill 402

Chairman Macco and colleagues on the Ways & Means Committee,

Thank you for the opportunity to testify as the author of AB 402, bi-partisan legislation I have introduced to finally provide equitable treatment among non-profit organizations by providing Wisconsin's veterans' service organizations the same Wisconsin sales and use tax exemption granted to other charitable organizations incorporated as 501c3s.

Charitable, religious and educational organizations under Section 501(c)(3) of the Internal Revenue Code qualify for exemption from Wisconsin sales and use tax. However, because Congressionally-chartered Veterans Service Organizations were created in a separate section of Federal Internal Revenue Code (typically c19), their Wisconsin chapters are required to pay state sales and use tax despite their non-profit status and charitable nature. This bill's exemption also applies to building materials purchased by a construction contractor who transfers the materials to a state veterans organization as part of constructing a facility for the organization, something I previously had the pleasure of working on for local governments and non-profits over the past few sessions with a broad bi-partisan coalition. The tax exempt parity among non-profits established by AB 402 is commonly found in other states.

Leadership from the Wisconsin chapters of 8 different Congressionally-chartered Veterans Service Organizations have contacted my office in support of this legislation, including AMVETS, Vietnam Veterans of America, the American Legion, Veterans of Foreign Wars, Disabled American Veterans, Desert War Veterans, Military Order of the Purple Heart, and the Polish Legion of American Veterans. These groups promote the social welfare of our community, take care of their sick, hospitalized or disabled comrades and their widows and dependents, conduct memorial services, frequently sponsor educational and patriotic events, youth activities and scholarships, donate to other charities, and allow other community organizations to use post facilities at minimal or no charge.

This bill is about basic fairness and doing the right thing for those who have given so much in service to our country and our communities, and it is long overdue. I am pleased to note that the Senate Committee on Revenue has passed the companion to AB 402 by a unanimous 5-0 vote. I am very appreciative of Rep. Macco for holding this hearing, and I thank the members of this committee for their prompt consideration of AB 402.



**FULFILLING OUR PROMISES  
TO THE MEN AND WOMEN WHO SERVED**

## **Department of Wisconsin**

### **STATEMENT FOR THE RECORD**

**ROBERT HILLIARD**

**DAV WISCONSIN DEPUTY BENEFITS PROTECTION TEAM LEADER**

**BEFORE THE**

**COMMITTEE ON WAYS AND MEANS**

**WISCONSIN STATE ASSEMBLY**

**NOVEMBER 1, 2017**

Chairman Macco, Ranking Member Taylor and Members of the Committee:

Good morning!

Thank you for allowing DAV (Disabled American Veterans) this opportunity to present our view on Senate Bill 306 (SB 306) relating to: *a sales and use tax exemption for sales to a state veterans organization.*

As you may know, DAV is a non-profit veterans service organization (VSO) comprised of nearly 1.3 million wartime service-disabled veterans, nationwide. In Wisconsin, we have well over 15,000 members. DAV was founded in 1920 and congressionally chartered in 1932.

All our members were wounded, injured or became ill while in service to our nation, many of them severely. Our members have already sacrificed much in defense of our country and state.

For this reason, DAV Wisconsin has felt for years the State Sales Tax was an unjust imposition. Thank you, Rep. Jacque and Sen. LeMahieu for introducing this long awaited bill.

Additionally, the Internal Revenue Service (IRS) recognizes Veterans Service Organizations (VSOs) as being tax exempt. The imposition of a State Sales Tax is contrary to this Federal position.

As a Point of Reference, the IRS Code has seven (7) tax exempt sections for VSOs. The two major sections are 501 (c) 19 and 501 (c) 4. A preponderance of VSOs fall into the 501 (c) 19 group. Their tax exemption is based on Membership.

DAV falls into the 501 (c) 4 section, meaning our tax exemption is based on Activity, not solely on Membership.

To meet this IRS standard, DAV is dedicated to a single purpose: empowering veterans to lead high-quality lives with respect and dignity. We do this through Service.

Each year, DAV helps more than 1 million veterans with Benefits, Transportation, Advocacy, Employment, and Volunteerism. Over Eighty percent (80%) of our total expenditures go to Service.

Any savings realized by the proposed Sale Tax exemption in AB 402 will be put back into our Service Programs which help veterans and their families.

The first sentence of the DAV Statement of Policy says: *The Disabled American Veterans was founded on the principle that this nation's first duty to veterans is the rehabilitation and welfare of its wartime disabled.*

Pursuant to the DAV Statement of Policy and DAV National Resolution #8, DAV Wisconsin supports AB 402 and urges the legislature to pass this bill in an expeditious manner.

This concludes my testimony, Mr. Chairman. I would be pleased to respond to any questions you or other Committee Members may have.



## THE AMERICAN LEGION DEPARTMENT OF WISCONSIN

The Wisconsin American Legion is a 501(c)(19) chartered by Congress in 1919 whose mission is Four-fold – Veteran Affairs and Rehabilitation, Security of the Homeland, Children and Families and Americanism. As a 501(c)(19) we must pay sales tax when we do construction in the State of Wisconsin, while the 501(c)(3) community is exempt.

AB – 402 and its companion SB-306, if adopted, will benefit the Veterans of Wisconsin in the following ways.

We have embarked on a major Reconstruction Project at Camp American Legion. If this Legislation were currently in place we would be able to reallocate over Five thousand dollars to serving Veterans of Wisconsin. This is just from the projects currently underway. There will be ongoing construction at this facility over the next decade.

For an organization that depends on Fundraising for over 50% of its budget the amount of sales tax paid makes a difference in our Department budget.

Many of the American Legion Posts raise monies to remodel existing Post Buildings and they pay sales tax on the materials. This money could be reallocated to provide other services to Veterans or the community. Additionally they purchase materials to adapt the homes of disabled veterans. The exemption would be valuable here also.

Posts also construct items within our communities which are Public Benefit Projects. This includes park shelters and Veteran memorials which are then given to the Community. If the Legion procures the material the sales tax must be paid.

This issue has come before the Legislature in the past and has never been addressed.

Yes I am aware of the fiscal impact of this proposal. Think of the impact of \$500,000 on the local communities because of the services provided to Veterans across the State of Wisconsin.