



2003 ASSEMBLY BILL 824

February 9, 2004 - Introduced by Representative SCHNEIDER. Referred to
Committee on Ways and Means.

1 **AN ACT** *to renumber and amend* 71.26 (2) (a); and *to create* 71.05 (6) (a) 21.,
2 71.26 (2) (a) 6., 71.34 (1) (j) and 71.45 (2) (a) 16. of the statutes; **relating to:** the
3 tax-exempt status of charitable organizations that do not contribute to
4 veterans groups.

Analysis by the Legislative Reference Bureau

Under current law, a nonprofit charitable organization that is exempt from federal income taxes is also exempt from state income and franchise taxes. Under this bill, the income of a nonprofit charitable organization is subject to state income and franchise taxes, if the organization does not contribute at least 1 percent of its income in the taxable year to veterans groups.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

5 **SECTION 1.** 71.05 (6) (a) 21. of the statutes is created to read:

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1 71.05 (6) (a) 21. The gross income of an entity organized under section 501 (c)
2 (3) of the Internal Revenue Code, if the entity does not contribute at least 1 percent
3 of its income in the taxable year to veterans groups.

4 **SECTION 2.** 71.26 (2) (a) of the statutes, as affected by 2003 Wisconsin Act 99,
5 is renumbered 71.26 (2) (a) (intro.) and amended to read:

6 71.26 (2) (a) *Corporations in general.* (intro.) The “net income” of a corporation
7 means the gross income as computed under the Internal Revenue Code as modified
8 under sub. (3) ~~minus~~ and modified as follows:

9 1. Minus the amount of recapture under s. 71.28 (1di) ~~plus.~~

10 2. Plus the amount of credit computed under s. 71.28 (1), (3), (4), and (5) minus,
11 as provided under s. 71.28 (3) (c) 7., the amount of the credit under s. 71.28 (3) that
12 the taxpayer added to income under this paragraph at the time that the taxpayer
13 first claimed the credit ~~plus.~~

14 3. Plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di),
15 (1dj), (1dL), (1dm), (1ds), (1dx), (3g), and (3t) and not passed through by a
16 partnership, limited liability company, or tax-option corporation that has added that
17 amount to the partnership’s, limited liability company’s, or tax-option corporation’s
18 income under s. 71.21 (4) or 71.34 (1) (g) ~~plus.~~

19 4. Plus the amount of losses from the sale or other disposition of assets the gain
20 from which would be wholly exempt income, as defined in sub. (3) (L), if the assets
21 were sold or otherwise disposed of at a gain and minus deductions, as computed
22 under the Internal Revenue Code as modified under sub. (3), ~~plus.~~

23 5. Plus or minus, as appropriate, an amount equal to the difference between
24 the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or

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1 otherwise disposed of in a taxable transaction during the taxable year, except as
2 provided in par. (b) and s. 71.45 (2) and (5).

3 **SECTION 3.** 71.26 (2) (a) 6. of the statutes is created to read:

4 71.26 (2) (a) 6. Plus the gross income of an entity organized under section 501
5 (c) (3) of the Internal Revenue Code, if the entity does not contribute at least 1 percent
6 of its income in the taxable year to veterans groups.

7 **SECTION 4.** 71.34 (1) (j) of the statutes is created to read:

8 71.34 (1) (j) An addition shall be made for the gross income of an entity
9 organized under section 501 (c) (3) of the Internal Revenue Code, if the entity does
10 not contribute at least 1 percent of its income in the taxable year to veterans groups.

11 **SECTION 5.** 71.45 (2) (a) 16. of the statutes is created to read:

12 71.45 (2) (a) 16. By adding to federal taxable income the gross income of an
13 entity organized under section 501 (c) (3) of the Internal Revenue Code, if the entity
14 does not contribute at least 1 percent of its income in the taxable year to veterans
15 groups.

16 **SECTION 6. Initial applicability.**

17 (1) This act first applies to taxable years beginning on January 1 of the year
18 in which this subsection takes effect, except that if this subsection takes effect after
19 July 31 this act first applies to taxable years beginning on January 1 of the year
20 following the year in which this subsection takes effect.

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(END)