

Fiscal Estimate Narratives

DOR 4/22/2005

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|---|----------------------------------|------------------------------|
| LRB Number 05-1490/1 | Introduction Number AB-88 | Estimate Type Updated |
| Subject Property and income tax exemptions for the American Legion and Veterans of Foreign Wars | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, property owned and used exclusively for benevolent purposes is 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. If exempt property is also used for unrelated business activities that produce pecuniary profit that is subject to federal income tax, the portion of the property used for such activities is assessable for property taxes.

Under current law, depending upon the organization and purposes, veterans' organizations may be exempt from income tax 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 income tax.

Under the bill as amended by Assembly Amendment 1, property owned by a congressionally chartered veterans service organization that is necessary for the location and convenience of buildings would be exempt from property tax. Attachment 1 lists congressionally chartered veterans organizations and indicates which organizations have chapters in Wisconsin. This bill would also exempt the unrelated business income of chartered veterans service organizations from Wisconsin income tax.

Based on a survey of assessors, most property owned by veterans service organizations is currently exempt either as a benevolent organization or a memorial hall. Property that is owned by a veterans organization and is taxed in part includes bars, taverns, and a golf course. Under the bill, such property would continue to be taxed. Thus, the bill would not affect property taxes.

Based on information from the internet sites of the largest veterans organizations, there are approximately 900 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.

The bill would require revisions to the Wisconsin Property Assessment Manual, various forms and publications. The costs of these modifications would be absorbed.

Long-Range Fiscal Implications

CONGRESSIONALLY CHARTERED VETERANS ORGANIZATIONS

| Organization | Headquarters |
|---|---------------------|
| African American Post Traumatic Stress Disorder | Lakewood, WA |
| Air Force Sergeants Association | Suitland, MD |
| American Defenders of Bataan and Corregidor | Huntington, IN |
| *American Ex-Prisoners of War | Arlington, TX |
| American GI Forum of the United States | Denver, CO |
| American Gold Star Mothers, Inc. | Washington, DC |
| *American Red Cross | Falls Church, VA |
| American War Mothers | Washington, DC |
| *AMVETS | Lanham, MD |
| Armed Forces Services Corporation | Arlington, VA |
| *Army and Navy Union, USA, Inc. | Brimfield, OH |
| Blinded Veterans Association | Washington, DC |
| Blue Star Mothers of America, Inc. | Colonial Beach, VA |
| *Catholic War Veterans, USA, Inc. | Alexandria, VA |
| Congressional Medal of Honor Society of the United States of America | Mt. Pleasant, SC |
| *Disabled American Veterans | Cold Springs, KY |
| Fleet Reserve Association | Alexandria, VA |
| Gold Star Wives of America, Inc. | Arlington, VA |
| Italian American War Veterans of the USA | Youngstown, OH |
| *Jewish War Veterans of the USA | Washington, DC |
| Legion of Valor of the USA, Inc. | Santa Barbara, CA |
| *Marine Corps League | Fairfax, VA |
| Military Chaplains Association of the United States of America | Arlington, VA |
| *Military Order of the Purple Heart of the U.S.A., Inc. | Springfield, VA |
| Military Order of the World Wars | Alexandria, VA |
| National Amputation Foundation, Inc. | Malverne, NY |
| *National Association for Black Veterans, Inc. | Milwaukee, WI |
| *National Association of County Veterans Service Officers, Inc. | Arlington, VA |
| *National Association of State Directors of Veterans Affairs (NASDVA) | Frankfort, KY |
| National Veterans Legal Services Program, Inc. | Washington, DC |
| *Navy Club of the United States of America | Fort Wayne, IN |
| Navy Mutual Aid Association | Arlington, VA |
| Non Commissioned Officers Association | San Antonio, TX |
| *Paralyzed Veterans of America | Washington, DC |
| *Pearl Harbor Survivors Association, Inc. | Menomonee Falls, WI |
| *Polish Legion of American Veterans, USA | Washington, DC |
| Swords to Plowshares: Veterans Rights Organization | San Francisco, CA |
| *The American Legion | Indianapolis, IN |
| The Retired Enlisted Association | Aurora, CO |
| United Spinal Association | Jackson Heights, NY |
| *US Submarine Veterans of World War II | |
| Veterans Assistance Foundation, Inc. | Newburg, WI |
| *Veterans of Foreign Wars of the United States | Kansas City, MO |
| Veterans of the Vietnam War, Inc. | Pittston, PA |
| Veterans of World War I of the USA, Inc. | Alexandria, VA |
| *Vietnam Veterans of America | Silver Spring, MD |
| Women Airforce Service Pilots of World War II | Los Angeles, CA |
| Women's Army Corps Veterans Association | Fort McClellan, AL |

* Chapter in Wisconsin.

Sources: U.S. Department of Veterans Affairs and Wisconsin Department of Veterans Affairs.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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| Subject | | | |
| Property and income tax exemptions for the American Legion and Veterans of Foreign Wars | | | |
| 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 | \$ |
| | | | |
| Agency/Prepared By | | Authorized Signature | Date |
| DOR/ Milda Aksamitauskas (608) 261-5173 | | Rebecca Boldt (608) 266-6785 | 4/22/2005 |