

Fiscal Estimate Narratives
DOR 2/21/2005

LRB Number 05-1490/1	Introduction Number AB-88	Estimate Type Original
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. Where such halls are also 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 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, property not exceeding 30 acres owned by the American Legion or the Veterans of Foreign Wars that is necessary for the location and convenience of buildings would be exempt from property tax. This bill would also exempt the unrelated business income of Veterans of Foreign Wars and American Legion posts from income tax.

Based on information from the internet sites of the American Legion and Veterans of Foreign Wars, 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.

Based on a survey of assessors, most property owned by these organizations is currently exempt either as a benevolent organization or a memorial hall. However, the Department has identified several American Legion and Veterans of Foreign Wars posts that have taxable property, primarily bars and one golf course.

Total property taxes on these properties were about \$30,000 in 2004. These taxes would be shifted to owners of taxable property under the bill.

The bill would result in a \$600 decrease in state forestry tax collections.

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

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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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, ets.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$-8,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S (Forestry)			-600
TOTAL State Revenues	\$		\$-8,600
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-8,600		\$See text
Agency/Prepared By		Authorized Signature	Date
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