



Legislative Fiscal Bureau

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January 25, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Substitute Amendment 2 to Assembly Bill 718: Sales Tax Exemption for Gun Club Memberships and Fees

Assembly Bill 718 would provide a nonrefundable individual income tax credit for sales taxes paid on certain gun club memberships and admission fees. AB 718 was introduced on October 3, 2005, and referred to the Assembly Committee on Natural Resources. Assembly Substitute Amendment 2 to AB 718, which would convert the proposed income tax credit to a sales and use tax exemption, was recommended for passage by the Committee on Natural Resources on January 9, 2006, on a vote of 14 to 0. The substitute amendment was then referred to the Joint Committee on Finance.

CURRENT LAW

Wisconsin imposes a 5% general sales and use tax on the gross receipts from the sale and rental of tangible personal property and selected services. Admission to amusement, athletic, and entertainment events are currently subject to the tax. Admissions to county fairs are exempt.

Under current law, nonprofit organizations making sales of tangible personal property or taxable services are required to register and collect sales tax on such sales unless they qualify for the occasional sale exemption. A nonprofit organization, including a governmental unit, will generally meet the standards for the occasional sale exemption if: (a) it does not currently hold a seller's permit; (b) taxable sales or events occur on 20 days or fewer in a calendar year or gross receipts from taxable sales are \$25,000 or less during a calendar year; and (c) sales are not made at an admission event where entertainment is paid more than \$500. The occasional sale exemption standards were increased from \$15,000 to \$25,000 and from \$300 to \$500 under Act 25, the 2005-07 biennial budget.

SUMMARY OF SUBSTITUTE AMENDMENT

ASA 2 to AB 718 would create a sales and use tax exemption for admissions, including memberships, to gun clubs that are nonprofit organizations and that provide safety classes to at least 100 individuals in a calendar year. The substitute amendment would define a gun club to include a trapshooting club, skeet-shooting club, sporting-clay club, rifle and pistol club, sportsmen's club, hunting club, rod and gun club, hunting and fishing club, and conservation club. "Gun club" would not include a wild animal farm or bird hunting preserve. Safety classes would mean all classes approved by the Department of Natural Resources related to hunting, including hunting with a bow, and related to firearms, all-terrain vehicles, boats, and snowmobiles. The provisions would take effect on July 1, 2007.

FISCAL EFFECT

The fiscal effect of the substitute amendment is expected to be a minimal revenue loss.

Prepared by: Faith Russell