



## Legislative Fiscal Bureau

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February 10, 2016

TO: Members  
Joint Finance Committee

FROM: Bob Lang, Director

SUBJECT: Senate Bill 421/Assembly Bill 553: Sales Tax Exemption for Occasional Sales by Nonprofit Organizations

Senate Bill 421 (SB 421) was introduced on December 3, 2015, and was referred to the Senate Committee on Revenue, Financial Institutions, and Rural Issues. That committee recommended the bill for passage on a vote of 5 to 0 on January 15, 2016. The Joint Survey Committee on Tax Exemptions found that the bill was appropriate public policy on January 27, 2016. On February 2, 2016, the bill was referred to the Joint Committee on Finance. Senate amendment 1 was offered on February 5, 2016.

Assembly Bill 553 (AB 553) was introduced on December 1, 2015, and was referred to the Assembly Committee on Ways and Means. AB 553 was referred to the Joint Survey Committee on Tax Exemptions on January 22, 2016. The Joint Survey Committee on Tax Exemptions found that the bill was appropriate public policy on January 27, 2016.

### **SUMMARY OF BILL**

Wisconsin imposes a general sales and use tax at a rate of five percent on the sales price or purchase price of taxable goods and services sold or used in this state, with certain exceptions.

Under current law, occasional sales of otherwise taxable goods or services (including admissions or tickets to an event) by certain nonprofit organizations are exempt from the sales tax if the following conditions are satisfied: (a) the event does not involve entertainment for which payment in the aggregate exceeds \$500 for performing or as reimbursement of expenses unless access to the event may be obtained without payment of a direct or indirect admission fee; and (b) the organization is not engaged in a trade or business and is not required to have a seller's permit. For purposes of this provision, an organization is engaged in a trade or business and is required to have a seller's permit if its sales of tangible personal property and services, not including sales of

tickets to events, and its events occur on more than 20 days during the year, unless its receipts do not exceed \$25,000 during the year.

SB 421 and AB 553 are identical bills (the bill) that would increase the three thresholds described above as follows: (a) the \$500 limit for entertainment expenses or reimbursement would be increased to \$10,000; (b) the 20-day limit for sales and/or events would be increased to 75 days per year; and (c) the \$25,000 limit for annual receipts would be increased to \$50,000. The higher limits would first apply to sales made in 2016.

## **FISCAL EFFECT**

Based on the fiscal estimate produced by the DOR, the bill would reduce state sales and use tax revenues by \$295,000 in 2015-16 and \$590,000 in 2016-17 and thereafter. Local sales tax revenues would decrease by an estimated \$21,250 in 2015-16 and \$42,500 in 2016-17 and later years.

## **SENATE AMENDMENT 1 AND ASSEMBLY AMENDMENT 1**

Senate Amendment 1 and Assembly Amendment 1 are identical and would change the effective date of the bill to July 1, 2017. Although the effective date of the bill is after the close of the 2016-17 fiscal year, the Department of Revenue (DOR) expects that some nonprofit organizations would likely request inactivation of their sellers permit prior to calendar year 2017 in anticipation of the July 1, 2017 effective date of the exemption. As a result, the bill as amended by Senate Amendment 1 and Assembly Amendment 1 would decrease state sales and use tax revenues by an estimated \$295,000 in 2016-17 and \$590,000 in 2017-18 and thereafter.

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