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# MARK BORN

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STATE REPRESENTATIVE • 39<sup>TH</sup> ASSEMBLY DISTRICT

**Testimony on Assembly Bill 553**  
*Assembly Committee on Ways and Means*  
*January 7, 2016*

Members of the Assembly Committee on Ways and Means,

Thank you for allowing me to speak in favor of Assembly Bill 553 (AB 553), relating to the sales tax exemption for occasional sales by nonprofit organizations.

The State of Wisconsin has thousands of nonprofit organizations, and generally they are exempt from taxation. Under current law, nonprofits are exempt from the collection and remittance of sales tax as long as two conditions are met:

- sales receipts do not exceed \$25,000 over the course of the year; and
- sales do not occur on more than 20 days per year.

These limits are antiquated and several nonprofit entities across the state, including local chambers of commerce, and scouting organizations have unexpectedly bumped up and exceeded these thresholds. AB 553 increases the limits on these conditions to \$50,000 in receipts and 75 days of sales per year.

Moreover, current law also states that if a nonprofit sells admission to an event that includes entertainment, proceeds from sales at that event are tax exempt as long as the cost of entertainment does not exceed \$500. For both larger events such as fairs, and smaller events, it is difficult to find entertainment for less than \$500 these days. In response, AB 553 increases this entertainment limit to \$10,000.

This bill is supported by chambers of commerce across the state and a few of them are on hand here today to provide additional testimony.

Thank you for your consideration. I will now take any questions the committee may have.



State Senator  
**Rick Gudex**

District 18

January 7, 2016

To: The Assembly Committee on Ways and Means  
From: Sen. Rick Gudex  
Re: Assembly Bill 553

Mr. Chairman, members of the committee, thank you for holding this hearing today.

Most people are aware that non-profits are generally exempt from taxation. One exception is sales taxes collected on goods and services sold by a non-profit. Under current law, a non-profit can sell goods and services without collecting and remitting sales taxes so long as they don't make more than \$25,000 in sales during a calendar year, or sell on more than 20 days during that year. Also, ticket sales are subject to the sales tax if the non-profit has paid more than \$500 for entertainment for the event. Once these limits are reached, sales are subject to the sales tax, even when the sales support a charitable cause.

This bill increases the limits to \$50,000 in annual sales or 75 days of sales in a year, and increases the entertainment limit to \$10,000.

These increases will help prevent the occasional accidental violation, and will help some charitable institutions make best use of the sales tax exemption that it was intended for. For example, a canteen at a Girl Scout or a Boys and Girls Club camp, which would be open for more than 20 days during the summer and thus subject to the sales tax under current law. A chamber of commerce that sells half a dozen directories on half a dozen days, holds a breakfast meeting per month, and takes part in a few other community events can easily overtake that limit, as well. Larger events like those frequently sponsored by local chambers of commerce have been bumping against and overtaking the current dollar limit, and events like county and other local fairs can easily spend much more than \$500 on entertainment and under current law be subject to the sales tax.

The real issue is: there are gray areas where reasonable people can disagree on which events count and which don't. This bill raises the limits, and moves those gray areas higher.

We recognize, of course, that we want to avoid helping non-profits compete with local businesses. These nonprofits contribute to the wellbeing of all our communities and we need to assist them whenever possible. I hope the fact that chambers of commerce from around the state are supporting this bill will help allay that concern.

## Tax on Sales by Non-Profit Organizations

### **Challenge**

While non-profit organizations – generally 501(c) organizations – and governmental agencies may purchase goods and services without paying sales tax, many observers are surprised that (with a few exceptions) non-profits must collect sales tax on items they sell and remit the tax to the state. As a result, many churches, local chambers of commerce, Little League organizations, local governments, and other non-profit and charitable organizations are required to collect and remit sales tax on goods they sell and services they provide.

Because of a statute change during the Doyle Administration, it does not matter whether the sale is related to the non-profit's charitable purpose. As such, many non-profits have been surprised to learn that they must remit sales tax on their sales, unless they meet certain exemptions:

- A non-profit need remit no tax if its annual taxable sales are below \$25,000 or if it makes sales on no more than 20 days per year.
- Regardless of the \$25,000/20-day standard above, a non-profit will have to remit sales tax on sales of tickets to entertainment (e.g., a benefit concert) unless less than \$500 is paid to all of the entertainers at the event.

### **Assembly Bill 553**

Three changes would modernize the occasional sales statute:

- Increase taxable dollar threshold for non-profit organizations from \$25,000 to \$50,000;
- Increase the days of sale threshold for non-profit organizations from 20 days to 75 days; and
- Increase the \$500 entertainment limit to \$10,000.

### **WMC Policy Position**

WMC supports passage of Assembly Bill 553.