



State Senator
Rick Gudex

District 18

December 15, 2015

To: The Senate Committee on Revenue, Financial Institutions, and Rural Issues
From: Sen. Rick Gudex
Re: Senate Bill 421

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 the best use of the sales tax exemption. 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 toward the limits, 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.



Beaver Dam Chamber of Commerce

127 S. Spring Street, Beaver Dam, WI 53916

www.beaverdamchamber.com

Notes for Senate Bill 421 Hearing

I currently am employed as the President of the Beaver Dam Chamber of Commerce, and have about 20 years experience working in this field. I am the incoming President of the Wisconsin Chamber of Commerce Executives association and sit on the Board of Directors of the WMC. In addition I've had a decade of experience working in the private sector on and off, including owning a couple of my own businesses. I've also served on the boards and on committees for as many as two dozen nonprofit organizations of different types.

I am in favor of Senate Bill 421 becoming law.

- I would like to begin by using a general “big picture” argument that some on the committee may not be receptive to, but I hope will resonate with others: nonprofit status was originally and specifically created in our nation to relieve charitable, civic, service and other cultural and economic oriented nonprofit organizations from costly and labor intensive rules, regulations and taxation. Over the course of time government has slowly encroached on nonprofit independence by adding more and more costly layers of regulations and taxes. I would argue we need to get back to the original concept that nonprofit organizations are generally speaking good for communities, do good works and tend to be very low budget operations that can't nor should be working hard to generate “profits” to hand over to government.
- For the last decade Republicans in Wisconsin have been pursuing a philosophy of reducing regulations and taxation on private sector business to promote economic development and growth and to increase state revenues by doing so. I agree with this approach of less government and more private sector. So the question should be asked, why wouldn't the same approach be appropriate and correct for nonprofits? Nonprofits, like for profit businesses, are restricted in achieving their goals as more and more of their revenue is confiscated by government. Are cities like Milwaukee better off with a Symphony Orchestra or without one because the finances don't work to keep them in existence? Are communities large and small better off without effective chambers of commerce or theatre groups or arts associations? At some point small nonprofits reach a tipping point with added government costs and regulations where they just go out of business. Are your constituents served when this happens?

- This is not to say that I don't believe some things should be taxed whether the sale goes through a nonprofit or for profit organization. Retail items sales should have sales tax fairly and equally applied whether it is a lawn mower from Menards or a postcard from my chamber. What becomes unnecessarily complicated and difficult are the restrictions on how many days sales can occur and how much revenue is earned before taxation and regulations kick in. I would argue that the amount of days currently used by DOR are too few and the amount of revenue generated to trigger taxation is too low. While this proposed legislation does not completely eliminate these issues, it moves the regulations in the right direction by allowing nonprofits to keep more of their revenue stream for local operations.
- Nonprofits can be and oftentimes are partners with their cities and villages in creating healthy, vibrant Wisconsin communities, whether that is through cultural attractions that improve quality of life, through charitable works that care for the poor, or through collaborations that grow communities. In particular when it comes to the organizations I represent we are the front line, local partners with community and state government in promoting economic development, business success and job growth. Current legislation does not support healthy, strong Wisconsin nonprofit organizations. It chips away at their effectiveness and robs them of funds that would be better used at the local level than in the vaults in Madison.

I ask you to support Senate Bill 421 to relieve nonprofits of some of the current restrictive taxation and regulation of "big brother" government. Thank you for your time.



TO: Senate Committee on Revenue, Financial Institutions and Rural Issues
FROM: Meg Brzyski Nelson, Chief Development Officer, Children's Hospital of Wisconsin
DATE: 12/15/15
RE: SB 421 - sales tax exemption for occasional sales tax by nonprofit organizations

Chairman Marklein and committee members thank you for allowing me to submit testimony in support of SB 421 relating to the sales tax exemption for occasional sales by nonprofit organizations. My name is Meg Brzyski Nelson and I am the Chief Development Officer for Children's Hospital of Wisconsin.

Children's Hospital of Wisconsin serves children from every county in the state. We have inpatient hospitals in Milwaukee and the Fox Valley. We care for every part of a child's health, from critical care at one of our hospitals to routine checkups in our primary care clinics. Children's also provides specialty care, urgent care, emergency care, dental care, school health nurses, Foster care and adoption services, family resource centers, child health advocacy, health education, pediatric medical research and the statewide poison hotline.

SB 421 provides that occasional sales of tangible personal property or services made by nonprofit organizations are exempt from the sales tax if such sales occur on no more than 75 days during the year or the receipts from such sales do not exceed \$50,000. Under current law, such sales are exempt if they occur on no more than 20 days during the year or the receipts from such sales do not exceed \$25,000.

Children's Hospital of Wisconsin Foundation works year round to raise funds to support the programs and services that are critical for the children of our state. With the changing healthcare environment, philanthropic support is becoming more critical to fund the work that we do. In order to increase support, we utilize many strategies including direct gifts from donors, mail programs and events. Events are a very effective way to engage new donors, raise needed funds and spread the awareness of the services that Children's provides.

The current occasional sales tax regulation is burdensome and places restrictions on the activities that we can engage in to pursue new donors and philanthropic support for the hospital. The limit of 20 calendar days per year that we can pursue events without a sales tax implication limits our ability to reach a large audience of potential donors. Increasing this limit to 75 days would provide ample opportunity for us to offer a variety of event options to engage potential donors.

We utilize entertainment to attract potential donors to an event and the \$500 limit is not in line with the market rate for talent that would provide an incentive to participate. Increasing this limit to \$10,000 would be in line with that market rate for appealing talent and would provide a more effective engagement opportunity.

Senate bill 421 would provide the opportunity for Children's Hospital to effectively engage more potential donors to fund the critical programs and services needed by Wisconsin's children.

Thank you for allowing me to submit testimony today in support of SB 421. If you have any questions please contact me at MBNelson@chw.org or via phone at 414-266-6105.





OSHKOSH CHAMBER OF COMMERCE

ADVOCACY COMMUNITY DEVELOPMENT LEADERSHIP

December 11, 2015

State Senator Rick Gudex
State Capitol
P. O. Box 7882
Madison, WI 53707-7882

RE: Senate Bill 421

Dear Senator Gudex:

On behalf of the Oshkosh Chamber of Commerce, I am communicating our support for Senate Bill 421. This bill provides that occasional sales of tangible personal property or services made by nonprofit organizations are exempt from the sales tax if such sales occur on no more than 75 days during the year or the receipts from such sales do not exceed \$50,000. Additionally, the bill would exempt the sale of event admissions if the payment for the entertainment is no more than \$10,000.

The sales tax exemption standard established under current law has made it extremely difficult for non-profit organizations, like chambers of commerce and foundations, to conduct business and provide programming that is allowable within their non-profit mission.

Senate Bill 421 addresses the issues that are impacting the operations of Wisconsin-based non-profit organizations. The current statute is outdated and needs amending as proposed in this legislation. All three amendments are needed so that organizations, like chambers of commerce, can invest its resources to develop and create economic opportunities in their communities and further their community-based missions.

Sincerely,

John A. Casper
President & CEO

A Five Star Accredited Chamber of Commerce