

# Wisconsin Legislature Rescues Nonprofits from Certain Sales Tax Obligations

Apr 21 2016

Practice Area: Nonprofit and Tax Exemption & Tax

---

As winter turns to spring and the summer breezes begin to bring tourists into Wisconsin, various nonprofit enterprises, like churches and chambers of commerce, are holding their events and enjoying the great Wisconsin outdoors. While sales tax could not be further from most people's mind, Wisconsin's taxation of occasional sales by these entities can be an expensive and unforeseen misfortune. On April 15th, Governor Scott Walker signed into law Assembly Bill 553, which increases the threshold for sales tax exemptions for occasional sales by nonprofit organizations.

This means that fewer nonprofits will owe sales tax when they sell goods or services across Wisconsin. Here is a summary of the changes:

- Under current law, if a nonprofit sells an aggregate of over \$25,000 and those sales occur more than 20 days during the year, it is liable for sales tax. The new bill increases these measurements to 75 days and \$50,000 in sales.
- Also under current law, if a nonprofit sells admission to an event where the entertainment cost is more than \$500, the admissions are taxable. The new law increases the eligible entertainment expense to \$10,000.

For example, a Wisconsin tax exempt entity that charged admission to attend a golf outing where a jazz band was playing during the reception would be subject to the tax for the admissions to the event if the band was paid \$600. Under the new law, the admissions would no longer be subject to a sales tax.

As another example, a church that arranged for volunteers to donate time to provide \$35,000 of fund raising for 18 pie sales during the year and then also sold T-shirts 3 times a year to its member's affinity groups, would have to pay sales tax on the amount over \$25,000, in this case, \$10,000. Under the new law, these sales would be exempt from the sales tax.

Wisconsin legislators addressed an increasingly burdensome requirement for many tax exempt entities. Under the old law the definition of "entertainment" was being expanded by the Wisconsin Department of Revenue to include not only musicians and artists, but also to include the presence of doughnuts and coffee at an event. This created a trap for nonprofits seeking to carry-out their tax exempt mission in that they faced an unforeseen expense, resulting in not only a tax, but also penalties and interest being assessed on these "sales." Under the new law nonprofit Wisconsin entities will be able to reduce not only the cost of providing these services to our residents and guests, but they will also enjoy lower compliance and administrative costs associated with an outdated statute.

Unfortunately, the increased limits apply to sales beginning on January 1, 2017, so affected nonprofit organizations should plan accordingly for any events in 2016. For more information on how this legislation impacts your tax exempt organization, please contact us.

---

von Briesen & Roper Legal Update is a periodic publication of von Briesen & Roper, s.c. It is intended for general information purposes for the community and highlights recent changes and developments in the legal area. This publication does not constitute legal advice, and the reader should consult legal counsel to determine how this information applies to any specific situation.