

**Tax Guide
for Wisconsin
Political
Organizations
and Candidates**

INTRODUCTION

This publication explains the federal and Wisconsin tax treatment of political organizations and candidates. It also explains Wisconsin's alcohol beverage laws relating to fund-raising activities that involve the serving of alcohol beverages.

The information given is based on Wisconsin and federal tax laws as of April 15, 2011.

I. FEDERAL INCOME TAX TREATMENT

Political Organizations: Federal tax law provides that a political organization (for example, a party, committee, association, or fund) is to be taxed on investment income and on income received from a trade or business. Campaign contributions are not includable in income and expenditures for campaign purposes are not deductible as expenses.

Federal law generally defines **taxable income** to be the excess of gross income over expenses directly attributable to the production of such income and a specific deduction of \$100. See "Taxable Income" in the instructions for federal Form 1120-POL, for a more detailed description of taxable income.

A political organization must file a federal income tax return if it has any taxable income for a taxable year.

Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*, is the form used to report the income and expenses of a political organization. The due date for filing a Form 1120-POL is the 15th day of the third month following the close of the taxable year (for example, March 15, 2012 for 2011 calendar year taxpayers).

Political Candidates Who Personally Control Their Campaign Funds: Campaign contributions are not income to the candidate unless they are diverted to his or her personal use. To be exempt from tax, the contributions must be spent for campaign purposes or kept in the campaign fund for future campaigns. Excess campaign funds transferred to an office account must be included in the officeholder's income in the year transferred.

Interest earned on bank deposits, dividends received on contributed securities, and net gains realized on sales of contributed securities are taxable to the campaign fund. See "Political Organizations" in the previous column for how these amounts must be reported.

II. WISCONSIN INCOME TAX TREATMENT

Political Organizations: If a political organization is not organized or conducted for pecuniary profit and all receipts are expended solely to advance the candidacy of political aspirants or for other political purposes, the political organization is exempt from Wisconsin income and corporate taxation under secs. 71.01(6) and 71.26(1)(a), Wis. Stats. (2009-10).

An *exempt* political organization is not required to file a Wisconsin income or franchise tax return. If a political organization is not exempt, it must file a Wisconsin income or franchise tax return to report its taxable income. Taxable income for Wisconsin means the same as for federal income tax purposes (see "Political Organizations" in Part II).

Political Candidates Who Personally Control Their Campaign Funds: A candidate's or officeholder's tax treatment of campaign contributions is the same for Wisconsin as for federal income tax purposes (see "Political Candidates Who Personally Control Their Campaign Funds" above).

Whether interest earned on bank deposits, dividends received on contributed securities, and net gains realized on sales of contributed securities are taxable to the campaign fund depends on whether the fund is exempt from Wisconsin income and corporate taxation (see “Political Organizations” in the previous column).

III. WISCONSIN ALCOHOL BEVERAGE LAW

The following information is provided to assist political organizations and candidates for public office in planning and organizing fund-raising activities that involve the serving of alcohol beverages.

Fund-Raisers Held on Unlicensed Premises – When General Public is Invited: When campaign fund-raisers to which the general public is invited are held on UNLICENSED PREMISES (any location, including a private residence, that is not specifically licensed to dispense alcohol beverages), the consumption of alcohol beverages is illegal. Sec. 125.09(1), Wis. Stats. (2009-10). If any location is opened to persons other than the host’s personally invited guests, the location becomes a “public place.”

For example, circulars, pamphlets, or newspaper announcements that extend a general invitation make any location of an event a “public place.” If the location is not licensed for service of alcohol beverages, to do so is illegal.

Fund-Raisers Held on Unlicensed Premises – When Only Invited Guests Attend: Alcohol beverages may be served at campaign fund-raisers held on any unlicensed premises if attendance is *limited* to the host’s personally invited guests and *no admission fee is charged and no contribution is required*. Contributions may be solicited and accepted if they are voluntary and serving of alcohol beverages is not restricted to those making a contribution. Sec. 125.04(1), Wis. Stats. (2009-10).

Fund-Raisers Held on Licensed Premises: Campaign fund-raisers held on LICENSED PREMISES are permissible. The person holding the license would be responsible for the premises and for the dispensing of any alcohol beverages as authorized under secs. 125.26(1) and 125.51(3) and (3m), Wis. Stats. (2009-10). However, alcohol beverages served on licensed premises may not be donated or brought by the guests, since beverages dispensed are limited to those purchased by the licensee from a Wisconsin manufacturer, rectifier, or wholesaler. Sections 125.33(9) and 125.69(6), Wis. Stats. (2009-10).

IV. ADDITIONAL INFORMATION

If you have any questions or need additional information regarding the federal tax treatment of political organizations or candidates, you should contact the Internal Revenue Service.

If you have any questions or need additional information regarding the Wisconsin tax treatment of political organizations or candidates, you may contact the Wisconsin Department of Revenue by any of the following methods:

Visit the department’s Madison office at:
2135 Rimrock Road

Write to: Wisconsin Department of Revenue
Administration Technical Services
Mail Stop 6-40
PO Box 8933
Madison WI 53708-8933

Telephone: (608) 266-8474

E-mail: isetechsvc@revenue.wi.gov

Fax: (608) 261-6240

If you have any questions or need additional information regarding the serving of alcohol beverages at fund-raising activities, you may contact the Wisconsin Department of Revenue by any of the following methods:

Visit the department’s Madison office at:
2135 Rimrock Road

Write to: Wisconsin Department of Revenue
Alcohol and Tobacco Enforcement
Section
Mail Stop 6-40
PO Box 8933
Madison WI 53708-8933

Telephone: (608) 266-2772

E-mail: ates@revenue.wi.gov

Fax: (608) 261-6240