

Looming Filing Deadlines for Tax Exempt Entities

The month of March means multitudes of filing deadlines for owners of tax exempt properties. Property Tax Exemption Requests start the month out with a bang with their March 1st deadline. However, two lesser known filings are also due in March: Unrelated Business Income Reports and Tax Exemption Reports. You may have received these filings in the mail, but you should contact your tax advisor before you respond to the mailing or submit the reports on your own.

Unrelated Business Income Report (March 15th)

Unrelated Business Income Reports are to be filed with the clerk of the municipality where the property is located by March 15th of each year. Not all exempt organizations need to file these reports; the report is for exempt organizations with unrelated business taxable income (UBTI). An exempt organization that engages in a business that is not related to its exempt purpose may be subject to both federal and Wisconsin tax for those businesses. Income from these unrelated businesses is UBTI. UBTI is subject to the Unrelated Business Income Tax or "UBIT."

State law provides that property used to generate UBTI is not exempt from the property tax. The Unrelated Business Income Report requests information about the owner, organization and property and whether the property is used to generate UBTI. Local assessors can use information from this Report to deny the property tax exemption to that portion of otherwise exempt property that is used to generate UBTI.

If the municipal clerk does not receive the Unrelated Business Income Report by March 15th, the clerk may send a notice indicating that the failure to file the report will subject the owner to penalties. The property owner then has 30 days from the notice to file a statement. After the 30 days, the district may assess a penalty of \$10 a day up to \$500.

Tax Exemption Report (March 31st in Even Numbered Years)

Tax Exemption Reports are to be filed with the local clerk by March 31st of even numbered years. There are two versions of the form, one for owners with multiple exempt properties and another for a single property. You only need to

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file the version that applies to your situation. Except for a group of mainly governmental entities, most exempt organizations must file this form. The Tax Exemption Report requests information about the organization and property. As with the Unrelated Business Income Report, some of the information on this Report could lead the assessor to deny all or a portion of a property's exemption.

If the local clerk does not receive the Tax Exemption Report by March 31st, the clerk may send a notice. The owner then has 30 days to submit the form. If the form is still not submitted, the municipality may appraise the property and can charge the owner for the cost of the appraisal.

To File, or Not to File

The enforcement of both of these filing requirements varies widely. Some municipalities never issue notices seeking these reports. In these municipalities, many owners of tax exempt property will refrain from filing reports until the local government has issued a notice. Once a notice is received, most owners of tax exempt property will comply with the reporting requirement to avoid the penalties. Of course, if a property has been partially taxable due to the presence of UBTI, it is possible that the owner is entitled to a greater exemption because that portion of the property dedicated to UBTI has been reduced. In these cases, it may make sense to be proactive and file the Unrelated Business Income Report.

How to respond to the filing requirements for these reports is a decision that is best made in conjunction with a tax advisor. If you have questions along these lines, please feel free to contact any member of Reinhart's Property Tax Team.

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