

FISCAL ESTIMATE

ORIGINAL UPDATED

DOA-2048 N(R10/98)

CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

AB 1

(99-0683/1)

Amendment No. if Applicable

Subject

Sales and Use Tax Treatment of Purchases Made with Manufacturers' Rebates and Discounts

Fiscal Effect

State: No State Fiscal Effect
Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
- Decrease Existing Appropriation Decrease Existing Revenues
- Create New Appropriation

Increase Costs - May be Possible to Absorb
Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

- 1. Increase Costs
 Permissive Mandatory
- 2. Decrease Costs
 Permissive Mandatory

- 3. Increase Revenues
 Permissive Mandatory
- 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
- Towns Villages Cities
 - Counties Others Stadium District
 - School Districts WTCS Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(a)

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the base for the sales and use tax is not reduced for manufacturers' rebates or discounts. This bill would amend current law in order to apply the sales and use tax rate to the purchase price of a taxable good or service after a manufacturer's rebate or discount is applied, if the rebate or discount is directly applied against the purchase price.

Information is not available on the amount of manufacturers' rebates and discounts that was directly applied to purchase price of taxable goods and services in Wisconsin. However, the fiscal effect would be substantial given that the bill affects all taxable items sold at retail including: apparel and accessories, automobiles, building materials and garden supplies, taxable food items, consumer electronics, furniture and home furnishings, and other general merchandise.

The fiscal effect from automobile sales alone is \$9.3 million. Automobile manufacturers apply large rebates and customer incentives on automobiles at the point-of-sale in order to reduce inventory. These rebates typically reduce the automobile's selling price by \$500 to \$1,500. Based on industry data compiled by *Automotive News*, it is assumed that the average customer rebate on cars is \$750 and \$600 for light trucks. Data compiled by the National Automobile Dealers Association for Wisconsin indicate

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Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Yeang-Eng Braun (608) 266-2700 <i>Yeang-Eng Braun</i>	2/24/99

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that almost 132,000 new passenger cars and 146,000 new light trucks were sold in 1997. Based on available data, the proposed tax change as it relates to motor vehicles would reduce tax revenue by an estimated \$9.3 million for sales of new passenger automobiles and light trucks ($(132,000 \times \$750 + 146,000 \times \$600) \times .05$). This estimate excludes new vehicle discounts provided to employees of automobile manufacturers and their immediate family members.

In 1997, local sales tax revenues collected by Wisconsin counties and the Southeast Wisconsin Professional Baseball Park District were 6.25% of state sales tax collections. Assuming this percentage applies, the local revenue loss from automobile sales alone will be about \$0.6 million ($\$9.3 \text{ million} \times .0625$).

There would be a one-time administrative expense of \$54,100 related to the printing and mailing of notices to retailers.

UEB 2/24/99

1999 Session

**FISCAL ESTIMATE
DOA-2047 N(R10/98)**

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. AB 1	Amendment No.
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Subject

Sales and Use Tax Treatment of Purchases Made with Manufacturers' Rebates and Discounts

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

\$54,100 for printing and mailing notices to retailers

II. Annualized Costs:	Annualized Fiscal Impact on State Funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe (FTE Position Changes)	\$	\$ -
State Operations-Other Costs	(FTE)	(- FTE)
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds		
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
GPR Taxes	\$	\$ - see text
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	- see text

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUES	\$ see text	\$ see text

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang-Eng Braun</i>	Date 2/24/99
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