

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-2484/1
INTRODUCTION # AB 625
Admin. Rule #

Subject
 Create Sales and Use Tax Exemption for Clothing Costing Less Than \$100 Retail

Fiscal Effect

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

<input type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriation	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation		

Local: No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>SWBPD</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations 20.566 (1)(a)
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Assumptions Used in Arriving at Fiscal Estimate:

This bill creates a sales and use tax exemption for clothing and shoes that cost less than \$100 per item.

Based on information from the U.S. Department of Commerce Survey of Current Business, August 1999, expenditures for clothing and shoes were \$294 billion in 1998. According to DRI/McGraw Hill's November 1999 forecast, consumption of clothing and shoes is projected to increase by 16.5% from 1998 through 2000 to approximately \$342.5 billion. Assuming that Wisconsin's share of clothing and shoe purchases is the same as Wisconsin's share of U.S. personal income (1.83%), in 2000 the state's share of clothing and shoe purchases would be \$6.3 billion (\$342.5 billion x .0183).

There are no data available indicating the share of sales attributable to clothing costing less than \$100. For purposes of this fiscal note it is assumed that 75% of total sales would be of clothes costing less than this threshold. Using this assumption, sales eligible for the exemption are estimated to be \$4.7 billion, and the 5% state sales tax foregone on these sales would be \$235 million. This estimate is highly sensitive to the assumption as to the portion of sales attributable to clothing and shoes costing less than \$100; if it is assumed that this portion equals 80%, rather than 75%, of total sales, the estimated revenue loss would be \$17 million higher.

The Department would incur one-time costs of \$50,700 to notify retailers of the change and provide them guidelines for the new exemption.

In 1998, county and stadium sales taxes were 6.24% of state sales taxes. Assuming this percentage remains applicable in 1999, the loss in local sales tax revenues would be \$14.7 million.

Long-Range Fiscal Implications:

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 & Braun</i>	Date 12/27/99
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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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Subject

Create Sales and Use Tax Exemption for Clothing Costing Less Than \$100 Retail

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

\$50,700 for printing and postage

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ - 235 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 235 million

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUES	\$ - 235 million	\$ - 14.7 million

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	12/27/99