

FISCAL ESTIMATE

ORIGINAL  UPDATED

DOA-2048 N(R10/98)

CORRECTED  SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

LRB 0568/1

AB 90

Amendment No. if Applicable

Subject

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

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' coupons or rebates. 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 coupon or rebate is applied, if the coupon or rebate is directly applied against the purchase price.

Information is not available on the amount of manufacturers' coupons and rebates 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 automobiles 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 that almost

(continued on page two)

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  <i>Yeang-Eng Braun</i> (608) 266-2700	2/24/99

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.

YTB 2/24/99

**1999 Session**

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

ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.	Amendment No.
LRB 0568/1	AB 90

**Subject**  
Sales and Use Tax Treatment of Purchases Made with Manufacturers' Coupons or Rebates

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

**NET ANNUALIZED FISCAL IMPACT**

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

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