

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-3561/1
INTRODUCTION # SB 282
Admin. Rule #

Subject
Eliminate State Lottery, Pari-Mutuel On-Track Betting and Farmland Tax Relief Credit

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

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 checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input checked="" type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input checked="" 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 checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations 20.566(1)(h), (2)(r), 8; 20.835 (2)(q), (3)(q), (3)(r)
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Assumptions Used in Arriving at Fiscal Estimate:

This bill would eliminate the state lottery and all laws that license and regulate pari-mutuel on-track betting, beginning on January 1, 2001. The bill also eliminates the Farmland Tax Relief credit beginning with claims for the 2001 tax year.

1. Lottery

The bill would eliminate the funds for property tax relief that are generated by the lottery. Based on FY 2001 estimates, the bill would eliminate \$434.8 million in gross annual lottery revenue—\$429.2 million related to lottery sales and \$5.6 million related to interest and other earnings. Taxable lottery prizes would decline by \$246.5 million. The elimination of the lottery would reduce administrative expenses, including employment costs related to the 110 FTEs funded by the lottery, and vendor payments by \$60.4 million annually. An estimated \$127.9 million annually—\$15 million for the farmland tax relief credit and \$112.9 million for the lottery and gaming credit—would no longer be available for property tax relief. Both of these credits would be eliminated.

2. Property Tax Relief

Farmland Tax Relief: Under current law, the farmland tax relief credit is a refundable credit based on a percentage of net property taxes levied on agricultural land, up to a maximum of \$1,500. The Department of Revenue sets the percentage each year based on the amount appropriated for the credit from the lottery fund and the estimated claims. Claimants must own at least 35 acres of farmland which must produce gross farm profits of at least \$6,000 in the preceding year, or at least \$18,000 in the three preceding years.

(continued on page two)

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 Eng Braun</i>	Date 1/6/00
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This bill would eliminate the Farmland Tax Relief Credit, reducing state property tax aid to farmland owners by an estimated \$15 million annually. Elimination of the credit will affect approximately 60,000 individual and corporate claimants.

Lottery Property Tax Credit: The elimination of the state lottery and pari-mutuel on-track betting as of January 1, 2001 would eliminate 6 months of earnings to the lottery and gaming fund used to pay the 2000/01 lottery and gaming credit for homeowners and would eliminate the credit altogether in 2001/02 and thereafter. As a result, monies available for the credit would decline by approximately \$64.1 million in FY 2001 and \$112.9 million in FY 2002, resulting in an average 2000/01 credit of \$37 and no credit in 2001/02 compared to an \$87 average credit in each year under current law.

3. Pari-Mutuel Tax

State Effect: The bill would eliminate the revenues the state receives from the pari-mutuel tax, which is imposed on the total amount wagered at greyhound racetracks. Revenues from this tax are estimated to be \$2.2 million in FY 2001. The bill would also eliminate the revenue the state receives for granting ownership and management rights to the racetracks and for supervising each race performance. In addition, it would eliminate the "breakage" revenue received when prizes are rounded down to the nearest 5 or 10 cents, as well as the revenue received from unclaimed prizes.

Local Effect: This bill would eliminate the admissions tax revenue that local governments receive from greyhound racetracks. The admissions tax, levied at 50 cents for each person entering a race track as a spectator, is divided equally between the county in which the track is located, and the applicable local municipality.

The bill would reduce the law enforcement and traffic control costs that municipalities incur because of the racetracks and their performances.

4. Individual Income Tax

Total lottery prize pay-outs to individuals would decrease by \$246.4 million annually, and retailer commissions would decline by \$26.5 million annually. Income tax revenues would be reduced to the extent that net lottery winnings by individuals and retailer commissions are reported as taxable income.

5. Summary of Fiscal Effect

	Revenue (\$m)	Expenditures (\$m)
1. Lottery (SEG)		
Lottery Sales	-429.2	
Interest and other revenue	-5.6	
Salaries/Fringes		-21.1
Lottery Prizes		-246.4
Vendor Payments		-12.4
Retailer Compensation		-26.5
Miscellaneous Costs		-0.4
Property Tax Relief:		
• Farmland Tax Relief Credit		-15.0
• Lottery/Gaming Credit		-112.9
	-434.8	-434.8
2. Pari-Mutuel Tax		
State GPR	-2.2	
Local	unknown (-)	unknown (-)
3. Individual Income Tax	unknown (-)	
TOTAL	-437.0	-434.8

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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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Subject

Eliminate State Lottery, Pari-Mutuel Betting and Farmland Tax Relief Credit

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

II. Annualized Costs:		Annualized Fiscal impact on State funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringe		\$	\$ - 21.1 million
(FTE Position Changes)		(FTE)	(- 110 FTE)
State Operations-Other Costs (Prizes, retailer compensation, vendor payments)			- 285.7 million
Local Assistance			
Aids to Individuals or Organizations			- 127.9 million
TOTAL State Costs by Category		\$	\$ - 434.8 million
B. State Costs by Source of Funds		Increased Costs	Decreased Costs
GPR		\$	\$ -
FED			-
PRO/PRS			-
SEG/SEG-S			- 434.8 million
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	pari-mutuel tax, individual income tax	\$	\$ - 2.2 million (also see text)
GPR Earned			-
FED			-
PRO/PRS			-
SEG/SEG-S	lottery		- 434.8 million
TOTAL State Revenues		\$	\$ - 437.0 million (also see text)

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS

\$ - 434.8 million

\$ see text of fiscal note

NET CHANGE IN REVENUES

\$ - 437.0 million (also see text)

\$ see text of fiscal note

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	1/6/00