

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB # 01-1183/1
INTRODUCTION #
Admin. Rule # <span style="float: right;">AR 101</span>

**Subject**

Taxation of Hub Airlines

**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 \_\_\_\_\_  
 School Districts  WTCS Districts

**Fund Sources Affected**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

20.395 (2)(dc), (dq), (dr), (dt); 20.395 (4)(aq);  
 20.395 (9)(rd), (td)

**Assumptions Used In Arriving at Fiscal Estimate:**

**Air Carrier Tax**

Under current law, air carrier companies pay a state tax equal to the value of their property allocated to the state times the state average property tax rate.

Under the bill, an air carrier that operates a "hub facility" in Wisconsin would be exempt from both the state tax on air carrier companies and local property taxes. A "hub facility" is defined as (1) a facility at an airport from which an air carrier company operates at least 45 departing flights each weekday, with non-stop service to at least 15 different destinations or (2) an airport or combination of airports from which an airline with headquarters in Wisconsin operates at least 20 departing flights each weekday.

Two airline companies, Air Wisconsin Airlines and Midwest Express Holdings, would qualify for the exemption under the bill. Based on the tax roll for 2000, the bill would have reduced the state tax on air carriers by about \$2.53 million. The reduction in future years' state tax on air carriers could be more or less than this amount depending on changes in property owned by the exempt airlines, and whether any other air carrier companies qualify for the exemption.

Under current law, proceeds from the state air carrier tax are deposited in the transportation fund to finance general transportation activities. Under the bill, the air carrier tax would continue to be deposited in the transportation fund, but specifically earmarked for use in aeronautical activities.

**Sales Tax**

Under current law, sales and use taxes paid on the sale and use of noncommercial aircraft are deposited in the general fund. Under the bill, sales and use taxes paid on the sale and use of noncommercial aircraft would be deposited in the transportation fund and earmarked for use in aeronautical activities. Based on  
 (continued on page two)

**Long-Range Fiscal Implications:**

<b>Agency/Prepared by: (Name &amp; Phone No.)</b>	<b>Authorized Signature/Telephone No.</b>	<b>Date</b>
Wisconsin Department of Revenue  Daniel P. Huegel, (608) 266-5705	Yeang-Eng Braun  <i>Yeang-Eng Braun</i> (608) 266-2700	1/30/01

data for fiscal year 2000, the amount of sales tax which would be deposited in the transportation fund would be about \$3.34 million. The resultant increase in funding for the transportation fund would be offset by an equal decrease in funding for the general fund. The amount deposited in the transportation fund in future years will vary, depending on the amount of sales and use subject to the sales tax.

Local Property Tax

Under current law, the operating property of airline companies subject to the state tax on airline companies is exempt from local property taxes. Under the bill, the operating property of an airline operating a "hub facility" in Wisconsin would continue to be exempt from local property taxes. Since none of this property is now taxed locally, the bill would have no effect on local property taxes.

YES 1/30/01

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**INTRODUCTION # AB 101**

**Subject**

Taxation of Hub Airlines

**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:	
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		-
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$ -</b>
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	\$	\$ - 3,340,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S	3,340,000	- 2,530,000
<b>TOTAL State Revenues</b>	<b>\$ 3,340,000</b>	<b>\$ - 5,870,000</b>

**NET ANNUALIZED FISCAL IMPACT**

	STATE	LOCAL
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ - 2,530,000	\$ _____

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Daniel P. Huegel, (608) 266-5705	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	4/30/01