



## Fiscal Estimate Narratives

DOT 5/1/01

LRB Number	01-3134/1	Introduction Number	SB-158	Estimate Type	Original
<b>Subject</b>					
Property tax and ad valorem tax exemption for air carrier company - Midwest Express					

### Assumptions Used in Arriving at Fiscal Estimate

1. Based on the definitions of a "hub facility" and an "air carrier company" in Section 9 of the draft and without benefit of the rules to be defined by DOR, Air Wisconsin would qualify for exemption from the ad valorem property tax under the second definition of "hub facility" and Midwest Express would qualify for the ad valorem property tax exemption under the first definition of "hub facility". The fact that Midwest Express would not be required to have a headquarters in this state under that definition does not change the assumption that both companies would qualify for the exemption.
2. Assumes only Air Wisconsin and Midwest Express will be exempted from the ad valorem property tax and the remainder of the tax will continue to be valid and collected.
3. Loss of ad valorem property tax revenue of \$2.5 million is based on CY2000 air carrier property tax assessments.
4. Air carrier companies exempted from the ad valorem property tax under this draft would have no State aviation related fee or tax responsibilities.
5. Beginning July 1, 2003, funding for the State's aeronautics assistance program will be limited to aviation related revenues, including the sales and use tax on non-commercial aircraft, with limited funding from the general and transportation funds (\$650,000 maximum from each) should aviation revenues not reach the stated threshold of \$11,800,000. Analysis assumes that this funding threshold will always be met.
6. Assumes no impact on the level or mechanism of State aeronautics funding until FY04 due to the "hold-harmless" clause in Section 14.
7. Does not make any assumptions as to the outcome of the Airport Financing Committee.
8. Non-commercial sales and use tax revenue for 2000 is estimated at \$3.9-4.4 million. For the purposes of the fiscal estimate, \$4.1 million is used. Note that this provision, Section 8 of the bill, is a transfer of revenues from GPR to the transportation fund and, by itself, has no net effect on overall State revenues.

### Long-Range Fiscal Implications

The long-range fiscal implications and net annualized fiscal impact of the bill are difficult to determine for the following reasons:

- The bill adds revenues collected from the sales and use tax on non-commercial aircraft sales to the transportation fund. Aircraft sales are highly cyclical and dependent on a strong economy. Therefore, providing an accurate long-range estimate of aircraft sales and use tax is not possible.
- Given the cyclical and economy dependent nature of aircraft sales, the restriction of State aeronautics program funding to aviation revenues, and the limited amount of general and transportation fund dollars available to cover shortfalls below the stated \$11.8 million threshold, it is possible the amounts available for State aeronautics assistance programs may fall below the \$11.8 million threshold in any given year and the level of local assistance would decrease. In addition, since the \$11.8 million threshold is stated in nominal terms, the real dollar value of this threshold will decrease each year due to inflation.
- The long term impact, if any, of the recommendations of the proposed Governor's Airport Financing Committee may be significant and will not be known until after those recommendations are submitted and acted upon.

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Subject</b>			
Property tax and ad valorem tax exemption for air carrier company - Midwest Express			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(F I E Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</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>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$ 4,100,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S		4,100,000	-2,500,000
<b>TOTAL State Revenues</b>		<b>\$4,100,000</b>	<b>\$-6,600,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-2,500,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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