

2005 DRAFTING REQUEST

Bill

Received: 12/02/2004

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Marlin Schneider (608) 266-0215

By/Representing: himself

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax, Other - sales

Extra Copies:

Submit via email: YES

Requester's email: Rep.Schneider@legis.state.wi.us

Carbon copy (CC:) to: joseph.kreye@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

Sales and use tax on purchases made with a manufacturer's rebate

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	jkreye 12/02/2004	lkunkel 12/03/2004	rschluet 12/06/2004	_____	sbasford 12/06/2004		S&L
/1	jkreye 12/13/2004	lkunkel 12/14/2004	rschluet 12/14/2004	_____	sbasford 12/14/2004	sbasford 12/15/2004 sbasford 12/15/2004	S&L

FE Sent For:

↳ At Intro.

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FE Sent For:

1/mk 12/14

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/P1 jkreye

/P1 lmk 12/3

FE Sent For:

<END>

PAs:
 Please send a
 copy of the 2001
 FE in this file
 to Rep. Schneider.
 Thanks,
 Joe



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-1092/P1

JK:lmk/rs

RMR

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

in 12-13-04

500M

Reisen

1 AN ACT to amend 77.51 (4) (b) 1. and 77.51 (15) (b) 1. of the statutes; relating
2 to: the sales tax and the use tax on purchases made with a manufacturer's
3 rebate.

Analysis by the Legislative Reference Bureau

Under current law, the state imposes a sales tax on all retailers at the rate of 5 percent of the gross receipts from the sale of tangible personal property. The retailer generally passes the sales tax on to the consumer. The state also imposes a use tax on all consumers, at the rate of 5 percent of the sales price for the use or storage of tangible personal property in this state that the consumer either purchases from out-of-state retailers or purchases without paying the appropriate sales tax. Under current law, when a consumer purchases tangible personal property that qualifies for a manufacturer's rebate, the consumer pays either a sales tax or a use tax on the original price of the tangible personal property rather than on the price as reduced by the manufacturer's rebate.

Under this bill, when a consumer purchases tangible personal property that qualifies for a manufacturer's rebate, the consumer pays either a sales tax or a use tax on the price of the tangible personal property as reduced by the manufacturer's rebate rather than on the original price.

vehicles,
other than motor vehicles,

Marlin Perreault 12-2-09

Mail-in rebate

1) ~~When offer a rebate = in-store only rebate
per restriction? - legal issues?~~

2) in store only — rebate taken before the tax is
imposed — fiscal impact?
(if done before — or
have LRB look at it)

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-1156/2

INTRODUCTION # AB 15

Admin. Rule #

Subject

Sales and Use Tax Treatment of Purchases Made with Manufacturers' Rebate

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. <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 |
| 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 |

5. Types of Local Governmental Units Affected:

- Towns Villages Cities
 Counties Others Baseball Park and Football Stadium Districts
 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:

This bill would exempt rebates and other amounts paid by manufacturers to retailers from the sales tax. The bill would take effect July 1, 2001. Currently, these payments are taxable because they are part of the gross receipts of the retailer. Manufacturers use rebates to encourage sales on a variety of products, including motor vehicles, clothing, building materials, garden supplies, computers and other consumer electronics, furniture and home furnishings. There are no data available on the amount of rebates paid by manufacturers to retailers for any of these products. However, limited information is available on which to base an estimate for rebates paid to motor vehicle dealers by manufacturers, which is likely to account for a large share of the revenue loss.

According to news reports in *Automotive News* on customer incentives sponsored by automobile manufacturers, rebates on new automobiles and trucks range from \$500 to \$3,500, though most rebates fall in the range of \$500 to \$1,500. The amount of rebate will vary according to the year and model of the vehicle, the inventory of unsold vehicles and other factors. In addition, rebates are not available on all models. Based on this information, an average rebate for new cars and light trucks is assumed to be \$800.

Based on data from the Wisconsin Department of Transportation, new car and light truck sales in Wisconsin in 2000 are estimated to be about 309,000 vehicles. With an average rebate of \$800 and the 5% state sales tax rate, the state revenue loss from this bill is estimated to be \$12.4 million (309,000 X \$800 X 5%).

County and baseball park and football stadium taxes in FY02 are estimated to be 7.064% of state sales tax revenues. Thus, the local revenue loss from this bill is estimated to be \$875,000 (\$12.4 million X 7.064%).

The Department would incur one-time costs of \$60,000 to inform retailers of the change.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	2/5/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-1156/2

Admin. Rule #

INTRODUCTION # AB 15

Subject

Sales and Use Tax Treatment of Purchases Made with Manufacturers' Rebate

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

+\$60,000 GPR-Exp

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	\$	\$ - 12.4 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 12.4 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUES	\$ -12.4 million	\$ -875,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Yeang-Eng Braun (608) 266-2700	<i>Yeang Eng Braun</i> 2/5/01

2001 - 2002 LEGISLATURE

LRB-1156/2

JK:kmg:pg

Imk

1092/P1
R/mstr R

2001 ASSEMBLY BILL 15

in 12-2-04

D-N

January 16, 2001 - Introduced by Representatives M. LEHMAN, SYKORA, WOOD, ZIEGELBAUER, VRAKAS, WADE, AINSWORTH, BOCK, RHOADES, HUEBSCH, BLACK, KREIBICH, LEIBHAM, OLSEN, MUSSER, KEDZIE, GRONEMUS, GROTHMAN, PETROWSKI, WASSERMAN, F. LASEE and OWENS, cosponsored by Senators S. FITZGERALD, DARLING and BAUMGART. Referred to Committee on Ways and Means.

LPS:Pls PwF

Reben

- 1 AN ACT *to amend* 77.51 (4) (b) 1. and 77.51 (15) (b) 1. of the statutes; **relating**
- 2 **to:** the sales tax and the use tax on purchases made with a manufacturer's
- 3 rebate. ✓

Analysis by the Legislative Reference Bureau

percent
Under current law, the state imposes a sales tax on all retailers at the rate of 5% of the gross receipts from the sale of tangible personal property. The retailer generally passes the sales tax on to the consumer. The state also imposes a use tax on all consumers, at the rate of 5% of the sales price for the use or storage of tangible personal property in this state that the consumer either purchases from out-of-state retailers or purchases without paying the appropriate sales tax. Under current law, when a consumer either purchases tangible personal property that qualifies for a manufacturer's rebate, the consumer pays either a sales tax or a use tax on the original price of the tangible personal property rather than on the price as reduced by the manufacturer's rebate. ✓

Under this bill, when a consumer purchases tangible personal property that qualifies for a manufacturer's rebate, the consumer pays either a sales tax or a use tax on the price of the tangible personal property as reduced by the manufacturer's rebate rather than on the original price. ✓

**ASSEMBLY AMENDMENT 1,
TO 2001 ASSEMBLY BILL 15**

May 23, 2001 - Offered by COMMITTEE ON WAYS AND MEANS.

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 2, line 3: delete the material beginning with "to the retailer" and
3 ending with "sale" on line 4 and substitute "by the buyer of the item".

4 **2.** Page 2, line 7: delete "to the retailer of the item at the time of sale" and
5 substitute "by the buyer of the item".

6 **3.** Page 2, line 8: after that line insert:

7 ~~SECTION 2m.~~ **Initial applicability.** ✓

8 (1) MANUFACTURERS' REBATES. This act first applies to sales on the effective date
9 of this subsection. ✓

10 **4.** Page 2, line 10: delete "July 1, 2001" and substitute "on the 7th day
11 beginning after publication."

12 (END)

INSERT 2-8

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1092/P1dn
JK:lmk

(date)

Representative Schneider:

- This draft is based on 2001 Assembly Bill 15, as amended by Assembly Amendment
- * 1. The fiscal estimate on 2001 AB-15 indicated that the state revenue loss would be approximately \$12,400,000 and the local revenue loss (from county and stadium taxes) would be approximately \$875,000. Please note, however, that the estimate was based solely on rebates paid to motor vehicle dealers by manufacturers because information about rebates on other products was not available to DOR. ✓ I am sending a copy of the
 - * fiscal estimate on 2001 AB-15 along with this note and the bill draft. Please contact me if you have any questions. ✓

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.state.wi.us

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1092/P1dn
JK:lmk:rs

December 6, 2004

Representative Schneider:

This draft is based on 2001 Assembly Bill 15, as amended by Assembly Amendment 1. The fiscal estimate on 2001 AB-15 indicated that the state revenue loss would be approximately \$12,400,000 and the local revenue loss (from county and stadium taxes) would be approximately \$875,000. Please note, however, that the estimate was based solely on rebates paid to motor vehicle dealers by manufacturers because information about rebates on other products was not available to DOR. I am sending a copy of the fiscal estimate on 2001 AB-15 along with this note and the bill draft. Please contact me if you have any questions.

Joseph T. Kreye
Legislative Attorney
Phone: (608) 266-2263
E-mail: joseph.kreye@legis.state.wi.us

Kreye, Joseph

From: Basford, Sarah
Sent: Monday, December 13, 2004 7:39 AM
To: Kreye, Joseph
Subject: FW: Draft review: LRB 05-1092/P1 Topic: Sales and use tax on purchases made with a manufacturer's rebate

-----Original Message-----

From: Schneider, Marlin
Sent: Saturday, December 11, 2004 5:18 AM
To: Basford, Sarah
Subject: RE: Draft review: LRB 05-1092/P1 Topic: Sales and use tax on purchases made with a manufacturer's rebate

Will you have the drafter redraft this bill and exempt automobiles from the proposal. They don't require all the Mickey Mouse of the Best Buy and others type rebates that I am trying to get at. – Marlin Schneider

-----Original Message-----

From: Basford, Sarah
Sent: Monday, December 06, 2004 12:26 PM
To: Rep.Schneider
Subject: Draft review: LRB 05-1092/P1 Topic: Sales and use tax on purchases made with a manufacturer's rebate

Following is the PDF version of draft LRB 05-1092/P1 and drafter's note.

Barman, Mike

From: Schneider, Marlin
Sent: Tuesday, December 14, 2004 12:04 PM
To: LRB.Legal
Subject: Draft review: LRB 05-1092/1 Topic: Sales and use tax on purchases made with a manufacturer's rebate

It has been requested by <Schneider, Marlin> that the following draft be jacketed for the ASSEMBLY:

Draft review: LRB 05-1092/1 Topic: Sales and use tax on purchases made with a manufacturer's rebate