

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2255/1	Introduction Number AB-336
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Subject
 Sales tax imposed on services provided by a temporary help company

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Decrease Existing Appropriations
 Decrease Existing Revenues
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget
 Yes No
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Stadium districts</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By DOR/ Rebecca Boldt (608) 266-6785	Authorized Signature Dennis Collier (608) 266-5773	Date 4/22/2005
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Fiscal Estimate Narratives

DOR 4/22/2005

LRB Number	05-2255/1	Introduction Number	AB-336	Estimate Type	Original
Subject					
Sales tax imposed on services provided by a temporary help company					

Assumptions Used in Arriving at Fiscal Estimate

Current law specifies the services that are subject to sales and use tax. Taxable services include, but are not limited to, telephone answering services; laundry and dry cleaning services; photographic and film processing services; and the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance of tangible personal property.

Under the bill, charges for services provided by a temporary help company, as defined under s. 108.02 (24m), would not be subject to sales or use tax, if the client for whom the services are provided controls the means of performing the services and is responsible for the satisfactory completion of the services.

According to the Department of Workforce Development, temporary help companies under s. 108.02 (24m) are companies the U.S. Census classifies as temporary help services under NAICS 561320. According to the U.S. Census, nationwide sales of temporary help services (NAICS 561320) peaked at \$74 billion in 2000 before falling 14% to \$64 billion in 2001. Since sales had increased to only \$65 billion in 2003, sales are assumed to increase at 0.9% per year, the average growth rate from 2001 to 2003.

According to the 1997 Economic Census, Wisconsin accounted for 1.6% of total sales of temporary help services and it is assumed this percentage has not changed. Based on American Staffing Association statistics, an estimated 8% of sales of temporary help services are subject to sales tax. Assuming this same percentage applies in Wisconsin, and assuming a 95% compliance rate, state sales and use taxes would decrease by about \$4.1 million in FY06 and \$4.2 million in FY07 under the bill.

County and stadium district sales and use taxes were about 7.75% of state sales and use taxes in 2004. Assuming this percentage does not change, local sales and use taxes would decrease by \$0.3 million in FY06 and \$0.3 million in FY07 under the bill.

Administrative costs of the bill would be absorbed by the department.

Long-Range Fiscal Implications

To the extent that service providers restructure to fall within the definition under the bill, the revenue loss of the bill would be higher.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
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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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
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		\$	\$-4,100,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-4,100,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-4,100,000	\$-300,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Rebecca Boldt (608) 266-6785		Dennis Collier (608) 266-5773	4/22/2005