

### Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-0820/2</b>	<b>Introduction Number</b> <b>AB-346</b>
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**Subject**  
 Sales and use tax exemption on tangible personal property used in the business of farming

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Appropriations	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Create New Appropriations			<input type="checkbox"/> Decrease Costs

**Local:**

<input type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate	<b>5. Types of Local Government Units Affected</b>	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns	<input type="checkbox"/> Village
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Counties	<input checked="" type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory		<input type="checkbox"/> <u>Baseball &amp; football districts</u>

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

<b>Agency/Prepared By</b> DOR/ Blair Kruger (608) 266-1310	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 1/27/2005
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## Fiscal Estimate Narratives

DOR 4/22/2005

LRB Number	<b>05-0820/2</b>	Introduction Number	<b>AB-346</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Sales and use tax exemption on tangible personal property used in the business of farming					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, most of the inputs used exclusively and directly in the business of farming are specifically exempt from sales and use tax. The bill expands the sales and use tax exemption to include sales of non-powered equipment and other tangible personal property used exclusively and directly in the business of farming.

The bill also extends the exemption to the sale of these items used in husbandry activities and aquaculture. To the extent that farming is currently defined to include the breeding of many types of farm animals and the commercial raising of fish for food, it is assumed that these changes will have no effect on current law.

Non-powered equipment that is currently taxable that would be exempt under the bill includes items such as calf stalls, cattle chutes, cow mats, and non-powered waterers. Other personal property that is currently taxable that would be exempt under the bill includes bovine growth hormones, hormone growth stimulants and vitamins.

According to the US Department of Agriculture Census of Agriculture, Wisconsin farmers spent about \$553.1 million and \$519.6 million on miscellaneous farm expenses in 1997 and 2002, respectively. This 6% decrease in expenditures over 5 years appears to be due to the loss of farms in the state. Since losses of farms may continue to offset increases in miscellaneous farm expenses, at least to some degree, miscellaneous farm expenditures are assumed to remain constant.

Based on cost studies by the Center for Dairy Profitability, University of Wisconsin-Madison, it is assumed that 15% of miscellaneous supplies or \$77.9 million are expenses that are currently taxable that would be exempt under the bill. Assuming a 95% compliance rate, exempting these supplies would reduce sales tax revenue by an estimated \$3.7 million ( $\$77.9 \text{ million} \times 95\% \times 5\%$ ) per year.

County and stadium sales taxes were about 5.8% of state sales tax in FY04, excluding Milwaukee County. Since Milwaukee County has virtually no agriculture, Milwaukee's share of county and baseball stadium taxes was excluded. Assuming this percentage is constant, the annual revenue loss to local governments would be about \$200,000.

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

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Subject</b>		
Sales and use tax exemption on tangible personal property used in the business of farming		
<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	\$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</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, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-3,700,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-3,700,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-3,700,000	\$-200,000
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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