

## Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-1092/1</b>	<b>Introduction Number</b> <b>AB-371</b>
<b>Subject</b>	
Sales and use tax on purchases made with a manufacturer's rebate	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues
<input type="checkbox"/> Decrease Existing Appropriations	<input checked="" type="checkbox"/> Decrease Existing Revenues
<input type="checkbox"/> Create New Appropriations	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Decrease Costs
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory
<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Towns	<input type="checkbox"/> Village
<input checked="" type="checkbox"/> Counties	<input checked="" type="checkbox"/> Others
<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
	<input type="checkbox"/> Cities Stadium districts
<b>Fund Sources Affected</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>Affected Ch. 20 Appropriations</b>
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
DOR/ Blair Kruger (608) 266-1310	Rebecca Boldt (608) 266-6785
	<b>Date</b>
	5/16/2005

## Fiscal Estimate Narratives

DOR 5/16/2005

LRB Number	05-1092/1	Introduction Number	AB-371	Estimate Type	Original
<b>Subject</b>					
Sales and use tax on purchases made with a manufacturer's rebate					

### Assumptions Used in Arriving at Fiscal Estimate

The bill would exempt from sales tax the amount paid by the manufacturer of an item of tangible personal property that reduces the amount the buyer pays for the item. The bill would not apply to motor vehicle purchases. The bill would take effect on the 7th day after publication.

Under current law, payments by manufacturers to retailers are taxable because they are part of the retailer's gross receipts. Manufacturers use payments, such as coupons and rebates, to encourage sales of a variety of products, including durable and nondurable consumer goods, clothing, building materials, garden supplies, computers, electronics, furniture and home furnishings.

Mail-in manufacturers rebates for purchases of computers, cellular telephones, electronic equipment and other relatively expensive items have become common in recent years. The estimate assumes the bill would not apply to mail-in rebates because mail-in rebates are transactions between the manufacturer and the consumer. A mail-in rebate does not involve the seller (i.e., the taxpayer) or the amount the buyer pays to the seller.

According to the Association for Coupon Professionals, nationwide, consumers redeemed a total of about \$3.0 billion (3.9 billion coupons x \$0.77 each) of manufacturers coupons in 2001. NCH Marketing Services estimates nationwide redemptions of manufacturers coupons at \$3.3 billion (4.0 billion coupons x \$0.83 each) in 2001. Assuming Wisconsin consumers redeemed 1.83%, the state's share of disposable personal income, of the average of the two amounts, \$3.15 billion, Wisconsin coupon redemptions would have been about \$58 million (1.83% x \$3.15 billion). Assuming 50% of items purchased with coupons are taxable, state sales taxes on those items would have been about \$1.4 million in 2001. Further assuming coupon redemptions increase at the same rate as total consumption expenditures and a 90% compliance rate, state sales taxes would decrease by about \$1.6 million in FY06 and \$1.7 million in FY07.

County and stadium districts sales and use taxes were about 7.72% of state sales and use taxes in FY04. Assuming this percentage does not change, county and stadium sales taxes would decrease by about \$0.1 million in FY06 and \$0.1 million in FY07.

Administrative costs of the bill would be minimal and 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>LRB Number</b> 05-1092/1	<b>Introduction Number</b> AB-371	
<b>Subject</b>		
Sales and use tax on purchases made with a manufacturer's rebate		
<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>
<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	\$	\$-1,600,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-1,600,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-1,600,000	\$-100,000
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		
<b>Date</b>		
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