

Fiscal Estimate - 2005 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 05-0407/1		Introduction Number SB-163	
Subject Property tax exemption for restaurant kitchen equipment			
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations</div><div style="width: 50%;"><input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues</div><div style="width: 50%;"><input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs</div></div> Local: <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><div>1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue</div><div><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div>2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue</div><div><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div></div><div style="width: 50%;">5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"><div style="width: 50%;"><input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 50%;"><input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div style="width: 50%;"><input type="checkbox"/> Cities</div></div></div></div>			

Fiscal Estimate Narratives
DOR 4/22/2005

LRB Number	05-0407/1	Introduction Number	SB-163	Estimate Type	Original
Subject					
Property tax exemption for restaurant kitchen equipment					

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts machinery and equipment used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages, regardless of whether the machinery or equipment is attached to real property.

The Wisconsin Restaurant Association forecasts Wisconsin restaurant sales at about \$6.1 billion in 2005. According to the University of Wisconsin Extension's restaurant industry sales ratios, property taxes average about 1% of annual restaurant sales. Thus, Wisconsin restaurants' total property taxes are estimated at \$61 million (\$6.1 billion x 1%).

Property owners report personal property by "furniture, fixtures, and equipment" (FFE) which is about 7% of total property taxes. Assuming 2/3 of the value of FFE reported by restaurants is kitchen machinery and equipment, about \$2.8 million (\$61 million x 7% x 2/3) of restaurant kitchen machinery and equipment would be exempted under the bill. Thus, the bill would shift about \$2.8 million in property taxes from owners of restaurant machinery and equipment to other owners of taxable property.

Based on the 2003/04 statewide average net effective property tax rate of \$20.01 per \$1,000 of full value, the bill would exempt restaurant machinery and equipment valued at approximately \$142 million (\$2.8 million/0.02001) statewide. Thus, state forestry taxes would decrease by about \$28,000 (\$142 million x 0.0002) per year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Property tax exemption for restaurant kitchen equipment			
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, ets.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S		-28,000	
TOTAL State Revenues	\$	\$-28,000	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-28,000	\$	
Agency/Prepared By		Authorized Signature	Date
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