



## Fiscal Estimate Narratives

DOR 10/10/2005

LRB Number	05-3464/1	Introduction Number	SB-333	Estimate Type	Original
<b>Subject</b>					
Sales tax holiday					

### Assumptions Used in Arriving at Fiscal Estimate

Under the bill, each year for the three-day period from the first Friday in August through the following Sunday, sales of the following goods would be exempt from the 5% state sales and use tax:

1. Clothing, clothing accessories, and footwear.
2. School supplies.
3. Computers and printers.

The exemption would not apply to sales of jewelry, cosmetics, eyewear, wallets, watches, furniture, or items that are placed on layaway or similar deferred-payment plans. In addition, the exemption would not apply to the sale, lease or rental of any item for use in a trade or business, or the lease or rental of clothing or footwear. Also, the exemption would not apply to county, baseball district or football district sales taxes.

The bill requires the Department of Revenue to publish a list of goods exempt under the bill on or before July 10 of each year. Finally, the bill specifies that the first sales tax holiday would begin the first Friday in August 2006 (FY07).

North Carolina and South Carolina have sales tax holidays in early August during which sales of clothing, computers and school supplies are exempt. Thus, in terms of goods exempted and time of year, North Carolina and South Carolina's sales tax holidays are similar to the sales tax holiday under the bill. However, North Carolina's holiday includes sporting goods up to \$50 per item and has caps as to the maximum sales price to which the holiday applies (i.e., clothing up to \$100 per item and computers up to \$3,500 per item); in contrast, South Carolina's holiday does not have caps on sales prices.

The average expenditure per capita on goods subject to the sales tax holiday was \$14.43 in North Carolina for FY01 and FY02 and \$12.06 in South Carolina for FY01 through FY03. Based on the average of the Department of Administration's population forecasts for 2005 and 2010 (5,657,683), a 95% compliance rate, and assuming Wisconsin expenditures per capita on goods subject to the holiday is the average of expenditures in North and South Carolina (\$13.25), state sales taxes would decrease by about \$3.6 million ( $5,657,683 \times .95 \times \$13.25 \times .05$ ) in FY07 under the bill.

The department would incur administrative costs for education and taxpayer assistance under the bill. The department would have to produce a publication explaining the sales tax holiday along with a notice that would be mailed to about 175,000 registered retailers. Printing, postage and mailing costs would be about \$61,200. In addition, the bill would require 1.0 FTE additional auditor at a total cost of \$68,500. Total administrative costs would be \$129,700 annually.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 05-3464/1		<b>Introduction Number</b> SB-333	
<b>Subject</b>			
Sales tax holiday			
<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	\$68,500		
(FTE Position Changes)			
State Operations - Other Costs	61,200		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$129,700</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	129,700		
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	\$	\$-3,600,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-3,600,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$129,700	\$	
NET CHANGE IN REVENUE	\$-3,600,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Blair Kruger (608) 266-1310		Paul Ziegler (608) 266-5773	10/7/2005