

Fiscal Estimate Narratives

DOR 11/5/2007

LRB Number	07-3184/1	Introduction Number	AB-0559	Estimate Type	Original
Description An income and franchise tax credit for sales tax paid for the right to purchase season admission to athletic events sponsored by an institution of higher education					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, sales of admissions to amusement, athletic, and entertainment events or places are subject to sales and use tax.

The bill creates a non-refundable income and franchise tax credit in the amount of the state sales or use tax paid on purchases of "rights to purchase" season admissions to athletic events sponsored by certain institutions of higher education that take place at a facility owned or leased by the institution. Unused credits may be carried forward for 15 years. The credit under the bill may be first claimed for eligible purchases in the taxable year beginning January 1, 2008.

"Right to purchase" is an amount paid to the institution in excess of the face value of a season ticket and, essentially, is a surcharge or premium added to the price of a season ticket. The credit would not apply to county or stadium sales and use tax paid on the purchase of a right to purchase.

The University of Wisconsin-Madison (UW) requires the purchase of a right to purchase as a condition of buying some season tickets for football, men's and women's basketball, and men's hockey. Marquette University requires the purchase of a right to purchase as a condition of buying season tickets for men's basketball.

According to UW, a right to purchase a season ticket costs \$100-\$250 for football, \$50-\$150 for men's basketball, \$25 for women's basketball, and \$25-50 for men's hockey. Also according to UW, sales of rights total \$6.1 million annually. Marquette University has a rights-to-purchase program for men's basketball, charging from \$50-150 per season ticket, producing an estimated \$0.4 million per year. Statewide total sales of rights to purchase season tickets are \$6.5 million (\$6.1 mil. + \$0.4 mil.) annually. State sales taxes on sales of rights to purchase are \$0.3 million (\$6.5 mil. x 5%). Assuming 100% of purchasers claim the new credit, state tax revenues would decrease by about \$0.3 million under the bill. Since the credit under the bill would first apply to purchases in tax year 2008, the decrease in state tax revenues would first occur in FY09.

Administrative costs of the bill would be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description An income and franchise tax credit for sales tax paid for the right to purchase season admission to athletic events sponsored by an institution of higher education			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$0 in FY08			
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	\$		\$-300,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-300,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-300,000	\$
Agency/Prepared By		Authorized Signature	Date
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