

Fiscal Estimate Narratives
DOR 6/20/2007

LRB Number 07-1024/1	Introduction Number SB-205	Estimate Type Original
Description A sales tax and use tax exemption for nonprescription drugs		

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from sales and use tax nonprescription drugs that are for human consumption only, prepackaged for use by consumers, and labeled in accordance with the requirements of state and federal law. The exemption would take effect the first day of the second month after publication.

According to the Kline and Company report, "Nonprescription Drugs USA 2005", nationwide retail sales of nonprescription drugs were about \$15.951 billion in 2005. Also according to Kline, sales of nonprescription drugs are increasing at about 2.4% per year, primarily due to the reclassification of prescription drugs as nonprescription drugs. A table showing the categories of nonprescription drugs on which the fiscal estimate is based is attached.

Assuming the percentage share of nonprescription drugs purchased by Wisconsin consumers is the same as Wisconsin's share of disposable personal income, sales of nonprescription drugs in Wisconsin were \$298 million in 2005. Assuming an annual 2.4% increase, Wisconsin sales would be \$317 million in FY08 and \$324 million in FY09. Assuming the sales tax exemption under the bill takes effect January 1, 2008 and a 95% compliance rate, sales and use taxes would decrease by about \$7.5 million in FY08 and \$15.4 million in FY09 under the bill.

County and stadium sales taxes were about 7.64% of state sales taxes in FY06; it is assumed this percentage remains constant. Assuming an effective date of January 1, 2008 and a one-month lag from the month of sale to the month of distribution, the decrease under the bill would first affect the February 2008 distribution of county and stadium sales taxes. Under the above assumptions, county and stadium sales taxes would decrease by about \$0.5 million in FY08 and about \$1.2 million in FY09.

The Department's costs to administer the bill are minimal and would be absorbed.

Long-Range Fiscal Implications

CATEGORIES OF NONPRESCRIPTION DRUGS

ALLERGY, ASTHMA AND SINUS PRODUCTS

- Allergy relief products
- Asthma medications
- Sinus medications

COUGH AND COLD PREPARATIONS

- Cold medications
- Cough drops and lozenges
- Cough syrups
- Nasal decongestants
- Sore throat remedies
- Topical vapor products

DIGESTIVE PRODUCTS

- Antacids and anti-gas products
- Antidiarrheal preparations
- Antinausea preparations
- Laxatives

FEMININE PRODUCTS

- Contraceptive products
- Feminine deodorants and itching remedies
- Feminine yeast infection remedies
- Personal lubricants

INTERNAL ANALGESICS

- Arthritis pain relievers
- General pain relievers
- Menstrual relief products

NUTRITIONAL PRODUCTS

- Herbal products
- Vitamins and minerals

TOPICAL PRODUCTS

- Anti-itch products
- Corn, callus and wart removers
- Diaper rash products
- Eye care products
- First aid products
- Fungicidal preparations
- Hair regrowth treatments
- Hemorrhoidal preparations
- Oral care products
- Topical analgesics

OTHER PRODUCTS

- Home diagnostic test kits
- Sleeping aids
- Smoking cessation aids

From Kline and Company, Inc., "Nonprescription Drugs USA 2006", Table 1 (brochure).

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description A sales tax and use tax exemption for nonprescription drugs			
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	\$	\$-15,400,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-15,400,000	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-15,400,000	\$-1,200,000	
Agency/Prepared By			
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			Date
			6/20/2007