

Fiscal Estimate - 2011 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-4184/1	Introduction Number SB-527
Description Sales and property tax exemptions for property used by commercial radio and television stations	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <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	
5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Stadium Districts</u> <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Agency/Prepared By DOR/ Robert Schmidt (608) 267-9892	Authorized Signature Paul Ziegler (608) 266-5773
Date 2/29/2012	

Fiscal Estimate Narratives

DOR 2/29/2012

LRB Number	11-4184/1	Introduction Number	SB-527	Estimate Type	Original
Description Sales and property tax exemptions for property used by commercial radio and television stations					

Assumptions Used in Arriving at Fiscal Estimate

Sales and Use Tax Exemption:

Under current law, tangible personal property is subject to sales and use tax unless specifically exempted. Current law provides an exemption for listening and viewing materials sold to movie theaters, radio stations, and television stations.

The bill provides a sales and use tax exemption for the sale of tangible personal property to a person with a license to operate a commercial television or radio station in Wisconsin, if the tangible personal property, including fuel and electricity, is used in the origination or integration of various sources of program material for commercial radio or television transmissions that are free to receive. The proposal specifies that the exemption would cover vehicles licensed for highway use and equipment used to transmit or receive signals from a satellite.

According to the US Census Bureau's Service Annual Survey, expenditures by US radio and television stations totaled \$36.3 billion in 2009. This amount includes \$929 million for materials, equipment, electricity, and software. The Service Annual Survey reports radio and television station "other expenditures" at \$6.4 billion. According to the 2007 Economic Census, sales by Wisconsin radio and television stations represented 1.20% of US sales by radio and television stations. Assuming that Wisconsin's share of expenditures by radio station is the same as Wisconsin's share of radio and television station sales and that 50% of "other expenditures" by radio and television stations are for taxable tangible property, annual purchases of taxable tangible personal property by commercial radio and television stations in Wisconsin are estimated at \$49.5 million.

It is estimated that state sales and use tax collections will decrease under the bill by \$2.5 million annually (\$49.5 million X 5.0%). County and stadium sales taxes were 8.2% of state sales tax revenues in FY11. Assuming this percentage does not change, county and stadium district sales taxes will decrease by about \$200,000.

Property Tax Exemption:

Under current law, digital broadcasting equipment owned and used by a radio station or a television station is exempt from property taxes.

Under the bill, real and personal property used by a commercial radio station or by a commercial television station to originate program material or integrate program material for transmission that are free to receive would be exempt from property taxation. For purposes of this estimate, it is assumed that the exemption would generally apply to studios, newsrooms, satellite transmitters and receivers, and vehicles for off-site reporting. It is also assumed that the exemption would not apply to those parts of the property used for administrative purposes such as accounting and personnel.

The Department of Revenue (DOR) does not assess radio or television stations, and is therefore unable to give a precise estimate of the amount of property that the bill could exempt. However, based on local assessed value data for a sample of radio and television stations, it is estimated that the value of the property that could become exempt under the bill is from \$50 million to \$100 million. At a statewide average net tax rate for the 2011/12 property tax year of \$19.50 per \$1,000 equalized value, the bill could shift approximately \$1.0 million to \$2.0 million in property taxes from the affected radio and television stations to other taxable property. The State of Wisconsin imposes a forestation property tax at a rate of about \$0.1697 per \$1,000 equalized value. The bill could reduce this tax by

\$8,000 to \$17,000 per year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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Description Sales and property tax exemptions for property used by commercial radio and television stations			
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	\$		\$-2,500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			-13,000
TOTAL State Revenues	\$		\$-2,513,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-2,513,000		-\$200,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Robert Schmidt (608) 267-9892		Paul Ziegler (608) 266-5773	2/29/2012