

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-2687/1	Introduction Number SB-443
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Description
 Sales tax imposed on ecosystem restoration services

Fiscal Effect

State:

<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	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	<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
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Local:

<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <input type="checkbox"/> Baseball District <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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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 type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 12/14/2015

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Description Sales tax imposed on ecosystem restoration services					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the sale of landscaping and lawn maintenance services are subject to sales tax. Landscaping includes landscape planning and counseling; lawn and garden service such as planting, mowing, spraying, and fertilizing; and shrub and tree services.

The bill would exclude from taxable services the restoration of landscapes of 10 or more contiguous acres, using native plants in order to improve land, soil or water quality, or to improve biodiversity or other ecosystem functions. The exclusion would not apply to such work performed at a golf course.

Under the bill, a service provider would be liable for tax on its purchase of tangible personal property transferred to the customer in providing the service. In effect, the fiscal effect is the net revenue loss resulting from the shift in the sales tax liability from the final service price to the purchase price of materials provided to the customer.

Based on a list of restoration consultants compiled by the Wisconsin Department of Natural Resources and Department of Revenue records, taxable sales from environmental restoration firms totaled \$6.9 million in FY15. Assuming service providers' expenditures on materials that are transferred to customers represent 1/3 of sales amount, the net sales amount subject to the exclusion under the bill would be \$4.6 million.

Based on these assumptions, the department estimates sales tax revenue will decrease by about \$230,000 ($\$4.6 \text{ million} * .05\%$) on an annual basis. Local (county and baseball district) sales taxes were 7.2% of state sales tax revenues in FY15. Assuming this percentage does not change, local sales taxes will decrease by about \$17,000 ($\$230,000 * 7.2\%$) per year.

The department does not have information regarding project details related to landscape restoration. Therefore, the fiscal estimate may be smaller to the extent that the services fall outside the scope of the exclusion.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Sales tax imposed on ecosystem restoration services			
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	\$		\$-230,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-230,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-230,000		-\$17,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Travis Arthur (608) 266-8565		Robert Schmidt (608) 266-5773	12/14/2015