

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-2267/1	Introduction Number SB-120						
Description a sales and use tax exemption for building materials that become a part of a facility for a technical college district or for the University of Wisconsin							
Fiscal Effect							
<p>State:</p> <p> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations </p> <p style="text-align: right;"> <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 </p> <p>Local:</p> <p> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate </p> <table style="width: 100%;"> <tr> <td style="width: 33%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </td> <td style="width: 33%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </td> <td style="width: 33%;"> 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 <u>Baseball District</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </td> </tr> <tr> <td> 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </td> <td> 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory </td> <td></td> </tr> </table>		1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input 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 <u>Baseball District</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
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<p>Fund Sources Affected Affected Ch. 20 Appropriations</p> <p> <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 </p>							
Agency/Prepared By	Authorized Signature	Date					
DOR/ Travis Arthur (608) 266-8565	Robert Schmidt (608) 266-5773	3/30/2017					

Fiscal Estimate Narratives

DOR 3/30/2017

LRB Number	17-2267/1	Introduction Number	SB-120	Estimate Type	Original
Description a sales and use tax exemption for building materials that become a part of a facility for a technical college district or for the University of Wisconsin					

Assumptions Used in Arriving at Fiscal Estimate

Current law provides that the sale of tangible personal property that becomes a component of a facility in this state that is owned by a county, municipality, school district, or nonprofit organization is exempt from the sales tax and the use tax. The exemption applies to tangible personal property purchased by a construction contractor who transfers the property to the county, municipality, school district, or nonprofit organization as part of constructing the facility. This bill expands the exemption to tangible personal property transferred from a contractor to a technical college district, to any institution or campus in the University of Wisconsin System, or to the University of Wisconsin-Extension.

UW System:

The Governor's 2017-19 capital budget recommendations included \$128.3 million in UW capital expenditures and a recommendation that \$159.6 million of UW projects be included in the all-agency projects program. According to the 2012 Economic Census, the cost of materials is approximately 30% of the total cost of construction. Assuming this percentage stays constant and further assuming the approval of \$287.9 million in UW capital expenditures, the department estimates the cost of materials to be \$86.4 million for the biennium or \$43.2 million per year.

Fiscal Effect:

It is estimated that state sales and use tax collections will decrease under the bill by about \$2.2 million (\$43.2 million * 5%) on an annual basis. The fiscal effect could be larger/smaller to the extent that UW construction expenditures differ from the Governor's capital budget recommendation.

Wisconsin Technical Colleges:

According to the Wisconsin Technical College System Office, districts spent about \$92 million on construction projects in FY16. Assuming this level of spending remains constant, the department estimates the cost of materials to be \$27.5 million (\$92 million * 30%) on an annual basis.

Fiscal Effect:

Based on information gathered from several Wisconsin technical colleges, the department estimates direct-owner purchases (exempt from sales tax), as a share of construction materials spending, to be 75%. It is estimated that state sales and use tax collections will decrease under the bill by about \$345,000 (\$27.5 million * 25% * 5%) on an annual basis.

Total Revenue Impact:

The department estimates that state sales and use tax collections will decrease under the bill by about \$2.5 million on an annual basis. County and baseball district sales taxes were 7.7% of state sales tax revenues in FY16. Assuming this percentage does not change, county and stadium district sales taxes will decrease by approximately \$196,000 per year.

Construction costs for UW and technical college projects may decrease to the extent contractors pass tax savings to their customers.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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Description a sales and use tax exemption for building materials that become a part of a facility for a technical college district or for the University of Wisconsin		
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, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-2,500,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-2,500,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-2,500,000	-\$196,000
Agency/Prepared By		
Authorized Signature		Date
DOR/ Travis Arthur (608) 266-8565		Robert Schmidt (608) 266-5773
		3/30/2017