

### Fiscal Estimate - 2019 Session

Original <sup>#2</sup>
     
  Updated
     
  Corrected
     
  Supplemental

<b>LRB Number</b> <b>19-2402/1</b>	<b>Introduction Number</b> <b>SB-351</b>
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**Description**  
 a sales tax exemption for tangible personal property temporarily stored in this state

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

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

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<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	

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Travis Arthur (608) 266-8565	Jamie Adams (608) 266-6785	8/21/2019

## Fiscal Estimate Narratives

DOR 8/21/2019

LRB Number	19-2402/1	Introduction Number	SB-351	Estimate Type	Original
<b>Description</b> a sales tax exemption for tangible personal property temporarily stored in this state					

### Assumptions Used in Arriving at Fiscal Estimate

Under the bill, a sales and use tax exemption applies to the sale of tangible personal property that is temporarily stored in Wisconsin, if the property is to be used in a construction activity that occurs solely outside of this state at a nonprofit organization, a public school district, or a business district where business tax incentives have been granted. The exemption applies to property that is altered by converting, fabricating, manufacturing, printing, processing, or shaping before its use outside of this state.

Under current law, sales tax liability generally occurs at the delivery location or where the purchaser receives the product. Typically, the sale of tangible personal property delivered into another state would not be subject to Wisconsin sales tax. For example, if building materials manufactured in Wisconsin are delivered to a jobsite in Minnesota by the seller, the transaction would be subject to tax in Minnesota, not Wisconsin.

It is not possible for the department to track tax incentives for all the states that impose a sales tax and the department does not have records indicating the volume of tangible personal property used outside of Wisconsin, therefore, the overall fiscal effect is indeterminate. The following estimate is for illustrative purposes.

Based on Census data, the department estimates 9.2% of construction work by WI construction companies occurs outside of Wisconsin. In addition, the department estimates the cost of materials as a share of total construction to be about 30% based on information from the economic census.

Using department data, the share of property value belonging to tax exempt entities is estimated to be 5.7%. Based on Census data, approximately 23% of construction spending is for state and local government projects.

Based on Census data and assuming 5.5% annual growth, the department estimates the value of total construction to be about \$38.6 billion in 2020. Assuming 60% is for non-residential construction, the department estimates sales tax collections to decrease by no more than \$9.1 million ( $\$38.6 \text{ billion} * 60\% * 9.2\% * 30\% * 28.7\% * 5\%$ ) under the bill. Further assuming 10% of such building materials are stored in the state for less than 120 days (90% being stored for longer than that or being delivered to the other state), the fiscal effect would be \$917,000. The actual effect is likely to be lower as many contractors currently (and would continue) to have building materials delivered to the out-of-state jobsite and avoid Wisconsin sales tax, also the department does not have information on the amount of building materials that would typically be purchased in WI versus the state in which the construction activity occurs.

In FY18, Wisconsin's county and baseball stadium district sales tax collections were approximately 8.0% of state sales tax collections. Assuming that this percentage will remain unchanged, Wisconsin local sales taxes would be reduced by \$73,000 annually.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> a sales tax exemption for tangible personal property temporarily stored in this state		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$see text
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