

### Fiscal Estimate - 2023 Session

Original     
  Updated     
  Corrected     
  Supplemental

|  |  |                         |
|--|--|-------------------------|
| <b>LRB Number</b> <b>23-1973/1</b>   | <b>Introduction Number</b> <b>SB-0268</b>                    |                         |
| <b>Description</b><br>Department of Revenue enforcement and providing a penalty  |  |                         |
| <b>Fiscal Effect</b>   |  |                         |
| <b>State:</b><br><input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate<br><div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations<br/> <input type="checkbox"/> Decrease Existing Appropriations<br/> <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Existing Revenues<br/> <input checked="" type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br/> <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No<br/> <input type="checkbox"/> Decrease Costs                 </div> </div>  |  |                         |
| <b>Local:</b><br><input type="checkbox"/> No Local Government Costs<br><input type="checkbox"/> Indeterminate<br><div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">                     1. <input type="checkbox"/> Increase Costs<br/>                        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br/>                     2. <input type="checkbox"/> Decrease Costs<br/>                        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;">                     3. <input type="checkbox"/> Increase Revenue<br/>                        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br/>                     4. <input type="checkbox"/> Decrease Revenue<br/>                        <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                 </div> <div style="width: 30%;">                     5. Types of Local Government Units Affected<br/> <input type="checkbox"/> Towns    <input type="checkbox"/> Village    <input type="checkbox"/> Cities<br/> <input type="checkbox"/> Counties   <input type="checkbox"/> Others<br/> <input type="checkbox"/> School Districts   <input type="checkbox"/> WTCS Districts                 </div> </div> |  |                         |
| <b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b><br><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><br>DOR/ Momodou Bah (608) 266-8133   | <b>Authorized Signature</b><br>Cari Redington (608) 266-2943 | <b>Date</b><br>5/9/2023 |

## Fiscal Estimate Narratives

DOR 5/9/2023

|   |           |                     |         |               |          |
|---|-----------|---------------------|---------|---------------|----------|
| LRB Number  | 23-1973/1 | Introduction Number | SB-0268 | Estimate Type | Original |
| <b>Description</b><br>Department of Revenue enforcement and providing a penalty |           |                     |         |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

The bill makes various changes to current law regarding the Department of Revenue's enforcement and administration of the laws under its purview.

License to sell cigarettes or tobacco products: This will result in greater cigarette and tobacco products tax compliance. The department estimates that this will result in a minimal, but indeterminate, increase in revenues.

License to sell electronic vaping devices: This will result in greater compliance and will result in a minimal, but indeterminate, increase in revenues.

Definition of fermented malt beverages: The bill changes the definition of "fermented malt beverages" to conform to the federal definition. Under the bill, sugar based hard seltzers (truly, white claw, etc.) would be considered fermented malt beverages for state tax and regulation purposes. The statutory tax rate for fermented malt beverages (\$2.00 per 31-gallon barrel) is lower than the rate for wine, resulting in a tax rate decrease.

According to Statista (a company specializing in market and consumer data) the US sales volume of hard seltzers in 2021 was estimated to be about 499 million liters and was projected at 631 million liters by 2026. This represents a 5% annual growth rate. Using these sales volumes, the 2021 US population estimates from the US Census bureau, and the US per capita alcohol consumption in 2022 from the World Population review the department can estimate Wisconsin hard seltzer sales volumes of about 3.0 million gallons or 11.7 million liters in 2023.

The differential between taxing hard seltzers as wine (\$0.06605 per liter) or taxing such products as fermented malt beverage (\$0.0645 per gallon) is approximately \$574,600 in 2023.

Assuming a growth rate of 5% per year, the tax differential would grow to \$605,000 in FY24 and \$637,000 in FY25. The foregone revenue would be lower to the extent the filers currently remit taxes at the lower rate.

Publishing a list of retail licenses: No revenue impact. The cost of publishing the list is minimal and can be absorbed with existing resources.

Criminal history search fee: In FY18, FY19, FY20, FY21, and FY22 there were 365, 830, 406, 246, and 296 searches conducted by DOR, respectively. At a cost of \$7 per search, the total cost incurred in FY18, FY19, FY20, FY21, and FY22 were \$2,555, \$5,810, \$2,842, \$1,722, and \$2072. Based on these figures, the department assumes a total of about 430 searches annually at a total cost of about \$3,000 per year. The bill would shift this burden from DOR to the applicant, reducing costs.

Tax return information disclosure: The department anticipates this provision will have no fiscal effect.

Lottery provisions: The department anticipates these provisions will have a minimal fiscal effect.

Possession of alcohol vapor devices: No revenue impact. The department assumes alcohol vapor devices are not substituting the purchase of any legal taxable products.

Penalties for evading excise taxes and unlawful possession of cigarettes: This will result in greater cigarette tax compliance. The department estimates that this will result in a minimal, but indeterminate,

increase in revenues.

Alcohol beverage permit reapplication: The department anticipates this provision will have a minimal fiscal effect.

Notice of change filed by alcohol beverage licensee or permittee: The department anticipates this provision will have no fiscal effect.

Sales suppression devices and phantomware: To the extent the bill reduces future use of sales suppression devices and phantomware, general fund tax revenues may increase by an indeterminate amount compared to current law.

#### Administrative Costs

The department can absorb administrative costs related to this bill with existing resources.

### **Long-Range Fiscal Implications**