

**1999 Session**

**FISCAL ESTIMATE**

ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

**DOA-2048 N(R10/98)**

LRB or Bill No./Adm. Rule No.

LRB 1378/1                      AB 163

Amendment No. if Applicable

**Subject**

**Sales and Use Tax Treatment of Automobile Purchases Made with Manufacturers' Rebates and Discounts**

**Fiscal Effect**

State:  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

Increase Existing Appropriation     Increase Existing Revenues  
 Decrease Existing Appropriation     Decrease Existing Revenues  
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget  Yes  No

Decrease Costs

Local:  No Local Government Costs

1.  Increase Costs  
      Permissive  Mandatory  
 2.  Decrease Costs  
      Permissive  Mandatory

3.  Increase Revenues  
      Permissive  Mandatory  
 4.  Decrease Revenues  
      Permissive  Mandatory

5. Types of Local Governmental Units Affected:  
 Towns     Villages     Cities  
 Counties     Others    Stadium District  
 School Districts     WTCS Districts

**Fund Sources Affected**

GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

20.566 (1)(a)

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, the base for the sales and use tax is not reduced for manufacturers' rebates or discounts. The intent of this bill is to apply the sales and use tax rate to the purchase price of an automobile after the manufacturer's rebate or discount is applied, if the rebate or discount is directly applied against the purchase price.

Automobile manufacturers frequently apply large rebates and customer incentives on automobiles in order to reduce inventory. These rebates typically reduce the automobile's selling price by \$500 to \$1,500. Based on industry data compiled by *Automotive News*, it is assumed the average customer rebate on cars is \$750 and \$600 for light trucks. Data compiled by the National Automobile Dealers Association for Wisconsin indicate that almost 132,000 new passenger cars and 146,000 new light trucks were sold in 1997. Based on available data, the proposed tax change would reduce tax revenue by an estimated \$9.3 million for sales of new passenger automobiles and light trucks ((132,000 x \$750 + 146,000 x \$600) x .05). This estimate excludes new vehicle discounts provided to employees of automobile manufacturers and their immediate family members.

(continued on page two)

**Long-Range Fiscal Implications**

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue  John T. Stott, (608) 266-9706	Yeang-Eng Braun  <i>Yeang Eng Braun</i>  (608) 266-2700	2/24/99

In 1997, local sales tax revenues collected by Wisconsin counties and the Southeast Wisconsin Professional Baseball Park District were 6.25% of state sales tax collections. Assuming this percentage applies, the local revenue loss will equal \$0.6 million ( $\$9.3 \text{ million} \times .0625$ ).

There would be a one-time administrative expense of \$54,100 related to the printing and mailing of notices to retailers.

**1999 Session**

**FISCAL ESTIMATE  
DOA-2047 N(R10/98)**

ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.  LRB 1378/1	Amendment No.  AB 163
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**Subject**

**Sales and Use Tax Treatment of Automobile Purchases Made with Manufacturers' Rebates and Discounts**

**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

\$54,100 for printing and mailing notices to retailers

II. Annualized Costs:	Annualized Fiscal impact on State Funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringe	\$ -	\$ -
(FTE Position Changes)	( FTE)	( FTE)
State Operations-Other Costs	-	-
Local Assistance	-	-
Aids to Individuals or Organizations	-	-
<b>TOTAL State Costs by Category</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>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$ -	\$ - 9.3 million
GPR Earned	-	-
FED	-	-
PRO/PRS	-	-
SEG/SEG-S	-	-
<b>TOTAL State Revenues</b>	\$ -	- 9.3 million

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ -	\$ -
NET CHANGE IN REVENUES	\$ - 9.3 million	\$ - 0.6 million

<b>Agency/Prepared by: (Name &amp; Phone No.)</b> Wisconsin Department of Revenue John T. Stott (608) 266-9706	<b>Authorized Signature/Telephone No.</b> Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	<b>Date</b> 2/24/99
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