

**FISCAL ESTIMATE**

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

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.

LRB 0978/1                      AB 236

Amendment No. if Applicable

**Subject**

**Create Sales and Use Tax Exemption for Providing Access to the Internet**

**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    SWBPBD  
 School Districts     WTCS Districts

**Fund Sources Affected**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate**


This proposal establishes a sales and use tax exemption for access to, and use of, the Internet. For purposes of this fiscal note, it is assumed that access and use of the Internet are limited to direct Internet access and online information services (OLS), web site advertising services, and web site hosting and design services. Transfers of taxable tangible personal property via the Internet are not considered to be use of the Internet for purposes of this fiscal note; these would remain taxable if this bill were enacted.

Of the services included in this fiscal estimate, direct Internet access services are taxed and web site design services are taxed if the design is transferred to the purchaser. According to Jupiter Communications, revenue generated from direct Internet access services that are sold to both businesses and households is projected to be an estimated \$7.5 billion nationally in 1999. Of this amount, nearly \$6.1 billion would be considered access services that are taxable under Wisconsin's current statutes.

(continued on page two)

**Long-Range Fiscal Implications**

Due to continued strong growth in direct Internet access, U.S. revenue from these services is projected to reach \$8.4 billion in 2001. This figure translates into a potential sales tax revenue loss for Wisconsin of approximately \$7.9 million during that year; however, predicting future revenue is difficult given the volatile nature of this rapidly changing market.

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue John T. Stott, (608) 266-9706	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 	Date 4/28/99
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Assuming Wisconsin's share of Internet access revenue is the same as the state's share of personal income, the amount of Internet access revenue in 1999 will be approximately \$113 million (\$6,100 million x .0185). Therefore, the amount of sales tax revenue associated with Internet access charges is \$5.7 million (\$113 million x .05).

Information regarding the amount of sales tax generated from web site designs that are transferred to purchasers is not available and the revenue loss associated with these transactions is not included as part of this fiscal note.

In 1997, local sales tax revenues collected by Wisconsin counties and the Southeast Wisconsin Professional Baseball Park District were approximately 6.25% of state sales tax revenues. Assuming that this percentage applies, local sales tax revenues would be reduced by approximately \$356,000 (\$5.7 million x .0625).

4/28/99

**1999 Session**

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

ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.	Amendment No.
LRB 0978/1    AB 23633	

**Subject**  
Create Sales and Use Tax Exemption for Providing Access to the Internet

**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 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	\$	\$ - 5.7 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	\$	\$ - 5.7 million

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ - 5.7 million	\$ - 356,000

<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> 4/28/99
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