

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 3293/1

INTRODUCTION # AB 441

Admin. Rule #

Subject

Reduce Sales and Use Tax Rate

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 _____
 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 bill permanently reduces the sales and use tax rate from 5% to 4.5%. In addition, the bill provides a provision that would further reduce the sales tax rate beginning on October 1, 2001. Under the bill, by July 31, 2001, the Department of Revenue must determine if there is a surplus of unappropriated general-purpose revenues. If there is a surplus for FY 2001 of less than \$153 million there would be no further reduction; if there is a surplus between \$153 million and \$300 million the sales and use tax rate would fall to 4.25% beginning on October 1, 2001; and if there is a surplus of greater than \$300 million, the rate would fall to 4% beginning on October 1, 2001.

The sales tax revenues for FY 2001 are estimated to be \$3,610 million. However, this includes audit assessments and delinquent tax collections for past years, which are not affected by the rate change, as well as initial sales tax collections, which will be affected by the rate change. FY 2001 initial sales and use tax revenues are estimated to be \$3,540 million. A reduction in the sales tax rate to 4.5% would reduce state sales tax revenues by \$354 million in FY 2001. In addition, the Department would incur one-time costs of \$228,700 for programming and for informing retailers of the rate change.

The potential surplus of unappropriated general-purpose revenues for FY 2001 is unknown; therefore, the likelihood or applicability of further rate reductions beyond FY 2001 cannot be predicted. Further, estimates of FY 2002 sales tax collections have not yet been estimated. For illustrative purposes, using the FY 2001 estimate of initial sales tax collections of \$3,540 million, a reduction in the sales tax rate for the last nine months of a fiscal year (i.e., on October 1) to 4.25% would reduce revenues by an additional \$133 million. A decline to 4% would reduce revenues by an additional \$266 million.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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

\$228,700 for programming

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
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	\$	\$ - 354 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 354 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ - 354 million	\$ _____

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