

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-3816/1
INTRODUCTION # AB 619
Admin. Rule #

Subject
Sales and Use Tax Treatment of Purchases Made with a Manufacturer's Rebate

Fiscal Effect

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

<input type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriation	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation		

Local: No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Stadium District</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations 20.566 (1)(a)
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Assumptions Used in Arriving at Fiscal Estimate:

Under current law, the base for the sales and use tax is not reduced for amounts paid by manufacturers, for example, coupons or rebates. This bill would amend current law in order to apply the sales and use tax rate to the purchase price of a taxable good or service after deduction of amounts paid by manufacturers.


Information is not available on the amount of manufacturers' coupons and rebates that was directly applied to purchase price of taxable goods and services in Wisconsin. However, the fiscal effect would be substantial given that the bill affects all taxable items sold at retail including: apparel and accessories, automobiles, building materials and garden supplies, taxable food items, consumer electronics, furniture and home furnishings, and other general merchandise.

The fiscal effect from automobiles alone is \$9.3 million. Automobile manufacturers apply large rebates and customer incentives on automobiles at the point-of-sale 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 that 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 as it relates to motor vehicles 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.

In 1998, local sales tax revenues collected by Wisconsin counties and the Southeast Wisconsin Professional Baseball Park District were 6.24% of state sales tax collections. Assuming this percentage applies, the local revenue loss from automobile sales alone will be about \$0.6 million (\$9.3 million x .0624).

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

Long-Range Fiscal Implications:

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