

**FISCAL ESTIMATE FORM**

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

<b>LRB #</b> 99-3676/1
<b>INTRODUCTION #</b> SB 391
<b>Admin. Rule #</b>

**Subject**

**Expand Sales and Use Tax Exemption for Equipment and Supplies Used in Farming**

**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 SWBPD  
 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:**

Under current law, unless specifically exempted in the statutes, tangible personal property that is used in the business of farming is subject to the sales and use tax. This bill would extend the current sales and use tax exemption for farmers to all remaining taxable supplies used in the business of farming. These include miscellaneous equipment and supplies; all vitamins, supplements and related supplies for livestock that are currently not exempt; and machines and materials that may become part of real property if they are an essential component to the farming operation.

The total cost of the additional sales and use tax exemptions for equipment and supplies used in the business of farming related to this bill would be an estimated \$7.9 million to \$10.5 million annually. The following are the major categories of equipment and supplies that would become exempt under this bill along with the corresponding revenue loss:

General Equipment and Supplies: Based on data from the 1997 Census of Agriculture, market data from farm supply companies, and information from the University of Wisconsin-Extension, expanding the sales tax to all equipment and supplies used in the business of farming would cost an estimated \$2.6 million to \$5.2 million annually. According to the 1997 U.S. Census of Agriculture, Wisconsin farmers spent \$523.8 million on miscellaneous farm production expenses. Miscellaneous expenses include items that are currently taxable; based on UW-Extension data and interviews with farmers, an estimated 10% to 20% of the items in this expense category are currently taxable. Exempting the remaining taxable supplies would reduce sales tax revenue between \$2.6 million (\$523.8 million x 10% x 5%) and \$5.2 million (\$523.8 million x 20% x 5%) annually.

Vitamins, Supplements, and Related Supplies: Data from major agricultural medicine and supplement manufacturers and the UW-Extension indicate that the spending for taxable hormones, feed supplements, (continued on page two)

**Long-Range Fiscal Implications:**

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and vitamins in Wisconsin is nearly \$30 million; therefore, exempting these items would reduce revenue by an estimated \$1.5 million ( $\$30 \text{ million} \times 5\%$ ) annually.

Real Property Improvement and Construction Supplies: As currently drafted, the bill would exempt all building materials used in farm construction from the sales and use tax. According to the 1992 Census of Construction, the total value of farm construction in Wisconsin was \$113 million. Based on data from the U.S. Census, the value of annual farm construction has grown 112% since 1992. Materials used in real property construction account for 32% of construction costs. The total value of materials used in real property construction in 1999 for Wisconsin is estimated at \$76.7 million ( $\$113 \text{ million} \times 2.12 \times 0.32$ ) annually. Therefore, the revenue loss associated with construction materials for farms is estimated at \$3.8 million ( $\$76.7 \text{ million} \times 5\%$ ) annually.

County and stadium sales tax revenues were 6.24% of state sales tax revenues in 1998. Assuming this percentage applies, county and stadium sales tax revenues would decline by approximately \$0.5 million to \$0.7 million annually.

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**INTRODUCTION # SB 391**

**Subject**

**Expand Sales and Use Tax Exemption for Equipment Used in Farming**

**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:	
A. State Costs by Category	Increased Costs	Decreased Costs
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>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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	\$	\$ - see text
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - see text</b>

**NET ANNUALIZED FISCAL IMPACT**

STATE

LOCAL

NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUES	\$ - see text	\$ - see text

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