

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **05/14/99**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau 6-8849**

By/Representing: **Shanovich (RR)**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

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Subject: **Tax - sales**

Extra Copies:

Pre Topic:

LFB:.....Shanovich (RR) -

Topic:

Repeal the appropriation for the occasional motor vehicle sales audit program

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	jkreye 05/14/99	gilfokm 05/14/99		_____			
/1			martykr 05/17/99	_____	lrb_docadmin 05/17/99		

FE Sent For:

<END>

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/?	jkreye	1-5-14-99 KMG	JMS 5/14	JMS 5/17			

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Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 22, 1999

Joint Committee on Finance

Paper #833

Occasional Vehicle Sales Funding Conversion (DOR -- Tax Administration)

[LFB 1999-01 Budget Summary: Page 532, #4]

CURRENT LAW

Under current law, purchasers of motor vehicles through occasional sales are required to report and pay the state and county (if applicable) sales and use tax to the Department of Transportation (DOT) at the time the vehicle is registered or titled. Occasional sales of motor vehicles are sales of automobiles, trucks, motorcycles and motor homes between private parties or fleet sales and auctions that are not conducted by licensed dealers.

DOR is provided \$595,000 PR and 6.0 PR positions annually to administer the audit program for occasional sales of motor vehicles. A separate PR appropriation is used to fund the activities associated with auditing these sales of motor vehicles. The source of program revenues for the appropriation is 25% of sales taxes collected through the audit program.

GOVERNOR

Delete \$595,000 PR and 6.0 PR positions annually and provide \$397,200 GPR in 1999-00 and \$399,200 GPR in 2000-01 and 4.0 GPR positions in each year to convert the primary funding source for the audit program for occasional sales of motor vehicles from program revenue to GPR. As a result of the funding shift, there would be no program revenue expenditure authority for administration of the audit program.

DISCUSSION POINTS

1. The current structure of the audit program for occasional sales of motor vehicles was established by the 1995-97 biennial budget (1997 Wisconsin Act 27). The Act provided additional positions and created the program revenue funding source to improve DOR's verification activities

related to occasional vehicle sales. The conversion to PR funding and increased expenditure authority were used to upgrade DOR's audit activities and to contract with a private vendor for services to improve the motor vehicle valuation system.

2. Under the current program, a private vendor performs monthly valuation determinations of DOT transaction data using a proprietary vehicle database and sends letters to sellers identified as having made questionable transactions. DOR sends follow-up letters to buyers and performs other related activities.

3. Since the program was fully implemented, there have been significant increases in the number of sales reviewed, the number of assessments of additional sales and use taxes, and in the amount of additional tax collections. Between 1995-96 and 1997-98, the number of transactions reviewed increased from 1,800 to 15,500, the amount of assessments increased from \$454,900 to \$2.1 million, and the amount of additional sales and use taxes collected increased from \$452,400 to \$1 million. However, the amount of program revenue generated has not been sufficient fund the administrative costs of the occasional vehicle sales audit program.

4. Table 1 shows the estimated biennial appropriation balance for the occasional vehicle sales audit program under current law provisions. Under current law, the appropriation would have an estimated deficit of \$1.7 million in 2000-01. Moreover, even with growth, revenues would not be sufficient to fund total budgeted expenditures in future years.

TABLE 1

**Occasional Motor Vehicle Sales Audit Program Appropriation
(Current Law)**

	<u>1999-00</u>	<u>2000-01</u>
Opening Balance	-\$950,500	-\$1,342,300
Program Revenues	<u>203,200</u>	<u>204,200</u>
Total Revenue	-\$747,300	-\$1,138,100
Expenditures & Reserves	\$595,000	\$595,000
Closing Balance	-\$1,342,300	-\$1,733,100

5. The bill would convert funding for the occasional vehicle sales audit program to GPR to address the ongoing deficit in the audit program's program revenue appropriation by eliminating all position and expenditure authority. However, 25% of audit collections would continue to be placed in the appropriation as program revenue. This is intended to provide annual funding that would eliminate the deficit in the 2001-03 biennium. Table 2 shows the biennial appropriation balance under the Governor's proposal.

TABLE 2

**Occasional Motor Vehicle Sales Audit Program Appropriation
(Assembly Bill 133)**

	<u>1999-00</u>	<u>2000-01</u>
Opening Balance	-\$950,500	-\$747,300
Program Revenues	<u>203,200</u>	<u>204,200</u>
Total Revenue	-\$747,300	-\$543,100
Expenditures & Reserves	\$0	\$0
Expenditures Freeze		
Closing Balance	-\$747,300	-\$543,100

6. Deficits in program revenue appropriations are funded through transfers from the general fund. This transfer is reflected in the year-end balance in the general fund. The general fund is repaid by future surplus program revenues that are generated for the PR appropriation.

7. As noted, the source of funding for the occasional vehicle sales audit program is 25% of sales and use tax audit collections.

8. The Department of Administration's 1999-01 budget instruction manual defines general purpose revenue as general taxes and other moneys which are collected by state agencies and deposited into the general fund, and are available for appropriation by the Legislature. Program revenue is defined as moneys that are collected from the general public by state agencies for specific purposes, deposited in the general fund and credited directly to an appropriation to finance those purposes.

Since the source of revenue for the occasional motor vehicle sales audit program is a general fund tax and not revenue collected for a specific purpose, it could be argued that designating a portion of sales taxes as a program revenue is inappropriate. Also, general purpose revenues fund administration of most general fund taxes such as the individual and corporate income and franchise taxes. From this view, sales taxes collected through the audit program should not be treated as program revenues.

Under the bill, some of the sales and use taxes collected through the audit program would be used to eliminate the deficit in the program's PR appropriation. Consequently, the Committee may wish to delete the occasional motor vehicle sales audit program appropriation and funding and provide \$950,500 GPR in 1999-00 to offset the current deficit in the appropriation. Under this

option, general fund revenues would be increased by \$203,200 in 1999-00 and \$204,200 in 2000-01 to reflect the sales taxes that would no longer be placed in the occasional vehicle sales appropriation. General fund revenue would also increase in the 2001-03 biennium because the appropriation deficit would be addressed immediately rather than over several years.

ALTERNATIVES

1. Approve the Governor's recommendation to delete \$595,000 PR and 6.0 PR positions in each year of the biennium and provide \$397,200 GPR in 1999-00 and \$399,200 GPR in 2000-01 and 4.0 GPR positions in each year to convert the funding source for the audit program for occasional vehicle sales of motor vehicles from program revenue to GPR.

2. Approve the Governor's recommendation and, in addition, ~~delete the program revenue appropriation used to fund the occasional motor vehicle sales audit program and provide \$950,000 GPR in 1999-00 to offset the deficit in the appropriation.~~

<u>Alternative 2</u>	<u>GPR</u>
1999-01 REVENUE (Change to Bill)	\$407,400
1999-91 FUNDING (Change to Bill)	\$950,000

3. Maintain current law.

<u>Alternative 3</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1999-01 FUNDING (Change to Bill)	-\$796,400	\$1,190,000	\$393,600
2000-01 POSITIONS (Change to Bill)	- 4.00	6.00	2.00

20,566(1)(g)

Prepared by: Ron Shanovich



SOON

LFB:.....Shanovich (RR) – Repeal the appropriation for the occasional motor vehicle sales audit program *a*

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

*WFO:
Six request sheet*

1 At the locations indicated, amend the bill as follows:

2 ✓ 1. Page 467, line 23: after that line insert:

3 (3) "SECTION 594. *a* 20.566 (1) (gc) of the statutes is repealed."

4 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0312/1
JK:kmg:km

LFB:.....Shanovich (RR) – Repeal the appropriation for the occasional motor vehicle sales audit program

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TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 467, line 23: after that line insert:

3 “SECTION 594q. 20.566 (1) (gc) of the statutes is repealed.”.

4 (END)