

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: 06/11/99

Received By: jkreye

Wanted: Soon

Identical to LRB:

For: Legislative Fiscal Bureau 6-3847

By/Representing: Russell

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Alt. Drafters:

Subject: Tax - sales
Health - social services

Extra Copies:

Pre Topic:

LFB:.....Russell -

Topic:

Voluntary collection of sales tax by out-of-state direct marketers to pay for block grants to counties for family services

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>
/1	jkreye	chanaman	mclark	_____	lrb_docadmin 06/13/99		
	06/12/99	06/13/99	06/13/99	_____			
	jkreye	chanaman		_____			
	06/14/99	06/14/99		_____			
	malaigm			_____			
	06/14/99			_____			
/2			haugeca	_____	lrb_docadmin 06/14/99		
			06/14/99	_____			

FE Sent For:

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FE Sent For:

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1?	jkreye	cmf /1	MRC	_____			
FE Sent For:		6/13	6/13	MRC/IS 6/13 <END>			

Kreye, Joseph

80673

From: Russell, Faith
Sent: Friday, June 11, 1999 9:50 AM
To: Kreye, Joseph
Subject: Budget Language

Hi Joe -

Attached is a copy of the motion that was passed by JFC last night on voluntary collection of sales tax by direct-marketers.

You'll see that the motion provides that 1/11 of the funds generated in a fiscal year must be transferred to DHFS in the subsequent year to distribute to the counties in the form of block grants. We were thinking that a new sum sufficient appropriation should be created for DHFS, which refers to the amount under the DOR statutes related to the voluntary agreements and the requirement that DOR certify the amount to be transferred at the end of the fiscal year.

Even though the motion says that the block grants would be appropriated to DHFS for the following fiscal year, we're suggesting that it be specified that DHFS would distribute them the block grants to the counties for use in the following calendar year. Apparently, since the counties operate on a calendar year basis, it makes it much easier for all if that's how it's done. Please let me know if you have questions!

Thanks.



1174.doc

Faith Russell
Fiscal Analyst, Legislative Fiscal Bureau
faith.russell@legis.state.wi.us
Phone: 608-266-3847

Kreye, Joseph

From: Russell, Faith
Sent: Friday, June 11, 1999 12:22 PM
To: Kreye, Joseph
Subject: Motion # 1174 - Voluntary Sales Tax Collection

Hi Joe -

I have to turn in my Chapter 20 file maintenance today, so I'll need to know the appropriation for the new sum sufficient appropriation in the Department of Health and Family Services for the 1/11 of the funds collected from the voluntary sales tax agreements. I understand that the agency is #435, and that this would go under program 3. Could you e-mail me the alpha for this new appropriation? Thanks.

Faith Russell
Fiscal Analyst, Legislative Fiscal Bureau
faith.russell@legis.state.wi.us
Phone: 608-266-3847

20,435(3) (bm)

sum sufficient not exceeding the
amount determined under s. 77____
to ...

GENERAL FUND TAXES

Voluntary Agreements with Out-of-State Direct Marketers

Motion:

Move to authorize the Department of Revenue to enter into voluntary agreements with out-of-state direct marketers for collection of Wisconsin sales and use tax from Wisconsin customers at a rate to include the general state sales tax rate plus the optional general county sales tax rate.

Specify that direct marketers who voluntarily agree to collect Wisconsin sales and use taxes may retain 5% of the first \$1 million of such taxes in a calendar year and 6% of any additional amounts collected in the remainder of the same year. Specify that these provisions would not apply to an out-of-state retailer that has nexus with the state of Wisconsin for sales tax purposes.

Authorize DOR to promulgate administrative rules as needed to promote this option with Direct Marketing Association members and to negotiate payment schedules and audit follow-up as necessary.

Provide that all taxes collected through such voluntary agreements be deposited in the general fund. Specify that 1/11 of the funds generated in a fiscal year be appropriated to the Department of Health and Family Services (DHFS) in the subsequent fiscal year to be distributed to counties on a per capita basis in the form of block grants to fund services for children and families. Require the Department of Revenue (DOR) to certify at the close of each fiscal year the amount to be appropriated to DHFS for the block grants for the following fiscal year. Specify that these provisions would take effect on the first day of the second month beginning after publication of the bill.

Note:

Under current law, if an out-of-state seller has adequate nexus (business connection) with the state, the state can require the seller to collect the Wisconsin sales and use tax on sales to its Wisconsin customers. Any out-of-state seller that is not required to collect sales and use tax from sales to Wisconsin customers may voluntarily obtain a business tax registration certificate from DOR and thereby be authorized and required to collect the 5% tax. Current law provides a retailers' discount of the greater of \$10 or 0.5% of sales and use tax payable per reporting period to cover

administrative costs associated with collecting and remitting the tax.

The motion would authorize a larger retailers' discount (5% of the first \$1 million of taxes collected per year and 6% of additional amounts) for out-of-state direct marketers who voluntarily collect Wisconsin taxes on sales to Wisconsin customers. The motion would also authorize DOR to negotiate payment schedules and audits with such out-of-state direct marketers and to promote the voluntary sales and use tax collection agreements with members of the Direct Marketing Association. These provisions would not apply to an out-of-state retailer that has nexus with the state of Wisconsin for sales tax purposes.

Based on such tax collections through voluntary agreements in Florida and Idaho, it is estimated that the motion would generate increased Wisconsin sales and use tax collections of \$2.8 million in 1999-00 and \$5.5 million in 2000-01. The share to be distributed by DHFS to counties in the form of block grants is projected at \$250,000 in 2000-01 (the actual amount would be determined from collections during 1999-00) and \$500,000 in 2001-02 and thereafter. These estimates are based on the following assumptions: (a) per capita annual sales to Wisconsin residents through direct marketers, on which use tax would be voluntarily collected, of \$20 (roughly the average of per capita sales in Florida and Idaho); (b) the proposal would be effective October 1, 1999; and (c) collections during the first year would be based on six months only (January, 2000, through June, 2000), in order to allow time for agreements to be enacted.

It should be noted that the provisions in the motion are not identical to the systems being used in either Florida or Idaho. In addition, the estimates from these states are based on agreements that are already in place, rather than being in the start-up phase of implementing voluntary agreements, such as would be the case in Wisconsin. In light of these differences and the lack of precise data for Wisconsin, the estimated fiscal effect of the motion must be considered to be speculative.

[Change to Bill: \$8,300,000 GPR-REV and \$250,000 GPR]



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb06737

JKC

RMK

in 6-12-99

LFB:.....Russell – Voluntary collection of sales tax by out-of-state direct marketers to pay for block grants to counties for family services

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

SOON

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

2 1. Page 422, line 21: after that line insert:

3 "SECTION 390d. 20.435 (3) (bm) of the statutes is created to read:

4 20.435 (3) (bm) *Assistance for children and families*. A sum sufficient, not
5 exceeding the amount determined under s. 77.63 (2), to pay for grants under ch. 46."

6 2. Page 909, line 4: after that line insert:

7 "SECTION 1815g. 77.63 of the statutes is created to read:

8 77.63 **Agreements with direct marketers.** (1) (a) The department of
9 revenue may enter into agreements with out-of-state direct marketers to collect the
10 sales tax and the use tax imposed under this subchapter and under subch. V. An
11 out-of-state direct marketer that collects the sales tax and the use tax under this

1 section may retain 5% of the first \$1,000,000 of the taxes collected in a year and 6%
2 of the taxes collected in excess of \$1,000,000 in a year. This section does not apply
3 to an out-of-state direct marketer who is required to collect the sales and the use tax
4 imposed under this subchapter and under subch. V.

5 (b) Sections 77.58 and 77.59, as they apply to the taxes imposed under this
6 subchapter, apply to agreements under this section.

7 (2) An amount equal to 9% of the taxes collected under sub. (1) shall be
8 transferred to the appropriation account under s. 20.435 (3) (bm) and the department
9 of revenue shall certify the amount to the department of health and family services
10 on July 31.”

11 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0673/1 (2)
JK:cmh:mrc

in 6-14-99

LFB:.....Russell - Voluntary collection of sales tax by out-of-state direct marketers to pay for block grants to counties for family services

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

FOOTNOTES

(Z) SERVICES

for grants to counties under s. 46.513

equal to

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

2 1. Page 422, line 21: after that line insert:

3 "SECTION 390d. 20.435 (3) (bm) of the statutes is created to read:

4 20.435 (3) (bm) ~~Assistance~~ for children and families. A sum sufficient ~~not~~

5 exceeding the amount determined under s. 77.63 (2), to pay for grants under ch. 46."

6 2. Page 909, line 4: after that line insert:

7 "SECTION 1815g. 77.63 of the statutes is created to read:

8 77.63 Agreements with direct marketers. (1) (a) The department of
9 revenue may enter into agreements with out-of-state direct marketers to collect the
10 sales tax and the use tax imposed under this subchapter ~~and~~ under subch. V. An
11 out-of-state direct marketer that collects the sales tax and the use tax under this

at the rate imposed under this subchapter plus the rate imposed
↑ rate

Insert 1-5

1 section may retain 5% of the first \$1,000,000 of the taxes collected in a year and 6%
2 of the taxes collected in excess of \$1,000,000 in a year. This section does not apply
3 to an out-of-state direct marketer who is required to collect the sales tax and the use
4 tax imposed under this subchapter and under subch. V.

5 (b) Sections 77.58 ~~and~~, 77.59, ^{and 77.60} as they apply to the taxes imposed under this
6 subchapter, apply to agreements under this section.

annually, by July 31

7 (2) ~~An amount equal to 9% of the taxes collected under sub. (1) shall be~~
8 ~~transferred to the appropriation account under s. 20.435(3)(b) and the department~~
9 ~~of revenue shall certify the amount to the department of health and family services~~
10 ~~on July 31."~~

(END)

an amount equal to one-eleventh of the taxes collected under sub. (1) to make the payments for grants to counties under s. 46 ⁵¹³

except that the department of revenue may negotiate payment schedules and audit procedures with out-of-state direct marketers. The retailer's discount under s. 77.61 (4)(c) does not apply to agreements under this section

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb0673/2
GMM.....

(INSERT 1-5)

1. Page 640, line 21: after that line insert:

"SECTION 1104g. 46.513 of the statutes is created to read:

46.513 Services for children and families. From the appropriation under s. 20.435 (3) (bm), the department shall distribute grants to counties in each fiscal year to fund services for children and families. The department shall determine the amount of a county's grant under this section based on the county's proportion of the state's population as last estimated by the department of administration under s. 16.96. The department shall distribute the grants under this section in the calendar year after the calendar year in which the amount available for those grants is certified by the department of revenue under s. 77.63 (2)."

NO CHANGE --
STRAY
MARK

(end of insert)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0673/2
JK:cmh:ch

LFB:.....Russell - Voluntary collection of sales tax by out-of-state direct marketers to pay for block grants to counties for family services

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

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

2 **1.** Page 422, line 21: after that line insert:

3 “SECTION 390d. 20.435 (3) (bm) of the statutes is created to read:

4 20.435 (3) (bm) *Services for children and families.* A sum sufficient, equal to
5 the amount determined under s. 77.63 (2), for grants to counties under s. 46.513.”.

6 **2.** Page 640, line 21: after that line insert:

7 “SECTION 1104g. 46.513 of the statutes is created to read:

8 **46.513 Services for children and families.** From the appropriation under
9 s. 20.435 (3) (bm), the department shall distribute grants to counties in each fiscal
10 year to fund services for children and families. The department shall determine the
11 amount of a county’s grant under this section based on the county’s proportion of the

1 state's population as last estimated by the department of administration under s.
2 16.96. The department of health and family services shall distribute the grants
3 under this section in the calendar year after the calendar year in which the amount
4 available for those grants is certified by the department of revenue under s. 77.63
5 (2).”.

6 **3.** Page 909, line 4: after that line insert:

7 “SECTION 1815g. 77.63 of the statutes is created to read:

8 **77.63 Agreements with direct marketers.** (1) (a) The department of
9 revenue may enter into agreements with out-of-state direct marketers to collect the
10 sales tax and the use tax imposed under this subchapter at the rate imposed under
11 this subchapter plus the rate imposed under subch. V. An out-of-state direct
12 marketer that collects the sales tax and the use tax under this section may retain 5%
13 of the first \$1,000,000 of the taxes collected in a year and 6% of the taxes collected
14 in excess of \$1,000,000 in a year. This section does not apply to an out-of-state direct
15 marketer who is required to collect the sales tax and the use tax imposed under this
16 subchapter and under subch. V.

17 (b) Sections 77.58, 77.59 and 77.60, as they apply to the taxes imposed under
18 this subchapter, apply to agreements under this section, except that the department
19 of revenue may negotiate payment schedules and audit procedures with out-of-state
20 direct marketers. The retailer's discount under s. 77.61 (4) (c) does not apply to
21 agreements under this section.

