

FISCAL ESTIMATE FORM

1999 Session

ORIGINAL UPDATED

LRB # -1959/1

CORRECTED SUPPLEMENTAL

INTRODUCTION # AB 261

Admin. Rule #

Subject

Create a Sales and Use Tax Exemption for Nonprescription Drugs

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 SWBPBD
- School Districts WTCS Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(a)

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a sales and use tax exemption for nonprescription medicines. Currently, prescription drugs are the only medicines that are exempt from the sales tax.

While specific data on the sales of nonprescription medicines in Wisconsin is unavailable, national consumption data are available from the U.S. Department of Health and Human Services. The total U.S. consumption of all drug preparations was approximately \$78.1 billion in 1996. Of this total, the U.S. Department of Health and Human Services estimates that about 40%, or \$31.2 billion, was spent on nonprescription drugs (\$78.1 billion x 40%). According to DRI/McGraw Hill, the industry's revenue will grow approximately 17.3% between 1996 and 1999. Therefore, total U.S. sales of nonprescription drugs in 1999 would be approximately \$36.6 billion (\$31.2 billion x 1.173). Based on Wisconsin's estimated 1999 share of the U.S. personal income, Wisconsin spending on nonprescription drugs in 1999 will be approximately \$666.1 million (\$36.6 billion x 1.82%). Data on national health care spending from U.S. Health Care Financing Administration and U.S. National Center for Health Statistics show that exempt nonprofit hospitals, nursing homes, and government institutions purchase an estimated 38% of all nonprescription medicine. Therefore, taxable sales of nonprescription drugs to nonexempt health care

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Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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providers and individuals in Wisconsin would be an estimated \$413 million ($\$666.1 \times 62\%$). The total annual sales tax revenue lost from exempting nonprescription drugs would be approximately \$20.6 million ($\$413 \text{ million} \times .05$).

In 1997, county and Southeastern Wisconsin Professional Baseball Park District sales tax revenues were 6.25% of state sales tax revenues. Assuming that this percentage still applies, local sales tax revenues would decline by approximately \$1.3 million ($\$20.6 \text{ million} \times .0625$) annually.

The Department would incur one-time costs of \$54,100, relating to the mailing of information regarding the new exemption to retailers and associated taxpayer assistance.

YFB
4/19/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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Subject
Create a Sales and Use Tax Exemption for Nonprescription Drugs

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

one-time costs of \$54,100 for mailing and taxpayer assistance

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	\$	\$ - 20.6 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 20.6 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ - 20.6 million	\$ - 1.3 million

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