

1999 Session

LRB or Bill No./Adm. Rule No.

FISCAL ESTIMATE

ORIGINAL UPDATED

DOA-2048 N(R10/98)

CORRECTED SUPPLEMENTAL

AB 46 [LRB-179/1]

Amendment No. if Applicable

Subject

Temporary Sales and Use Tax Exemption for Clothing Costing Less than \$100

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 Stadium District
 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

The bill would provide a sales and use tax exemption for sales of clothing and shoes costing less than \$100 from August 1 to September 15 each year. This estimate assumes that the temporary exemption first occurs in 1999.

According to the *Survey of Current Business*, August 1998, sales of clothing and shoes in the United States in 1997 totalled \$278 billion. Based on the December 1998 economic forecast by Data Resources, Inc./McGraw-Hill, consumption of clothing and shoes is estimated to increase 11.7% between 1997 and 1999, resulting in an estimate of national sales of clothing and shoes in 1999 of approximately \$310.5 billion. Assuming Wisconsin's share of consumption of clothing and shoes is equal to its 1.83% share of U.S. personal income, based on data from the November 1998 *Economic Outlook* prepared by the Department of Revenue, Wisconsin clothing sales in 1999 are estimated to be \$5,685 million.

There are no data available indicating the share of sales attributable to clothing costing less than \$100. For purposes of this fiscal note it is assumed that 75% of total sales would be of clothes costing less than this threshold. It is also assumed that one-sixth of 1999 clothing sales would occur during the exemption period. The 1.5 month period provided in the bill is only one-eighth of the year, but a larger percentage is

(continued on page two)

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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FISCAL ESTIMATE

AB 46

Page 2

used because it is assumed that sales that would otherwise occur shortly before or after the exemption period would be either delayed or advanced into the exemption period. Using these assumptions, sales eligible for the exemption are estimated to be \$710 million, and the 5% state sales tax foregone on these sales would be \$35.5 million. This estimate is highly sensitive to the assumption as to the portion of sales attributable to clothing and shoes costing less than \$100; if it is assumed that this portion equals 80%, rather than 75%, of total sales, the estimated revenue loss would be \$2.4 million higher.

In 1997, county and stadium sales taxes were 6.25% of state sales taxes. Assuming this percentage remains applicable in 1999, the loss in local sales tax revenues would be \$2.2 million.

Enactment of a temporary exemption would necessitate the distribution of information about the exemption to retailers. The cost of providing this information would be \$50,700 annually.

478 2/15/99

1999 Session

**FISCAL ESTIMATE
DOA-2047 N(R10/98)**

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. AB 46 [LRB-1179/1]	Amendment No.
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Subject

Temporary Sales and Use Tax Exemption for Clothing Costing Less than \$100

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:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe (FTE Position Changes)	\$ -	\$ -
	(FTE)	(- FTE)
State Operations-Other Costs	50,700	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 50,700	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 50,700	\$ -
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	\$ -	\$ - 35.5 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ -	\$ - 35.5 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ +50,700	\$ -
NET CHANGE IN REVENUES	\$ -35.5 million	\$ -2.2 million

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang-Eng Braun</i>	Date 2/15/99
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