

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

<b>LRB #</b> 01-1156/2
<b>INTRODUCTION #</b> AB 15
<b>Admin. Rule #</b>

**Subject**  
**Sales and Use Tax Treatment of Purchases Made with Manufacturers' Rebate**

**Fiscal Effect**

**State:**  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

<input type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Decrease Existing Appropriation	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Decrease Costs	

**Local:**  No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball Park and Football Stadium Districts</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	<b>Affected Ch. 20 Appropriations</b> 20.566 (1) (a)
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**Assumptions Used in Arriving at Fiscal Estimate:**

This bill would exempt rebates and other amounts paid by manufacturers to retailers from the sales tax. The bill would take effect July 1, 2001. Currently, these payments are taxable because they are part of the gross receipts of the retailer. Manufacturers use rebates to encourage sales on a variety of products, including motor vehicles, clothing, building materials, garden supplies, computers and other consumer electronics, furniture and home furnishings. There are no data available on the amount of rebates paid by manufacturers to retailers for any of these products. However, limited information is available on which to base an estimate for rebates paid to motor vehicle dealers by manufacturers, which is likely to account for a large share of the revenue loss.

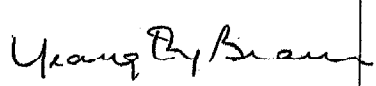
According to news reports in *Automotive News* on customer incentives sponsored by automobile manufacturers, rebates on new automobiles and trucks range from \$500 to \$3,500, though most rebates fall in the range of \$500 to \$1,500. The amount of rebate will vary according to the year and model of the vehicle, the inventory of unsold vehicles and other factors. In addition, rebates are not available on all models. Based on this information, an average rebate for new cars and light trucks is assumed to be \$800.

Based on data from the Wisconsin Department of Transportation, new car and light truck sales in Wisconsin in 2000 are estimated to be about 309,000 vehicles. With an average rebate of \$800 and the 5% state sales tax rate, the state revenue loss from this bill is estimated to be \$12.4 million (309,000 X \$800 X 5%).

County and baseball park and football stadium taxes in FY02 are estimated to be 7.064% of state sales tax revenues. Thus, the local revenue loss from this bill is estimated to be \$875,000 (\$12.4 million X 7.064%).

The Department would incur one-time costs of \$60,000 to inform retailers of the change.

**Long-Range Fiscal Implications:**

<b>Agency/Prepared by: (Name &amp; Phone No.)</b> Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	<b>Authorized Signature/Telephone No.</b> Yeang-Eng Braun (608) 266-2700 	<b>Date</b> 2/5/01
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**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**INTRODUCTION # AB 15**

**Subject**

Sales and Use Tax Treatment of Purchases Made with Manufacturers' Rebate

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

+\$60,000 GPR-Exp

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	\$	\$ - 12.4 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 12.4 million</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -12.4 million	\$ -675,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	2/5/01