

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB # 01-0919/2

INTRODUCTION # AB 23

Admin. Rule #

**Subject**

Create Sales and Use Tax Exemption for Clothing and Shoes

**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 Baseball Park and Football Stadium Districts  
 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:**

This bill would provide a state sales and use tax exemption for sales of clothing and shoes costing less than \$100. The bill would also allow counties and baseball park and football stadium districts imposing a local sales tax to enact a similar exemption. This estimate assumes that the exemption takes effect July 1, 2001.

According to the *Survey of Current Business*, August 2000, sales of clothing and shoes in the United States totalled \$307 billion in 1999. According to the December 2000 DRI forecast of the U.S. economy, consumption of clothing and shoes is estimated to rise by 13.9% between 1999 and state FY02; thus, national clothing and shoe sales in FY02 are estimated to be \$349.6 billion (\$307 billion X 1.139).

Assuming Wisconsin's share of these sales is equal to its share of national personal income, or 1.85%, sales of clothing and shoes in the state are estimated to be \$6,453 million (\$349.6 billion X .0185) in FY02.

There are no data available indicating the share of sales for items costing less than \$100. It is assumed that 75% of sales would satisfy this threshold. Thus, sales qualifying for the exemption are estimated to be \$4,839 million (\$6,453 million X 0.75). The state revenue loss from exempting these sales from the 5% sales tax is estimated to be approximately \$242 million (\$6,453 million X 0.05). The 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 80%, rather than 75%, of sales qualify for the exemption, the estimated revenue loss would be \$16 million higher.

There would be no revenue loss for counties, the Southeastern Wisconsin Baseball Park District and the Brown County Football Stadium District unless the governing boards of those governments chose to adopt the exemption. County and Southeast Wisconsin and Brown County stadium sales taxes in FY02 are estimated to be 7.064% of state sales tax revenues. Thus, the revenue loss for governments with a local sales tax, if all of them choose to adopt the exemption, is estimated to be \$17 million (\$242 million X 0.07064).

**Long-Range Fiscal Implications:**

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

Detailed Estimate of Annual Fiscal Effect

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**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:	
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	\$	\$ - 242 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 242 million</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -242 million	\$ See text

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