

2001 Jr2 DRAFTING REQUEST

Senate Amendment (SA-SSA1-AB1)

Received: **03/27/2002**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Senate Democratic Caucus**

By/Representing: **Engel**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax - miscellaneous**

Extra Copies: **MES**

Submit via email: **NO**

Pre Topic:

SCC:.....Engel - CN7304,

Topic:

Eliminate reduction in DOR appropriation related to administrative staff

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>
/?	jkreye 03/27/2002	jdyer 03/27/2002		_____			
/1			haugca 03/28/2002	_____	lrb_docadmin 03/28/2002		

FE Sent For:

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1/?	jkreye	1/27/02 JL	CA 3-28	CH 3-28 PMB			

FE Sent For:

<END>

CN 7304

#4 BK

William Shore, Special Agent
Wisconsin Department of Revenue
Wisconsin Alcohol & Tobacco Enforcement Section

206-6798

Proposal

On Monday March 4, 2002, Division Administrator Diane Hardt of the WI DOR Income, Sales, and Excise Tax Administration division, proposed a major reduction of the Wisconsin Alcohol & Tobacco Enforcement Section. The proposal would reduce the section from thirteen (13) agents down to three (3) agents. The proposal was submitted to the Secretary of Revenue, Richard Chandler, as part of the budget reduction exercises required of each state agency. Proposed reduction would take effect July 1, 2002, leaving three agents to cover the entire state of Wisconsin. The Wisconsin Department of Revenue is the only state agency not actively protecting its law enforcement division.

across the board
reduce the
across the board
cuts

History of A&T Enforcement

The Wisconsin Alcohol & Tobacco Enforcement Section (ATES) has existed in some form since the end of Prohibition in 1933. Agents were first assigned to investigate crimes including prostitution, gambling, and other illegalities happening within the alcohol industry. Duties also included ensuring the collection of excise taxes on regulated products such as beer, liquor, and cigarettes. Industry regulation was also a major responsibility of the section.

In the early 1960's, agents from ATES were combined with a few investigators from the Attorney General's Office to form the early incarnation of DCI. As the separate bureaus were formed including arson, white-collar crimes, and gambling, the Alcohol & Tobacco agents formed a separate bureau. In 1975, under a re-organization, the Alcohol & Tobacco agents were returned to the Wisconsin Department of Revenue. Since 1975, there has been a steady reduction of staffing within the section.

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In 1994, under then Secretary Mark Bugher, the ATES was targeted for complete elimination to meet budget reduction requirements. After gaining the support of law enforcement, the industry, and various other groups the decision was rescinded and the section was left intact.

Today the ATES consists of thirteen agents, including one Chief of Enforcement and one Asst. Chief. The field agents are sworn law enforcement officers with full arrest power in the State of Wisconsin. Duties include tax enforcement, criminal investigation of violations of Wis. Stats. 125, 134, and 139, and industry regulation. Agents also assist other local, state, and federal law enforcement agencies with enforcement of alcohol and tobacco statutes. The ATES Special Agents have parity with the DOJ Special Agents in job duties and pay.

appropriate

Effects of Proposed Elimination/Reduction

If the ATES were reduced to three agents for statewide coverage, effective statewide enforcement of Wis. Stats. 125, 134, and 139 would cease to exist. Three agents would not be able to effectively conduct thorough investigations of criminal activities including massive tax evasion of the regulated products. Areas of enforcement that would immediately suffer would be cigarette/tobacco products tax fraud, prevention of underage drinking, false identification manufacturing, and industry regulation. Local law enforcement agencies and local municipalities would have no source for assistance in enforcing and interpreting the complexities of the alcohol and tobacco statutes. Finally, the State of Wisconsin would be an open market for organized criminal elements taking advantage of the non-enforcement of the alcohol and tobacco tax laws. The State of Wisconsin would stand to lose substantial tax monies, in the range of hundreds of millions of dollars per year as illegitimate entities grow and harm the legitimate Wisconsin alcohol and tobacco industries.

See attached appendices for more information.

Restore Agents

Cost Comparison

To maintain the current staff of 13 agents, including one Chief of Enforcement and one Asst. Chief, in fiscal year 2000-2001 cost **\$1,095,300**. This figure represents the salaries, benefits, supplies and services, and other equipment used the ATES.

The State of Wisconsin, in fiscal year 2000-2001, collected roughly **\$300,000,000** in excise tax collection. These collections were brought about through voluntary compliance, education of the industry, and criminal enforcement resulting in assessments.

Industry members have a stake in maintaining legitimate business operations. Violations of criminal and administrative tax laws are grounds for revocation of the permits and licenses issued to them by the state and by local municipalities. Without a specialized enforcement section, there will be no regulation and/or enforcement leading to increased criminal activity and ultimately major tax loss. Legitimate businesses will be forced to compete with illegal enterprises.

A proposal to raise the cigarette tax to \$1.00 would bring in an additional \$80,000,000 in revenue. Without the ATES, there will be no mechanism to ensure that these monies are paid.

See attached tables for further detail.

*what is the cost to retain 10 agents in
2002-03?*

*02,362,900
\$852,300

\$1,510,600*

NET EXCISE TAX COLLECTIONS BY TYPE OF TAX

Fiscal Year	Total Cigarette Tax	Tobacco Products Tax	Liquor Tax	Wine Tax	Apple Cider Tax	Beer Tax
2000-01	\$243,512,231.54	\$11,355,458.54	\$33,099,478.59	\$2,436,139.30	\$7,283.40	\$9,364,528.89
% Change	-1.65%	10.19%	2.39%	9.48%	-30.75%	-0.30%
1999-00	\$247,589,994.87	\$10,305,533.76	\$32,328,243.49	\$2,225,254.42	\$10,516.88	\$9,392,365.94
% Change	-3.82%	9.69%	5.33%	-1.01%	N/A	2.51%
1998-99	\$257,422,422.42	\$9,395,318.70	\$30,693,306.00	\$2,248,051.19		\$9,162,614.46
% Change	3.91%	0.45%	0.68%	0.02%		-1.06%
1997-98	\$247,743,304.26	\$9,353,146.71	\$30,487,051.96	\$2,247,645.70		\$9,260,425.09
% Change	21.11%	6.51%	4.37%	5.14%		0.58%
1996-97	\$204,567,120.79	\$8,781,114.86	\$29,211,539.36	\$2,137,783.22		\$9,206,855.39
% Change	3.33%	18.90%	1.85%	0.34%		0.21%
1995-96	\$197,965,119.26	\$7,385,364.78	\$28,682,177.04	\$2,130,498.51		\$9,187,253.34
% Change	11.92%	6.30%	-0.05%	10.50%		2.53%
1994-95	\$176,887,950.40	\$6,947,548.31	\$28,695,803.07	\$1,927,983.80		\$8,960,252.45
% Change	1.75%	9.84%	1.68%	-6.86%		-1.58%
1993-94	\$173,845,891.97	\$6,325,346.74	\$28,222,345.24	\$2,069,896.30		\$9,104,042.29
% Change	4.18%	9.90%	-3.36%	-2.52%		1.00%
1992-93	\$166,876,212.74	\$5,755,776.05	\$29,203,662.58	\$2,123,398.47		\$9,013,763.09
% Change	12.88%	0.41%	2.56%	14.03%		-3.37%
1991-92	\$147,831,883.80	\$5,732,080.23	\$28,473,444.44	\$1,862,088.33		\$9,328,414.48
% Change	8.27%	16.67%	1.30%	-24.35%		1.21%
1990-91	\$136,539,000.64	\$4,913,262.53	\$28,108,171.87	\$2,461,339.59		\$9,216,587.40
% Change	0.25%	6.72%	-0.33%	13.34%		-2.19%
1989-90	\$136,195,192.84	\$4,603,806.52	\$28,202,525.41	\$2,171,636.59		\$9,423,255.67
% Change	-3.72%	10.86%	3.05%	-25.38%		-0.11%
1988-89	\$141,450,485.77	\$4,152,928.17	\$27,368,911.68	\$2,910,257.94		\$9,433,760.81
% Change	-1.23%	1.97%	3.92%	7.03%		-0.69%
1987-88	\$143,210,677.48	\$4,072,589.29	\$26,336,599.27	\$2,719,202.43		\$9,499,438.43
% Change	14.49%	1.86%	-18.23%	8.21%		-3.72%

Footnotes:

- ¹ Effective October 1, 2001, the cigarette tax rate rose from 59 cents to 77 cents per packs of twenty.
- ² Effective October 1, 2001, the tobacco tax rate rose from 20% to 25% of the manufacturer's list price.
- ³ Effective November 1, 1997, the cigarette tax rate rose from 44 cents to 59 cents per packs of twenty.
- ⁴ Effective September 1, 1995, the cigarette tax rate rose from 38 cents to 44 cents per packs of twenty.
- ⁵ Effective May 1, 1992, the cigarette tax rate rose from 30 cents to 38 cents per packs of twenty.
- ⁶ Effective September 1, 1987, the cigarette tax rate rose from 25 cents to 30 cents per packs of twenty.

ALCOHOL & TOBACCO ENFORCEMENT

1640 101

	CODE	(estimated) FY 2000-01	ALCOHOL & BEER ENFORCEMENT	CIGARETTE & TOB ENFORCEMENT
		13 FTE	10.50 FTE	2.50 FTE
Permanent Salaries (from 2001-03 B1 report)				
Classified Civil Service Salaries	CCS	\$686,600	\$552,600	\$134,000
Unclassified Civil Service Salaries	UCS			
Project Position Salaries	PPS			
Total Permanent Salaries		\$686,600	\$552,600	\$134,000
LTE Salaries	LTE	\$0		
Fringe Benefits	FBE	\$280,600	\$225,800	\$54,800
Supplies & Services				
Advertising/Legal Notices	ADV			
Contractual Services Expenditures	CSE			
Dues & Subscriptions	DAS			
Data Network Charges	DNC			
Data Processing-Private Vendors	DPP			
Data Processing-State	DPS			
Fuel & Supplies-Vehicles	FSV			
Housekeeping/Janitorial Services	HJS			
Insurance	INS			
M & R-DP Equipment	MDP			
Medical	MED			
Minor Equipment & Software	MES	13,100	10,500	2,600
M & R-Land & Structures	MLS			
Mailing, Postage & Freight	MPF	2,000	2,000	
M & R-Other Equipment	MRE	800	600	200
M & R-Vehicles	MRV			
Non-State or Non-STS Calls	NST	9,300	7,400	1,900
Other Administrative & Operating	OAO	700	600	100
Printing	PRT	2,000	2,000	0
Rent/Lease of Equipment	RLE	800	600	200
Rent Privately-Owned Space	RPS	1,500	1,200	300
Rental of State-Owned Space	RSS	400	300	100
Materials & Supplies-Other	SPL	2,500	2,000	500
STS Charges	STS	700	600	100
Other Telecommunications	TCM			
Travel & Training/In-State	TIS	25,800	20,700	5,100
Travel & Training/Out-of-State	TOS	5,000	4,000	1,000
Other Travel & Training Expenditures	TTE	63,500	50,800	12,700
Utilities-Electricity	UTE			
Utilities-Gas	UTG			
Total Supplies & Services		\$128,100	\$103,300	\$24,800
Fixed Assets				
Fixed Assets-Equipment	FXE			
Fixed Assets-Trucks	FXT			
Total Fixed Assets				
Unallotted Reserve				
Total		\$1,095,300	\$881,700	\$213,600



State of Wisconsin
2001 - 2002 LEGISLATURE
January 2002 Special Session

LRBb28267

JK:.....

*file
RM wstr*

SCC:.....Engel – CN7304, Eliminate reduction in DOR appropriation related to administrative staff

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS SENATE AMENDMENT ,

TO SENATE SUBSTITUTE AMENDMENT 1,

TO ASSEMBLY BILL 1

in 3-27-02

1 At the locations indicated, amend the substitute amendment as follows: ✓

2 **1.** Page 412, line 7: delete "\$2,362,900" and substitute "\$1,510,600".

3 **2.** Page 362, line 24: after that line insert:

4 *MOVE* ^d ~~(2m)~~ ALCOHOL AND TOBACCO ENFORCEMENT AGENTS. ✓ The department of revenue
5 shall retain 13 agents in the department's alcohol and tobacco enforcement section
6 at least until July 1, 2003." ✓

7 (END)



State of Wisconsin
2001 - 2002 LEGISLATURE
January 2002 Special Session

LRBb2826/1
JK:jld:ch

SCC:.....Engel – CN7304, Eliminate reduction in DOR appropriation related to administrative staff

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TO SENATE SUBSTITUTE AMENDMENT 1,
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6 2. Page 412, line 7: delete “\$2,362,900” and substitute “\$1,510,600”.

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