

Fiscal Estimate Narratives

DOR 5/7/01

LRB Number 01-3134/1	Introduction Number SB-158	Estimate Type Original
Subject		
Property tax and ad valorem tax exemption for air carrier company - Midwest Express		

Assumptions Used in Arriving at Fiscal Estimate

Air Carrier Tax:

Under current law, air carrier companies pay a state tax equal to the value of their property allocated to the state times the state average property tax rate.

Under the bill, an air carrier that operates a "hub facility" in Wisconsin would be exempt from both the state tax on air carrier companies and local property taxes. A "hub facility" is defined as (1) a facility at an airport from which an air carrier company operates at least 45 departing flights each weekday, with non-stop service to at least 15 different destinations or (2) an airport or combination of airports from which an airline with headquarters in Wisconsin operates at least 20 departing flights each weekday.

Two airline companies, Air Wisconsin Airlines and Midwest Express Holdings, would qualify for the exemption under the bill. Based on the tax roll for 2000, the bill would have reduced the state tax on air carriers by about \$2.53 million. The reduction in future years' state tax on air carriers could be more or less than this amount depending on changes in property owned by the exempt airlines, and whether any other air carrier companies qualify for the exemption.

Under current law, proceeds from the state air carrier tax are deposited in the transportation fund to finance general transportation activities. Under the bill, the air carrier tax would continue to be deposited in the transportation fund, but specifically earmarked for use in aeronautical activities.

Sales Tax:

Under current law, sales and use taxes paid on the sale and use of noncommercial aircraft are deposited in the general fund. Under the bill, sales and use taxes paid on the sale and use of noncommercial aircraft would be deposited in the transportation fund and earmarked for use in aeronautical activities. Based on data for FY 00, the amount of sales tax which would be deposited in the transportation fund would be about \$3.34 million. The resultant increase in funding for the transportation fund would be offset by an equal decrease in funding for the general fund. The amount deposited in the transportation fund in future years will vary, depending on the amount of sales and use subject to the sales tax.

Local Property Tax:

Under current law, the operating property of airline companies subject to the state tax on airline companies is exempt from local property taxes. Under the bill, the operating property of an airline operating a "hub facility" in Wisconsin would continue to be exempt from local property taxes. Since none of this property is now taxed locally, the bill would have no effect on local property taxes.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-3134/1		Introduction Number SB-158	
Subject			
Property tax and ad valorem tax exemption for air carrier company - Midwest Express			
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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		
(FTE Position Changes)			
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	\$		\$-3,340,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S (Transportation)	3,340,000		-2,530,000
TOTAL State Revenues	\$3,340,000		\$-5,870,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-2,530,000		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Daniel Huegel (608) 266-5705		Dennis Collier (608) 266-5773	5/7/01