

Fiscal Estimate - 2001 Session

Original
 Updated
 Corrected
 Supplemental

| | |
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| LRB Number 01-2903/1 | Introduction Number AB-386 |
|------------------------------------|--|

Subject
 Sales and use tax treatment of drop shipments

Fiscal Effect

State:

| | | |
|---|--|---|
| <input type="checkbox"/> No State Fiscal Effect | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input type="checkbox"/> Indeterminate | <input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Increase Existing Appropriations | | <input type="checkbox"/> Decrease Costs |
| <input type="checkbox"/> Decrease Existing Appropriations | | |
| <input type="checkbox"/> Create New Appropriations | | |

Local:

| | | |
|--|---|---|
| <input type="checkbox"/> No Local Government Costs | | |
| <input type="checkbox"/> Indeterminate | | |
| 1. <input type="checkbox"/> Increase Costs | 3. <input type="checkbox"/> Increase Revenue | 5. Types of Local Government Units Affected |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |
| 2. <input type="checkbox"/> Decrease Costs | 4. <input checked="" type="checkbox"/> Decrease Revenue | |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory | |
| | | |

Towns Village Cities
 Counties Others Baseball & football districts
 School Districts WTCS Districts

| | |
|---|---------------------------------------|
| Fund Sources Affected | Affected Ch. 20 Appropriations |
| <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS | |

| | | |
|---|--|------------------------|
| Agency/Prepared By DOR/ Blair Kruger (608) 266-1310 | Authorized Signature Dennis Collier (608) 266-5773 | Date 5/18/01 |
|---|--|------------------------|

Fiscal Estimate Narratives

DOR 5/21/01

| | | | | | |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 01-2903/1 | Introduction Number | AB-386 | Estimate Type | Original |
| Subject | | | | | |
| Sales and use tax treatment of drop shipments | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, tangible personal property that is sold by an out-of-state retailer and delivered in Wisconsin by a third party is subject to sales tax. The third party collects the tax and remits it to the state. Under the bill, tangible personal property that is sold by an out-of-state retailer and delivered in Wisconsin by a third party would continue to be taxable. However, under the bill, the third party would no longer collect and remit sales tax to the state; instead, the purchaser would remit use tax.

In plain language, the bill changes the liability for tax on drop shipments. A drop shipment occurs when, for example, an Illinois retailer sells tangible personal property to a Wisconsin customer and instructs the Wisconsin manufacturer (the third party) to deliver the property directly to the Wisconsin customer. Under current law, the manufacturer pays sales tax; under the bill, the purchaser would pay use tax.

Since drop shipments of tangible personal property remain taxable under the bill, the decrease in sales tax would, in principle, be offset by an increase in use tax. However, compliance with use tax liability is notoriously poor and so a revenue reduction is likely under the bill. Data to estimate the revenue reduction are not available.

County, baseball park district, and football stadium district sales taxes would also be likely to decrease under the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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| Sales and use tax treatment of drop shipments | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): | | | |
| Data are not available to estimate the annual state and local revenue decreases that are likely under the bill. | | | |
| 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 | | \$ | \$ |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | | \$ | \$ |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | | <u>State</u> | <u>Local</u> |
| NET CHANGE IN COSTS | | \$ | \$ |
| NET CHANGE IN REVENUE | | \$ | \$ |
| Agency/Prepared By | | Authorized Signature | |
| DOR/ Blair Kruger (608) 266-1310 | | Dennis Collier (608) 266-5773 | |
| | | Date | |
| | | 5/18/01 | |