

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB # 01-1498/1

INTRODUCTION # AB 97

Admin. Rule #

**Subject**  
**Create Sales and Use Tax Exemption for Necessities**

**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**

20.566 (1)(a)

**Assumptions Used in Arriving at Fiscal Estimate:**

This bill would create a sales and use tax exemption for detergents, feminine napkins and tampons, soap, toilet paper, toothbrushes and tooth powder. It is assumed that the exemption would take effect July 1, 2001.

U.S. sales of sanitary paper products other than disposable diapers, which would not be exempt under this bill, were \$14,217 million and sales of soap and other detergents were \$13,401 million in 1998, based on forecasts in the 1998 *U.S. Industry and Trade Outlook* and on data from news reports. (Data on these product lines were not provided in more recent editions of the *Industry and Trade Outlook*.) Assuming that sales of these products grew at the same rate as the growth in consumption of miscellaneous nondurables, as forecast by Standard and Poor's DRI, or 30.7%, U.S. sales of sanitary paper products other than disposable diapers and of soap in FY02 are estimated to be \$36,084 million [(\$14,217 million + \$13,401 million) X 1.307]. U.S. sales of toothpaste, tooth powder and toothbrushes in 1999 were \$2,432 million, according to *Drug Store News*. Assuming these sales grew at the same rate as growth in consumption of miscellaneous nondurables, or 20.0%, U.S. sales in FY02 would be \$2,919 million (\$2,432 million X 1.2).

Thus, total U.S. sales of property qualifying for the proposed exemption are estimated to be \$39,003 million (\$36,084 million + \$2,919 million). Assuming Wisconsin's share of these sales is equal to its share of U.S. personal income, or 1.85%, sales exempt from this tax are estimated to be about \$720 million (\$39,003 X 1.85%). Applying the 5% sales tax to this amount results in a revenue loss of \$36 million (\$720 million X 5%). County, baseball park and football stadium district sales and use taxes in FY02 are expected to be 7.064% of state taxes. Thus, this bill would reduce local revenues by an estimated \$2.5 million (\$36 million X 7.064%).

The Department would incur one-time costs of \$56,100 to inform retailers of the exemption.

**Long-Range Fiscal Implications:**

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	3/5/01

**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):**

+\$56,100 GPR-Exp

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
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. State Costs by Source of Funds</b>		
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$	\$ - 36 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	\$	\$ - 36 million

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -36 million	\$ -2.5 million

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