

Fiscal Estimate Narratives

DOR 10/9/01

LRB Number 01-3591/2	Introduction Number SB-260	Estimate Type Original
Subject		
Sales tax imposed on mobile telecommunications services		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, mobile telecommunications services that originate or terminate in this state are generally subject to Wisconsin sales tax. Under the bill, if a mobile customer's place of primary use of mobile telecommunications services is in this state, all mobile telecommunications services, regardless of whether the call is placed in Wisconsin, purchased by that customer would be subject to Wisconsin sales tax. The bill would first apply to customer bills issued after August 1, 2002.

Under current law, prepaid telephone services are exempt from sales tax, if tax was paid on the purchase of the prepaid telephone calling card. The bill clarifies current law by creating an exemption from sales tax for telephone services obtained by using a prepaid telephone calling card, if tax was paid on the purchase of the prepaid telephone calling card. This provision would have no fiscal effect.

Since the bill first applies to customer bills issued after August 1, 2002, its fiscal effect would begin in FY03. The bill's fiscal effect is the sales tax that Wisconsin would collect on mobile services purchased by Wisconsin users that neither originate nor terminate in this state. Currently, sales taxes on such services are collected by the out-of-state jurisdiction in which the services are provided. Under federal law, beginning August 1, 2002, out-of-state jurisdictions will no longer be permitted to collect taxes on services provided to Wisconsin users; however, the federal law will allow Wisconsin to tax those services. This bill would impose the tax allowed under federal law.

According to the Cellular Telecommunications Industry Association, revenue for services provided to subscribers of other mobile companies, hereafter called roamer revenue, decreased from 13.3% of total mobile company revenue in 1995 to 7.4% in 2000 nationally. Roamer revenue is expected to continue to decrease as companies such as Verizon, AT&T Wireless and Cingular build national networks and so reduce their reliance on other carriers' networks.

Wisconsin mobile revenues are estimated to be about \$1.3 billion in FY03. Assuming Wisconsin companies' roamer revenue is 6% of their total revenue in FY03, Wisconsin roamer revenue would be about \$78 million (\$1.3 billion x 6%). According to the Wisconsin Department of Tourism, in-state travelers and visitors from out of state each account for 50% of travelers' expenditures in Wisconsin. Assuming the same 50-50 split applies to purchases of mobile services, about \$39 million (\$78 million x 50%) of Wisconsin companies' roaming revenue would be attributable to Wisconsin users roaming in state in FY03.

Assuming Wisconsin users' expenditures for mobile services while out of state are 10% of their expenditures on in-state roaming, Wisconsin users' expenditures for out-of-state mobile services would be about \$3.9 million (\$39 million x 10%). Adjusting the \$3.9 million to account for the August 1, 2002 effective date, the bill would generate about \$200,000 (\$3.9 million x 11/12 x 5%) in sales taxes in FY03. On an annual basis, the bill is expected to produce sales taxes of about \$250,000.

County, baseball park district and football stadium district sales taxes are expected to be 7.064% of state sales taxes in FY03. Thus, these local taxes are estimated to increase by about \$15,000 (\$200,000 x 7.064%) under the bill. On an annual basis, the bill is expected to produce local taxes of about \$20,000.

Administrative costs of the bill would be minimal.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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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 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	\$250,000	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$250,000	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$250,000	\$20,000
Agency/Prepared By	Authorized Signature	Date
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