

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB # 01-2460/1

INTRODUCTION # SB 65

Admin. Rule #

**Subject**

Sales and Use Tax Exemption for Farm Inputs

**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:**

Under current law, most of the inputs used exclusively in the business of farming are specifically exempt from sales and use tax. The bill expands the sales and use tax exemption to include sales of nonpowered equipment and other tangible personal property used exclusively and directly in the business of farming.

The bill also extends the exemption to the sale of these items used in the business of husbandry and aquaculture. To the extent that farming is currently defined to include the breeding of many types of farm animals and the commercial raising of fish for food, it is assumed that these changes will have no effect on current law.

The nonpowered equipment that is currently taxable that would be exempt under the bill includes items such as calf stalls, cattle chutes, cow mats, and non-powered waterers. Personal property that is currently taxable that would be exempt under the bill includes hormones, hormone growth stimulants and vitamins.

According to the 1997 Census of Agriculture Wisconsin farmers spent \$523.8 million on miscellaneous farm expenses. Based on studies of production costs conducted by the Center for Dairy Profitability, College of Agricultural and Life Sciences and Cooperative Extension, University of Wisconsin-Madison, it is assumed that the amount spent on miscellaneous supplies has increased 20% since 1997. Thus, it is assumed that Wisconsin farmers spend \$628.6 million (\$523.8 million x 1.2) on miscellaneous supplies annually and that 15% of this amount, or \$94.3 million (\$628.6 million x 15%), are expenses that are currently taxable that would be exempt under the bill. Exempting these supplies would reduce sales tax revenue by an estimated \$4.7 million (\$94.3 million x 5%).

For FY02, county and stadium sales tax revenues are expected to be 7.064% of state sales tax. Thus, the revenue loss to local governments would be approximately \$333,000 (\$4.7 million x 7.064%).

The department would incur one-time costs of \$56,100 required for a special mailing to retailers to notify them of the new law, the costs of which could not be absorbed.

**Long-Range Fiscal Implications:**

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**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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Sales and Use Tax Exemption for Farm Inputs

**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	\$	\$ - 4.7 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	\$	\$ - 4.7 million

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -4.7 million	\$ -333,000

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