

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-1192/1
INTRODUCTION # SB 8
Admin. Rule #

Subject
 Create Sales and Use Tax Exemption for Clothing and Shoes for August and September

Fiscal Effect

- State:** No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|--|--|---|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | |
| <input type="checkbox"/> Create New Appropriation | <input type="checkbox"/> Decrease Costs | |

Local: No Local Government Costs

- | | | |
|--|---|--|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
<input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball Park and Football Stadium Districts</u>
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input checked="" type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory | |

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

This bill would provide a sales and use tax exemption for sales of clothing and shoes costing less than \$100 from August 1 to September 15 each year. This estimate assumes that the temporary exemption first occurs in 2001.

According to the *Survey of Current Business*, August 2000, sales of clothing and shoes in the United States totalled \$307 billion in 1999. According to the December 2000 DRI forecast of the U.S. economy, consumption of clothing and shoes is estimated to rise by 10.8% between 1999 and 2001; thus, national clothing and shoe sales in 2001 are estimated to be \$340.3 billion (\$307 billion X 1.108).

Assuming Wisconsin's share of these sales is equal to its share of national personal income, or 1.85%, sales of clothing and shoes in the state are estimated to be \$6,280 million (\$340.3 billion X .0185) in 2001.

There are no data available indicating the share of sales for items costing less than \$100. It is assumed that 75% of sales would satisfy this threshold. Further, it is assumed that one-sixth of annual sales would fall in the 1.5-month period in which the exemption is in effect. This fraction is larger than the period of time, one-eighth of the year, in which the temporary exemption would occur, reflecting the belief that consumers would choose to delay or advance some of their purchases into the exemption period. Thus, sales qualifying for the exemption are estimated to be \$785 million (\$6,280 million X 0.75 X 0.167). The state revenue loss from exempting these sales from the 5% sales tax is estimated to be approximately \$39 million (\$785 million X 0.05). This estimate is highly sensitive to the assumption as to the portion of sales attributable to clothing and shoes costing less than \$100. If it is assumed that 80%, rather than 75%, of sales qualify for the exemption, the estimated revenue loss would be \$3 million higher.

County and Southeast Wisconsin and Brown County stadium sales taxes in 2001 are estimated to be 7.064% of state sales tax revenues. Thus, the revenue loss for governments with a local sales tax is estimated to be \$2.75 million (\$39 million X 0.07064).

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 (608) 266-2700 <i>Yeang Eng Braun</i>	1/30/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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Create Sales and Use Tax Exemption for Clothing and Shoes for August and September

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 State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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	\$	\$ - 39 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 39 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -39 million	\$ -2.75 million

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