

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1297/1	Introduction Number AB-234
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Subject
 Internet access services

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations
 Decrease Existing Revenues

 Yes No
 Create New Appropriations

 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball & football 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 Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.505 (8) (j), 20.566 (1) and 20.835 (4)	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 4/10/2003

LRB Number	03-1297/1	Introduction Number	AB-234	Estimate Type	Original
Subject					
Internet access services					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, internet access is a taxable telecommunications service. Under AB 234, internet access would be exempt from sales tax.

Since the mid-1990s, sales of internet access have increased rapidly due to increasing numbers of, mostly dial up, internet users. Over the next several years, sales of internet access are likely to continue to increase rapidly due to increased use of more expensive high-speed connections, such as cable modems and digital subscriber lines offered by telephone companies. Therefore, it is assumed that sales of internet access will increase by 20% per year.

According to the U.S. Bureau of the Census, nationwide sales of internet access were about \$21,649 million in 2001. Assuming internet access sales are distributed the same as the numbers of internet users, Wisconsin sales of internet access would have been about \$438 million in 2001. Further assuming sales of internet access increase by 20% per year, Wisconsin sales of internet access would be about \$691 million in FY04 and \$829 million in FY05.

Based on Federal Communications Commission data, an estimated 858,000 Wisconsin households and small businesses had dial up internet access; about 236,000 Wisconsin households and small businesses had high speed internet access; and about 22,000 businesses and institutions had high speed access in FY02. Based on average costs of the different types of internet access, Wisconsin sales of internet access were an estimated \$477 million in FY02. Assuming sales of internet access increase at 20% per year, Wisconsin sales of internet access would be about \$686 million in FY04 and \$824 million in FY05.

The average of the two estimates of Wisconsin sales of internet access is \$689 million in FY04 and \$826 million in FY05. Assuming a 95% compliance rate for collections of sales tax on internet access, sales taxes would decrease by about \$32.7 million in FY04 and \$39.3 million in FY05 under the bill.

County, baseball park district and football stadium district sales and use taxes are currently about 7.27% of state taxes. Assuming this percentage remains constant, local government sales taxes would decrease by about \$2.4 million in FY04 and \$2.9 million in FY05 under the bill.

Administrative costs of the bill are minimal and would be absorbed by the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Internet access services			
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		\$	\$-32,700,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-32,700,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-32,700,000	\$-2,400,000
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