

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1297/1	Introduction Number AB-234	
Subject Internet access services		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball & football districts</u> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
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 DOR/ Dennis Collier (608) 266-5773	Authorized Signature Dennis Collier (608) 266-5773	Date 4/10/2003

Fiscal Estimate Narratives

DOR 4/10/2003

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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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LRB Number 03-1297/1		Introduction Number AB-234	
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	
Agency/Prepared By		Authorized Signature	Date
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