

Fiscal Estimate Narratives

DOR 3/25/2004

LRB Number	03-2954/2	Introduction Number	AB-974	Estimate Type	Original
Subject					
Eliminate single sales factor apportionment					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the income of most businesses is apportioned to the state using a three-factor formula based on the amount of sales, property and payroll in the state compared to the sales, property and payroll everywhere. The sales factor represents 50% of the formula and the payroll and property each represent 25% of the formula. The income of insurance companies is apportioned using an equally weighted two-factor formula of premiums and payroll in Wisconsin compared to the premiums and payroll everywhere. The income of utilities is apportioned using an equally weighted three-factor formula of payroll, property and sales.

Under 2003 Wisconsin Act 37, a single sales factor apportionment formula will be phased in. The sales factor will be weighted at 60% in 2006, 80% in 2007, and 100% in 2008. For taxable years beginning in 2008, the sales factor will be the only factor used to apportion income for most businesses, including gas and electric utilities, and the premiums factor will be the only factor for insurance companies.

The bill deletes single sales factor apportionment, including the scheduled phase-in in 2006 and 2007, as enacted in Act 37. The Department estimates that the bill would increase tax revenues on an annualized basis by \$11 million in 2006, \$32 million in 2007 and \$49 million in 2008 and thereafter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Eliminate single sales factor apportionment			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
The bill will increase tax revenues on an annualized basis by an estimated \$11 million in 2006, \$32 million in 2007 and \$49 million thereafter.			
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		\$49,000,000	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$49,000,000	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$49,000,000	\$
Agency/Prepared By		Authorized Signature	Date
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