

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **03-3226/2**
 Introduction Number **AB-975**

Subject
 Sales tax holiday

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Decrease Existing Appropriations
 Decrease Existing Revenues
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget
 Yes No
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs
 3. Increase Revenue
 Permissive Mandatory
 Permissive Mandatory
 2. Decrease Costs
 4. Decrease Revenue
 Permissive Mandatory
 Permissive Mandatory

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others Stadium districts
 School Districts WTCS Districts

Fund Sources Affected
 Affected Ch. 20 Appropriations
 GPR FED PRO PRS SEG SEGS 20.835 (4) (g), (gb), and (ge)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/17/2004

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Assumptions Used in Arriving at Fiscal Estimate

Under the bill, each year for the four-day period from August 29 through September 1, sales of the following goods would be exempt from sales and use tax:

1. Clothing, excluding accessories, if the total cost of all clothing purchased at the same time does not exceed \$300.
2. Computers and computer-related equipment purchased for the consumer's personal use, if the total cost of all such equipment purchased at the same time does not exceed \$2,000.
3. School supplies if the total cost of all such school supplies purchased at the same time does not exceed \$50.

Also under the bill, the exemption would not apply to goods sold at a sports facility, theme or amusement park, restaurant, hotel, airport or similar facility. The first sales tax holiday would be in August-September 2004.

North Carolina and South Carolina have sales tax holidays in early August during which sales of clothing, computers and school supplies are exempt. Thus, in terms of goods exempted and time of year, North Carolina and South Carolina's sales tax holidays are similar to the sales tax holiday under the bill.

The average expenditure per capita on goods subject to the sales tax holiday was \$14.43 in North Carolina and \$12.06 in South Carolina. Assuming the expenditure per capita on goods subject to the proposed holiday in Wisconsin is the average of the expenditures in North and South Carolina, and assuming a 95% compliance rate, state sales taxes would decrease about \$3.4 million in FY05 under the bill.

County and stadium sales taxes were about 7.25% of state sales taxes in FY03. Assuming this percentage remains constant, county and stadium sales taxes would decrease about \$0.2 million in FY05 under the bill.

The department would incur administrative costs for education and taxpayer assistance under the bill. The department would have to produce a publication explaining the sales tax holiday along with a notice that would be mailed to about 130,000 registered retailers. Printing costs would be about \$4,700 and postage would cost an additional \$29,900 (130,000 x 23¢) resulting in total printing and postage costs of about \$34,600.

In addition, the holiday under the bill is expected to result in a significant increase in telephone and e-mail contacts to the department's Customer Service, branch and district offices over the 5-month period from the time the notice is distributed (120 days before the holiday) until the returns reporting sales during the holiday are filed (at least one month after the holiday). The department estimates that the first holiday will require 1,000 LTE hours at a cost of \$13,000. Thus, one-time costs for printing, postage and temporary help in the first year would total \$47,600. In subsequent years, the department will need only half as much temporary help at an annual cost of about \$6,500.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Sales tax holiday			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$47,600 in printing, postage and LTE salaries in FY04			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$6,500	
(FTE Position Changes)		(0.0 FTE)	
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$6,500	\$
B. State Costs by Source of Funds			
GPR		6,500	
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		\$	\$-3,400,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-3,400,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$6,500	\$
NET CHANGE IN REVENUE		\$-3,400,000	\$-200,000
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