

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-0540/1	Introduction Number SB-208
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Subject
 Exemption for military service flags, POW/MIA flags, and flag kits

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

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"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Stadium districts</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<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	20.835 (4) (g), (gb) and (ge)

Agency/Prepared By DOR/ Blair Kruger (608) 266-1310	Authorized Signature Yeang-Eng Braun (608) 266-2700	Date 7/16/2003
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Fiscal Estimate Narratives

DOR 7/16/2003

LRB Number	03-0540/1	Introduction Number	SB-208	Estimate Type	Original
Subject					
Exemption for military service flags, POW/MIA flags, and flag kits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, sales of U.S. and State of Wisconsin flags are exempt from sales and use tax. The Department has advised retailers that the current flag exemption includes flag poles attached to flags and flag kits consisting of a flag, pole and accessories packaged in a single unit.

SB 208 extends the exemption to include POW/MIA flags, military service flags and accessories that are packaged with such flags by a person other than the retailer and before sales to the final consumer.

The Flag Research Center (FRC) reported that 1996 nationwide flag sales would exceed \$300 million. However, flag sales vary dramatically from year to year due to events such as September 11, 2001 and the war in Iraq. Assuming flag sales increase at the same rate as U.S. Disposable Personal Income, such sales would be about \$442 million in FY04. Further assuming flag sales are distributed among states the same as disposable personal income, flag sales in Wisconsin would be about \$8.1 million in FY04. Thus, the Wisconsin flag market appears to be relatively small. The FRC and the Flag Manufacturers Association of America indicated that POW/MIA flags and military service flags are a very small percentage of total flag sales but were unable to provide a specific number. Assuming the flag sales affected by the bill are a very small percentage of a small market, exempting sales of POW/MIA and military services flags would result in an insignificant decrease in sales taxes.

Exempting sales of flag accessories would not reduce sales tax revenues since the bill codifies the administration of current law.

County and stadium district sales and use taxes would also decrease by an insignificant amount under the bill.

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

Long-Range Fiscal Implications