

STATE OF WISCONSIN
REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS
2003 SENATE BILL 208

[Introduced by Senators Roessler, A. Lasee, S. Fitzgerald, Zien and Schultz; cosponsored by Representatives Vrakas, Freese, Suder, Owens, Gronemus, J. Fitzgerald, Van Roy, McCormick, Petrowski, Seratti, Ott, Kreibich, Krawczyk, Taylor, Loeffelholz, Pettis and Berceau.]

General Nature of Proposal

Under current state law, the sale of the U.S. flag and the state flag are exempt from the sales and use tax. The bill creates additional flag-related sales and use tax exemptions. Under the bill, the sale of the following items would also be exempt from the sales and use tax:

- The "POW/MIA" flag.
- A military services flag.
- Accessories for any tax exempt flag that are packaged with the flags by a person other than the retailer and before a sale to the final consumer.

The exemption takes effect on the first day of the second month beginning after publication of the bill as an act.

Legality Involved

There are no questions of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

The Department of Revenue explains the fiscal effect of the bill as follows:

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 FY 04. 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 FY 04. 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

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market, exempting sales of POW/MIA and military service flags would result in an insignificant decrease in sales taxes.

Exempting sales of flag accessories would not reduce sales tax revenue 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.

Public Policy Involved

The bill is good public policy.

3/03/04

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