

Fiscal Estimate Narratives

DOR 2/13/2006

LRB Number	05-4282/2	Introduction Number	AB-950	Estimate Type	Original
Description Depositing sales and use tax revenues from the sale or use of motor vehicle parts into the transportation fund and general transportation aids to local governments					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, beginning in 2007, on or before June 30, the Department of Revenue (Revenue) is required to estimate the amount of sales and use tax imposed on the sale or use of motor vehicle parts in the current fiscal year. Also, beginning in 2007, on July 1 of each year, the amount of sales and use tax on sales of motor vehicle parts is deposited into the Transportation Fund. Thus, the first transfer under the bill will occur in FY08 based on FY07 taxes.

In addition, under the bill, the Department of Transportation (WisDOT) may not adjust or reduce, and neither Revenue nor the Department of Administration may require adjustments of local transportation aid payments except for reasons authorized under current law. This provision does not have a fiscal effect.

Sales Tax Collections on Motor Vehicle Parts

Motor vehicle parts are sold by new and used car dealers, service stations, automotive repair shops, general merchandise/department stores (e.g., windshield wiper blades) and other sellers. Since specific data on sales of motor vehicle parts are not available, two estimates of the sales and use taxes on motor vehicles are developed to provide a range.

1. According to the US Census, sales of automotive parts, accessories, and tire stores in Wisconsin totaled \$991 million in 2002. Nationally, such sales have increased about 3.6% per year over the previous 5 years. Assuming Wisconsin sales increase 3.6% per year, and that 15% of sales were to governments or other exempt entities, sales taxes on automotive parts, accessories, and tires in Wisconsin would be about \$49 million ($\$991 \text{ mil.} \times 85\% \times 117\% \times 5\%$) in FY07.

Also according to the US Census, sales of automotive repairs and maintenance in Wisconsin totaled \$1.45 billion in 2002. Nationally, these sales have increased at about 7.2% per year over the previous 5 years. Based on Census data, 31% of these sales were for motor vehicle parts and it is assumed 15% of sales were to governments or other exempt entities. Under these assumptions, sales taxes on motor vehicle parts related to automotive repairs and maintenance in Wisconsin would be about \$26 million ($\$1.45 \text{ bil.} \times 137\% \times 31\% \times 85\% \times 5\%$) in FY07. Thus, based on US Census data, sales of tires, tubes and automotive accessories, and sales of motor vehicle parts related to automotive repairs and maintenance produced sales taxes of about \$75 million ($\$49 \text{ mil.} + \26 mil.) in FY07.

2. According to WisDOT, 5,160,673 motor vehicles were registered in Wisconsin in 2003. The number of registered vehicles has increased 3% per year over the past 5 years. Based on AAA Wisconsin data, the average maintenance cost of a motor vehicle was estimated at \$841 in 2005. It is assumed that 15% of vehicles are government or other exempt entities, and 31% of maintenance costs are for parts. Under these assumptions, sales of motor vehicle parts would produce about \$62 million [$(\$841 \times 5,160,673) \times 1.09\% \times 85\% \times 31\% \times 5\%$] in sales tax in FY07.

Based on the average of the above estimates, about \$69 million of sales and use taxes on motor vehicle parts would be transferred from the General Fund to the Transportation Fund in FY08 under the bill.

Costs of administering the bill would be absorbed by the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Depositing sales and use tax revenues from the sale or use of motor vehicle parts into the transportation fund and general transportation aids to local governments			
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	\$	\$-69,000,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S (Transp.)	69,000,000		
TOTAL State Revenues	\$69,000,000	\$-69,000,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$0	\$	
Agency/Prepared By		Authorized Signature	Date
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