

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2590/1	Introduction Number AB-396	
Subject		
Eliminate taxing authority and tax benefits for a local professional baseball park district		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Decrease Costs		
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball district</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected		
<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		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310	Rebecca Boldt (608) 266-6785	5/12/2005

Fiscal Estimate Narratives

DOR 5/12/2005

LRB Number	05-2590/1	Introduction Number	AB-396	Estimate Type	Original
Subject					
Eliminate taxing authority and tax benefits for a local professional baseball park district					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Southeast Wisconsin Professional Baseball Park District (SWPBPD) imposes a 0.1% sales and use tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties to fund the construction and maintenance of Miller Park. The tax sunsets upon certification by the district's governing board that the construction debt has been paid and a maintenance fund has been funded. The Wisconsin Department of Revenue administers the baseball tax and retains 1.5% of collections as program revenues to recover its costs.

Also under current law, Miller Park and its functionally related or auxiliary facilities and structures, including personal property, are exempt from property taxes. In addition, the SWPBPD is exempt from corporate income and franchise taxes.

Under the bill, retailers and the Department would not be permitted to collect baseball district sales and use tax after the effective date of the bill. The bill would also repeal Miller Park's property tax exemption, first applying to the assessments as of January 1, 2005. The bill would repeal the SWPBPD's corporate income and franchise tax exemption, first applying to taxable years beginning after January 1, 2005.

BASEBALL SALES AND USE TAX

Total baseball district sales and use taxes were about \$25.0 million in FY04. Distributions of these taxes to the baseball district accounted for \$24.6 million and program revenues of the Department of Revenue accounted for \$0.4 million.

Assuming the baseball sales and use tax would be repealed effective July 1, 2005 and baseball district sales and use taxes increase at the same rate as state sales and use taxes, total baseball taxes would decrease by \$26.8 million in FY06 and \$27.9 million in FY07. Distributions to the baseball district would decrease by \$26.4 million in FY06 and \$27.5 million in FY07, and the Department's program revenues would decrease by \$0.4 million in each year.

Current law provides that the state is morally obligated to appropriate sufficient funds to pay the debt service on bonds issued by SWPBPD. Thus, it is assumed that the bill will shift debt service payments of up to \$26.4 million in FY06 and \$27.5 million in FY07 to the state General Fund.

CORPORATE INCOME AND FRANCHISE TAX

SWPBPD is a public corporation whose revenues include interest and rental income as well as baseball district sales and use taxes. The district may use income in excess of current obligations to retire bonds early or to fund the maintenance fund. Funds set aside in any year for the district's maintenance fund may be taxable income that year under the bill. However, the district would likely use its interest and rental income to pay interest on bonds since it would no longer have sales and use tax revenues under the bill. Thus, there is unlikely to be an increase in corporate income taxes under the bill.

PROPERTY TAXES

Under the bill, the Milwaukee Brewer stadium owned by the Southeast Wisconsin Professional Baseball Park District would be subject to property tax. According to the 2002 Legislative Audit Bureau's report on Milwaukee Brewers Stadium Costs, the total stadium construction costs were \$413.9 million. Assuming construction cost represents full value of the property and assuming the 2003/2004 Milwaukee tax rate of \$25.30 per \$1,000 of full value, it is estimated that the stadium would be subject to about \$10.5 million property tax.

Also, state forestry taxes would increase by about \$83,000 ($\$413.9 \text{ mil.} \times 0.0002$) under the bill.

ADMINISTRATIVE EFFECTS

The Department's program revenues for administration of the baseball tax would decrease by \$0.4 million per year, and its ongoing operating costs would decrease by \$352,000 and 4.5 FTE per year. The Department would incur estimated one-time costs of \$550,000 to reprogram the Sales Internet Process and Integrated Tax System for the elimination of the tax. In addition, due to late filed returns and appeals, baseball tax administrative duties will continue after the tax is eliminated. Subsequent work, estimated at \$116,000 per year for two years, will be charged against the General Fund appropriation of the Department.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 05-2590/1		Introduction Number AB-396	
Subject			
Eliminate taxing authority and tax benefits for a local professional baseball park district			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$666,000 in FY06; \$116,000 in FY07.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		-352,000
(FTE Position Changes)			(-4.5 FTE)
State Operations - Other Costs	26,400,000		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$26,400,000		\$-352,000
B. State Costs by Source of Funds			
GPR	26,400,000		
FED			
PRO/PRS			-352,000
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	\$		\$
GPR Earned			
FED			
PRO/PRS			-400,000
SEG/SEG-S	83,000		
TOTAL State Revenues	\$83,000		\$-400,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$26,048,000		\$
NET CHANGE IN REVENUE	\$-317,000		\$-26,400,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310		Rebecca Boldt (608) 266-6785	5/12/2005