

### Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-3022/1</b>	<b>Introduction Number</b> <b>AB-508</b>
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**Subject**  
 Gross receipts tax on large retail businesses

**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 checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Decrease Costs
<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"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue		<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS Medical Assistance Trust Fund	

<b>Agency/Prepared By</b> DOR/ Blair Kruger (608) 266-1310	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 7/21/2005
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## Fiscal Estimate Narratives

DOR 7/21/2005

LRB Number	<b>05-3022/1</b>	Introduction Number	<b>AB-508</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Gross receipts tax on large retail businesses					

### Assumptions Used in Arriving at Fiscal Estimate

The bill imposes a gross receipts tax on every retailer that (1) has annual gross receipts from the sale of tangible personal property or taxable services exceeding \$20,000,000 per year and (2) pays less than 10 percent of the retailer's payroll for employee health care costs, if the annual compensation that the retailer pays to each of the retailer's entry-level employees who holds a full-time job is less than \$22,000 or if, as averaged for the taxable year, more than 25 percent of the retailer's employees are not holding full-time jobs. The revenue generated by the tax would be deposited in the Medical Assistance Trust Fund.

The tax under the bill would be calculated as:

- 1% of the retailer's gross receipts greater than \$20 million but less than \$30 million,
- 1.5% of the retailer's gross receipts greater than \$30 million but less than \$40 million,
- 2% of the retailer's gross receipts greater than \$40 million.

According to department records, about 450 Wisconsin sales taxpayers had taxable receipts greater than \$20 million and about 60 taxpayers with taxable receipts greater than \$100 million in 2004. Thus, the bill has the potential to generate substantial tax increases. For example, a company with taxable sales of \$100 million would pay \$1,450,000 [(1% x \$10 mil.) + (1.5% x \$10 mil.) + (2% x \$60 mil.)] if subject to the tax under the bill.

Although a significant number of companies would meet the \$20 million in taxable sales threshold, it is not known which, if any, companies pay less than 10% of their payroll for health care costs. According to the Employment Policy Foundation (EPF), nationally, employer contributions to health benefits were 7.3% of total compensation in 2002 and are expected to increase to 9% in 2005. Excluding benefits, the EPF calculated that employer health costs were 11.6% of the nationwide average wage in 2004.

According to the Bureau of Labor Statistics, entry-level wages for low-skill jobs, such as cashiers, department store and other general merchandise store clerks, and waitstaff range from minimum wage to \$7-8 per hour. Assuming an employee works 2,080 hours per year, at \$8 per hour, the employee would earn only \$16,640 (\$8 x 2,080), well below the \$22,000 per year threshold under the bill.

It is likely that some companies would be subject to the tax. However, data by company are not available regarding the percentage of payroll that retailers pay for health care costs, the annual compensation levels of entry-level employees, and the percentage of employees that are employed part time. This means that data to identify the retailers to which the tax would apply are not available and the tax under the bill cannot be reliably estimated.

Administration of the tax under the bill would necessitate an additional auditor position at an annual cost of about \$100,000. The other administrative costs of the bill would be absorbed by the department.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number <b>05-3022/1</b>		Introduction Number <b>AB-508</b>	
<b>Subject</b>			
Gross receipts tax on large retail businesses			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$100,000	
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$100,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR		100,000	
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$100,000	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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