

Fiscal Estimate Narratives

DOR 7/18/2005

LRB Number	05-1905/1	Introduction Number	AB-528	Estimate Type	Original
Subject					
Gender equity in wages					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an employer may not discriminate against individuals in promotion, compensation paid for equal or substantially similar work, or in terms, conditions or privileges of employment or licensing on the basis of sex, where sex is not a bona fide occupational qualification.

Effective in 2016, the bill would create an additional sexual employment discrimination standard. Employment discrimination would include discriminating between an employee in a job dominated by a particular sex and an employee at the same place of business in a job dominated by the opposite sex in terms of comparable worth. Comparable worth would be measured by the composite of skill, effort and responsibility normally required in the performance of work and the conditions under which the work is normally performed. An employer could not achieve compliance by reducing the compensation of employees or positions. Different compensation based on a bona fide seniority system, a merit system or a system that measures earnings by quality or quantity of production would not be prohibited.

The bill would impose sales and use taxes on legal services, effective in 2005 on the second day after the publication of the 2005-07 biennial budget act. Proceeds from the tax would be deposited in a newly created comparable worth fund. Appropriations would be established, one for grants to local government units for the cost of paying wage differentials and administering the program, and the other to supplement appropriations to state agencies for the cost of paying wage differentials. In addition, the bill would create an income and franchise tax credit for the cost of private employers in paying wage differentials.

INCOME AND FRANCHISE TAX CREDIT

The bill would create income and franchise tax credits for private employers that are certified by the Department of Workforce Development (DWD) as meeting compliance standards for the additional sexual employment discrimination standard prior to 2016 and a grant program for state and local government employers.

If DWD were to approve an application and plan submitted by an employer, the credits certified would equal the difference in wages the employer would have to pay to achieve compliance. Within 30 days of certification, DWD would be required to notify the Department of Revenue that an employer had been certified and for how much credit. DWD could revoke certification if the employer provided false information or failed to maintain compliance. No employer could be certified for tax benefits for a taxable year that would begin after 2015.

Information necessary to estimate the fiscal effect of the bill is not available. Specifically, information on the number of employers with pay differentials between employees of the opposite sex for work of comparable worth that would qualify for a grant or a credit, the current compensation of each group and the amount of the grant or credit that would be certified by DWD is not available.

LOCAL GOVERNMENTS

Under the bill, municipalities, counties, and special districts could apply to the Department of Workforce Development (DWD) for grants to cover the cost of complying with the mandate that their pay scales comply with comparable worth. Grant payments would equal the amount of the wage differential needed to bring the local government into compliance with comparable worth. If funds are not sufficient to pay grants in their entirety, actual grant payments could be prorated.

No grants may be awarded for wage differentials incurred after December 31, 2015.

Under the bill, school districts could apply to DWD for grants to cover the cost of complying with the mandate that their pay scales comply with comparable worth. The revenue limit otherwise applicable to a school district

would be increased by the amount of any grants awarded by DWD to a district. If funds are not sufficient to pay grants in their entirety, actual grant payments may be prorated. No grants may be awarded for wage differentials incurred after the 2015-16 school year.

The Department of Revenue (DOR) does not have detailed information on pay scales of local governments and school districts. DOR is therefore unable to estimate the increase in compensation that would be required to bring local governments and school districts into compliance with comparable worth. DOR is also therefore unable to estimate the amount of grants that local governments and school districts could be eligible for under the proposed grant program.

SALES AND USE TAXES

According to the US Census, nationwide total revenues for legal services, NAICS 5411, were \$187,507 million in 2003. Also, according to the 1997 Economic Census, Wisconsin accounted for 1.2% of these revenues. Assuming Wisconsin's share has not changed since 1997, Wisconsin revenues for legal services would be about \$2,175 million in 2003. Adjusting for exempt sales and assuming the revenue growth at the average annual rate from 1998-2003 and a 95% compliance rate, state sales taxes would increase by about \$116 million in FY06 and \$124 million in FY07 under the bill.

County and stadium sales taxes were about 7.72% of state sales taxes in FY04. Assuming this percentage does not change, county and stadium sales taxes would increase by \$9 million in FY06 and \$10 million in FY07.

The Department anticipates one-time costs for form changes of \$60,000 and annual ongoing costs for processing of \$57,500. The bill does not provide funding for these costs.

Long-Range Fiscal Implications