



**Fiscal Estimate Narratives**  
**DOR 9/6/2005**

LRB Number <b>05-3391/1</b>	Introduction Number <b>AB-644</b>	Estimate Type <b>Original</b>
<b>Subject</b> Income and franchise tax credit for sales taxes paid on services provided by a temporary help company		

**Assumptions Used in Arriving at Fiscal Estimate**

Current law specifies the services that are subject to sales and use tax. Taxable services include, but are not limited to, telephone answering services; laundry and dry cleaning services; photographic and film processing services; and the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection, and maintenance of tangible personal property.

The bill creates an income and franchise tax credit equal to the amount of sales tax that a person paid in the taxable year for services provided by a temporary help company.

According to the Department of Workforce Development, temporary help companies under s. 108.02 (24m) are companies the U.S. Census classifies as temporary help services under NAICS 561320. According to the U.S. Census, nationwide sales of temporary help services (NAICS 561320) peaked at \$74 billion in 2000 before falling 14% to \$64 billion in 2001. Since sales had increased to only \$65 billion in 2003, sales are assumed to increase at 0.9% per year, the average growth rate from 2001 to 2003.

According to the 1997 Economic Census, Wisconsin accounted for 1.6% of total sales of temporary help services and it is assumed this percentage has not changed. Based on American Staffing Association statistics, an estimated 8% of sales of temporary help services are subject to sales tax. Assuming this same percentage applies in Wisconsin, and assuming a 95% compliance rate, state sales tax revenues would decrease by about \$4.1 million in FY06 and \$4.2 million in FY07 under the bill. Based on Department data, about 75% of all credits claimed in a tax year are actually used. Therefore, the potential revenue loss associated with this bill could be up to \$3.1 million (\$4.1 million x .75) in FY06 and up to \$3.2 million (\$4.2 million x .75) in FY07.

The Department will incur one-time costs of \$21,600 for 400 hours of programming for changes to the individual and corporate income tax forms.

**Long-Range Fiscal Implications**

To the extent that service providers restructure to fall within the definition under the bill, the revenue loss of the bill would be higher.

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

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<b>Subject</b>			
Income and franchise tax credit for sales taxes paid on services provided by a temporary help company			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
\$21,600 for 400 hours of programming to add a line to the individual and corporate income tax forms.			
<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		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
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		\$	\$-3,100,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-3,100,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-3,100,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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