Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **07-0667/1**	Introduction Number **AB-0010**

Description
The sales tax and the use tax on purchases made with a manufacturer's rebate

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate

- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☒ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget
  - ☒ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☒ Decrease Revenue
   ☐ Permissive ☒ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☒ Counties ☒ Others Stadium districts
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

DOR 1/31/2007

LRB Number **07-0667/1**	Introduction Number **AB-0010**	Estimate Type **Original**
Description The sales tax and the use tax on purchases made with a manufacturer's rebate		

Assumptions Used in Arriving at Fiscal Estimate

The bill would exempt from sales tax the amount paid by the manufacturer of an item of tangible personal property that reduces the amount the buyer pays for the item. The bill would not apply to motor vehicle purchases. The bill would take effect on the 7th day after publication.

Under current law, payments by manufacturers to retailers are taxable because they are part of the retailer's gross receipts. Manufacturers use payments, such as coupons and rebates, to encourage sales of a variety of products, including durable and nondurable consumer goods, clothing, building materials, garden supplies, computers, electronics, furniture and home furnishings.

Mail-in manufacturers rebates for purchases of computers, cellular telephones, electronic equipment and other relatively expensive items have become common in recent years. The estimate assumes the bill would not apply to mail-in rebates because mail-in rebates are transactions between the manufacturer and the consumer. A mail-in rebate does not involve the seller (i.e., the taxpayer) or the amount the buyer pays to the seller.

According to the Promotion Marketing Association, consumers redeemed a total of nearly $3 billion of manufacturers coupons in 2005. Assuming Wisconsin consumers redeemed the same percentage of the $3 billion as the state's share of nationwide disposable personal income (1.81%), Wisconsin coupon redemptions would have been about $54 million (1.81% x $3 billion). Assuming 50% of the items purchased with coupons are taxable, state sales taxes on those items would have been about $1.4 million ($54 mil. x 50% x 5%) in 2005. According to coupon industry reports, total coupon redemptions have not increased in recent years. Assuming no growth in coupon redemptions and a 90% compliance rate, state sales taxes would decrease by about $1.2 million annually under the bill.

County and stadium district sales and use taxes were about 7.65% of state sales and use taxes in FY06. Assuming this percentage does not change, county and stadium sales taxes would decrease by about $0.1 million annually under the bill.

Administrative costs of the bill would be minimal and would be absorbed by the department.

Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description The sales tax and the use tax on purchases made with a manufacturer's rebate		
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$-1,200,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$-1,200,000**
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$-1,200,000	$-100,000

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