

Fiscal Estimate Narratives

DOR 1/25/2008

LRB Number	07-3419/1	Introduction Number	AB-0659	Estimate Type	Original
Description Income and franchise tax credits for sales and use taxes paid on nonprescription drugs					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates an income and franchise tax credit equal to the amount of state sales and use taxes paid by the claimant on purchases of non-prescription drugs that are for human consumption only, prepackaged for use by consumers, and labeled in accordance with state and federal law. The new credits are nonrefundable but may be carried forward for up to 15 years. The new credits would first apply to tax years beginning January 1, 2006.

According to the Kline and Company report, "Nonprescription Drugs USA 2006", nationwide retail sales of nonprescription drugs were about \$17.1 billion in 2006. Also according to Kline, sales of nonprescription drugs are expected to increase at about 3.2% per year, primarily due to the reclassification of prescription drugs as nonprescription drugs. A table showing the categories of nonprescription drugs on which the fiscal estimate is based is attached.

Assuming the percentage share of nonprescription drugs purchased by Wisconsin consumers is the same as Wisconsin's share of disposable personal income (1.75%) and an annual increase of 3.2%, sales of nonprescription drugs in Wisconsin would be \$300 million in 2006, \$309 million in 2007, and \$319 million in 2008. Assuming sales tax is paid on all of these sales, income taxpayers could claim credits of up to \$15.0 million in FY07, \$15.5 million in FY08, and \$16.0 million in FY09 under the bill. Data are not available to determine the amount of claims that would actually be made under the bill.

Administrative costs would be absorbed.

Long-Range Fiscal Implications

CATEGORIES OF NONPRESCRIPTION DRUGS

ALLERGY, ASTHMA AND SINUS PRODUCTS

- Allergy relief products
- Asthma medications
- Sinus medications

COUGH AND COLD PREPARATIONS

- Cold medications
- Cough drops and lozenges
- Cough syrups
- Nasal decongestants
- Sore throat remedies
- Topical vapor products

DIGESTIVE PRODUCTS

- Antacids and anti-gas products
- Antidiarrheal preparations
- Antinausea preparations
- Laxatives

FEMININE PRODUCTS

- Feminine deodorants and itching remedies
- Feminine yeast infection remedies
- Personal lubricants

INTERNAL ANALGESICS

- Arthritis pain relievers
- General pain relievers
- Menstrual relief products

NUTRITIONAL PRODUCTS

- Herbal products
- Vitamins and minerals

TOPICAL PRODUCTS

- Anti-itch products
- Corn, callus and wart removers
- Diaper rash products
- Eye care products
- First aid products
- Fungicidal preparations
- Hair regrowth treatments
- Hemorrhoidal preparations
- Oral care products
- Topical analgesics

OTHER PRODUCTS

- Home diagnostic test kits
- Sleeping aids
- Smoking cessation aids

From Kline and Company, Inc., "Nonprescription Drugs USA 2006", (brochure).

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Income and franchise tax credits for sales and use taxes paid on nonprescription drugs			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Unknown amount of refunds due to amended 2006 income tax returns.			
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	\$		\$-15,500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-15,500,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-15,500,000	\$
Agency/Prepared By		Authorized Signature	Date
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