

Fiscal Estimate Narratives

DOR 11/21/2007

LRB Number 07-2172/1	Introduction Number SB-113	Estimate Type Updated
Description Relating to: excluding Internet access services from the definition of telecommunications services for sales and use tax purposes		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, internet access service is included within the definition of "telecommunications services", which are subject to sales tax.

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Under the bill, internet access service would be excluded from the definition of "telecommunications services" and, thereby, become an untaxed service. The exclusion under the bill would take effect on the first day of the second month beginning after publication of the bill.

According to the U.S. Bureau of the Census, nationwide sales of Internet access were \$36.6 billion in 2005. Excluding estimated sales to governments and nonprofits and assuming Wisconsin's share of those revenues is 1.77%, the same as Wisconsin's share of Disposable Personal Income, Wisconsin sales of Internet access totalled \$640 million (\$36.6 bil. - 0.389 bil. x 1.77%) in 2005, and the sales and use taxes on those sales were \$32.0 million (\$640 mil. x 5%). Internet access revenues increased 6.2% from 2004 to 2005. Assuming Wisconsin sales of continue to increase by 6.2% per year through FY09, and assuming a 90% compliance rate, sales and use taxes would decrease by \$33.5 million in FY08 and \$35.6 million in FY09 under the bill. The first year fiscal effect will be smaller depending on the date the bill takes effect.

County, baseball park and football stadium district sales and use taxes were 7.66% of state sales and use taxes in FY07. Assuming this percentage remains constant, local government sales taxes would decrease by \$2.6 million in FY08 and \$2.7 million in FY09 under the bill. As indicated above, the first year fiscal effect will be smaller depending on the date the bill takes effect.

Administrative costs of the bill would be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Relating to: excluding Internet access services from the definition of telecommunications services for sales and use tax purposes			
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, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-33,500,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-33,500,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-33,500,000	\$-2,600,000
Agency/Prepared By		Authorized Signature	Date
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