

Fiscal Estimate Narratives

DOR 5/1/2007

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|--|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number | 07-2210/1 | Introduction Number | SB-117 | Estimate Type | Original |
| Description Relating to: imposing a tax on the sale of soft drinks, creating a dental access trust fund, creating grants for dental public health and dental education projects, and making appropriations | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, no excise tax is imposed on the sale of soft drinks sold in this state. This bill imposes an excise tax, at wholesale, on the sale of soft drinks sold in this state and creates the dental access trust fund.

Under this bill, an excise tax is imposed on every wholesaler doing business in this state in the following amounts: 1) \$2 for each gallon of soft drink syrup, 2) 21 cents for each gallon of bottled soft drinks, and 3) on the sale of a package or container of soft drink syrups, simple syrups, powders, or other base products (such as Kool Aid), 21 cents for each gallon of soft drink that may be produced from each package or container according to the manufacturer's instructions. The imposition of the excise tax takes effect on the day after publication.

Furthermore, under the bill, the revenues generated from the excise tax would be deposited into the dental access trust fund. Beginning January 1, 2009, the dental access trust fund would be used to supplement reimbursement for dentists' services provided to recipients under the Medical Assistance Program and to fund grants from the Department of Health and Family Services for dental public health and dental education projects.

Carbonated Beverages

According to the Beverage Marketing Corporation, in 2004 every man, woman and child in the United States ingested 192 gallons of liquid a year. Out of the total amount of liquid ingested, 28.0% was carbonated drinks. Using Wisconsin's 2004 population estimate of 5.5 million, the total consumption of carbonated soft drinks is estimated at 296.1 million gallons annually.

Based on the industry estimates of market shares, of the total 296.1 million gallons, 228.0 million gallons is the estimated bottled portion of the market while 68.1 million gallons is the estimated soft drink sales from syrup. Since one gallon of syrup constitutes 5.8 gallons of soft drink, the total gallonage of soft drink syrup is estimated to be 11.7 million gallons.

The revenue gain from imposing a \$0.21 per gallon excise tax on carbonated bottled soft drinks is estimated to be \$47.9 million and a \$2.00 per gallon excise tax on carbonated soft drink syrup is estimated to generate \$23.5 million, for an annual total of \$71.4 million SEG revenue.

Noncarbonated Beverages

Sufficiently detailed information to reliably estimate the revenues that may be generated from the bill's excise tax on non-carbonated soft drinks is not available because only a portion of aggregate consumption figures would be subject to tax. If, however, it is assumed that 25% of the combined consumption of fruit juice, fruit drinks, vegetable juice, powdered fruit drinks and tap water is assumed to be subject to the tax, based upon beverage consumption figures from the Beverage Marketing Corporation, the bill is expected to generate an estimated \$12.2 million SEG revenue annually on the sale of non-carbonated soft drinks.

Total Revenues

In total, the bill is expected to generate estimated \$83.6 million SEG revenue annually on both carbonated and non-carbonated soft drinks.

Department of Revenue Operating Costs

The Department will need to develop new excise tax reporting forms for wholesalers and to create or modify a computer processing system to process these forms. The Department estimates one-time costs of \$10,600 for forms design and mailings and on-going costs of \$51,400 for additional staff involved in audit and business registration. Other additional costs will be absorbed within the Department's budget.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The Department estimates \$10,600 in one-time costs for forms design and mailings. | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| State Operations - Salaries and Fringes | \$51,400 | | \$ |
| (FTE Position Changes) | | | |
| State Operations - Other Costs | | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | \$51,400 | | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | 51,400 | | |
| 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 | \$ | \$ | |
| GPR Earned | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | 83,600,000 | | |
| TOTAL State Revenues | \$83,600,000 | \$ | |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | State | Local | |
| NET CHANGE IN COSTS | \$51,400 | \$ | |
| NET CHANGE IN REVENUE | \$83,600,000 | \$ | |
| Agency/Prepared By | | Authorized Signature | Date |
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