

Fiscal Estimate Narratives

DOR 7/17/2007

LRB Number	07-2262/2	Introduction Number	SB-227	Estimate Type	Original
Description A sales and use tax exemption for smoking cessation products					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, goods sold by prescription only (including nicotine nasal sprays and inhalers and certain non-nicotine drugs that help individuals stop smoking) are exempt from sales tax.

The bill exempts from sales tax the gross receipts from sales of nicotine replacement therapies that are used by an individual to help that individual stop smoking. Over-the-counter products, such as nicotine patches, nicotine gum, and nicotine lozenges, would be exempt under the bill.

According to Tobacco Free Kids, 881,900 Wisconsin adults smoke. Based on price and treatment information from the American Lung Association, the estimated average cost of nicotine replacement therapy (NRT) is \$186 for 6-week course. According to the Center for Disease Control, 41% of smokers quit for at least 1-day over the past 12 months. Assuming 33% of these 1-day quitters used a NRT, estimated annual sales of NRT were \$22 million ($881,900 \times \$186 \times 41\% \times 33\%$). Thus, state sales taxes would decrease by an estimated \$1 million ($\$22 \text{ mil.} \times 5\%$) per year under the bill.

County and stadium districts sales taxes were 7.6% of state sales taxes in FY06. Assuming this percentage does not change, county and stadium sales taxes would decrease by \$75,000 annually under the bill.

Administrative costs would be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-2262/2		Introduction Number SB-227	
Description			
A sales and use tax exemption for smoking cessation products			
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	\$		\$-1,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-1,000,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-1,000,000		\$-75,000
Agency/Prepared By		Authorized Signature	Date
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