

Fiscal Estimate Narratives
DOR 4/17/2007

LRB Number 07-2172/1	Introduction Number SB-113	Estimate Type Original
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.

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.

Based on Federal Communications Commission data, an estimated 604,000 Wisconsin households and small businesses had dial up internet access; about 814,000 Wisconsin households and small businesses had broadband internet access; and about 35,000 large businesses and non-exempt institutions had high speed access in 2005. Assuming users paid \$10 per month for dial up access, residential and small businesses paid \$35 per month for broadband access, and other businesses and institutions paid \$750 per month for high-speed access, taxable sales of internet access were an estimated \$732 million in 2005; state sales taxes on those sales were \$37 million. The number of high-speed internet lines access in Wisconsin increased by 32% in 2005 but such rapid growth is unlikely to continue. Assuming taxable sales of internet access increase 20% per year, state sales taxes would decrease by \$44 million in FY08 and \$52 million in FY09 under the bill.

County, baseball park district and football stadium district sales and use taxes were 7.64% of state sales and use taxes in FY06. Assuming this percentage remains constant, local government sales taxes would decrease by \$3 million in FY08 and \$4 million in FY09 under the bill.

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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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): FY08 effects are shown in the Worksheet. State revenues would decrease \$52 million and local revenues would decrease \$4 million in FY09.			
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	\$	\$-44,000,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-44,000,000	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-44,000,000	\$-3,000,000	
Agency/Prepared By		Authorized Signature	Date
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