

Fiscal Estimate Narratives

DOR 4/16/2010

LRB Number	09-2104/2	Introduction Number	AB-0901	Estimate Type	Original
Description A sales and use tax exemption for textbooks					

Assumptions Used in Arriving at Fiscal Estimate

This bill provides a sales tax exemption for textbooks that are required for a course offered by a high school, college, university, technical college, or school approved by the state Education Approval Board, located in Wisconsin and used by a student in the course. The exemption under the bill is effective July 1, 2011.

While the bill would exempt purchases made for high school textbooks, it is assumed that all public and private high schools provide textbooks to their students.

According to the National Association of College Stores, higher education full time equivalent (FTE) students spent approximately \$483 on textbooks at college book stores and affiliated web sites during the 2008-09 academic year.

According to the U.S. Department of Education, it is estimated that 217,000 full-time students and 123,000 part-time students were enrolled in Wisconsin universities, colleges, and technical colleges in 2-year or 4-year programs in 2006. Adding one third of the part-time students to full-time students provides an estimate of FTE students of 258,000.

Textbook sales of approximately \$124.6 million ($258,000 \times \483) would be exempt under the bill. Exempting these sales would result in a \$6.2 million ($\$124.6 \times .05$) decrease in state sales and use tax revenue.

For FY09, county and stadium sales tax revenues were approximately 8.0% of state sales tax. Assuming this percentage remains constant, the bill would create a revenue loss to local governments of approximately \$500,000 ($\$6.2 \text{ million} \times .08$).

The Department of Revenue's administrative costs under the bill can be absorbed within existing expenditure authority.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description A sales and use tax exemption for textbooks			
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	\$	\$-6,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-6,200,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-6,200,000	-\$500,000
Agency/Prepared By		Authorized Signature	Date
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