



## Fiscal Estimate Narratives

DOR 4/6/2011

LRB Number	11-1145/1	Introduction Number	AB-0049	Estimate Type	Original
<b>Description</b> Including snowmaking in the definition of manufacturing for sales and use tax purposes					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the sale of tangible personal property is generally subject to the state's 5.0% sales tax. In addition, the sale of tangible personal property may be subject to local sales taxes (including the 0.5% county sales tax and the football and baseball district taxes).

Under current law, however, equipment used exclusively and directly by a manufacturer in a manufacturing process is exempt from the sales tax. In addition, since snow making creates a new form of tangible personal property from existing materials, snow making is considered a manufacturing process. Consequently, machinery and equipment used in snow making by ski resorts such as ski hills, ski slopes, and ski trails is exempt from sales tax. In addition, the purchase of fuel and electricity used in snowmaking is exempt from the sales tax (because an exemption is provided for fuel and electricity used in manufacturing). The purchase of snow grooming equipment (including repair parts and attachments) by skiing facilities, however, is subject to the sales tax.

Under the bill, the definition of manufacturing (for purposes of the machinery and equipment sales tax exemption) is amended to include snow making and snow grooming at ski hills, ski slopes, and ski trails.

As described above, snow making is already considered a manufacturing activity, and consequently, this portion of the bill has no fiscal effect. The inclusion of snow grooming at skiing facilities, will, however, create a state and local revenue reduction.

According to the industry statistics (ski-guide.com) there are 24 snow skiing resorts in Wisconsin. They range from small resorts, such as Keyes Peak Ski Area located in northern Wisconsin with 3 Rope Tow lifts, 5 trails and 40% snowmaking capability to Devil's Head Resort with 11 lifts of various types, 29 trails, and 100% snowmaking capacity.

The State of Minnesota enacted a related, but broader, exemption than included in this bill in its 2000 legislative session. The Minnesota Department of Revenue estimates that its broader exemption will reduce sales tax collections by \$400,000 in FY11. This Minnesota fiscal estimate, however, includes not only snow making and snow grooming equipment, but fuel, electricity, and additives as well. Based on Minnesota's estimate (adjusted for differences in tax rates and the number of ski resorts), and assuming that 30% of the total Minnesota estimate relates to snow grooming, this bill is estimated to decrease Wisconsin state revenue collections in FY12 by \$135,000 annually. This estimate is consistent with an alternative assumption that Wisconsin's 24 skiing facilities would expend approximately \$110,000 annually, on average, for snow grooming equipment, parts, and attachments ( $\$110,000 \times 24 \times 5\%$ ).

In FY10, Wisconsin's county and stadium district sales tax collections were approximately 8.0% of state sales tax collections. Assuming that this percentage will remain unchanged in FY12, Wisconsin local sales taxes would be reduced by \$10,800 annually.

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

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 11-1145/1		<b>Introduction Number</b> AB-0049	
<b>Description</b> Including snowmaking in the definition of manufacturing for sales and use tax purposes			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$-135,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-135,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-135,000		-\$10,800
<b>Agency/Prepared By</b>			
DOR/ Robert Schmidt (608) 267-9892		<b>Authorized Signature</b>	
		Paul Ziegler (608) 266-5773	
<b>Date</b>			
4/6/2011			