



## Fiscal Estimate Narratives

DOR 2/9/2012

LRB Number	11-3624/1	Introduction Number	AB-0519	Estimate Type	Original
<b>Description</b> A sales and use tax exemption for tangible personal property and taxable services sold in March 2012					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, sales and use taxes are imposed on the sale of tangible personal property, digital goods, and certain services. In FY2011, sales and use tax collections totaled \$4.109 billion.

The bill provides a sales and use tax exemption for all tangible personal property and taxable services sold during March of 2012. The exemption does not apply to county or stadium district sales and use taxes.

State sales and use tax collections on sales that occurred during March of 2011 are estimated at \$329.8 million. State sales and use tax collections are expected to increase 3.43% from FY2011 to FY2012. Assuming sales and use taxes attributable to March 2011 grow at the same rate, March 2012 sales and use taxes are estimated at \$341.1 million. Assuming no behavioral changes occur, sales and use tax revenues are estimated decrease by a minimum of \$341.1 million in FY2012 under the bill.

While certain taxable expenditures cannot be shifted, individuals and businesses looking to make purchases of vehicles, large appliances, and business equipment may shift their purchases into March 2012 to take advantage of the sales tax exemption. Based on sales tax return information, approximately 25% of taxable sales pertain to expenditures that are difficult to shift into a specific timeframe. These sales include telecommunications services, dining, accommodations, utilities, and admissions to events (arts, sports, cultural). Assuming that consumers shift 50% of remaining taxable expenditures (effectively 37.5% of taxable sales) from February and April into March, it is estimated that state sales and use tax revenues would decrease by \$568.2 million in FY12.

Depending on the extent to which individuals and business shift their expenditures to take advantage of the proposed temporary sales and use tax exemption, it is estimated that the state sales and use revenues would decrease under the bill by \$341.1 million to \$568.2 million or more in FY2012.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> A sales and use tax exemption for tangible personal property and taxable services sold in March 2012			
<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		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$see text	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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