

Fiscal Estimate Narratives

DOR 5/22/2013

LRB Number	13-1031/1	Introduction Number	AB-0198	Estimate Type	Original
Description Sales and use tax exemption for silver and gold					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, "tangible personal property" includes precious metals, coins, and currency sold or traded above face value. Sales of these items are subject to sales and use taxes.

Under the bill, sales of gold and silver would be exempt from sales and use tax. The exemption would cover items such as coins, ingots, bars, and jewelry. The exemption could be interpreted to include other items that contain gold or silver.

Gold and Silver Jewelry:

According to the US Bureau of Economic Analysis, nationwide consumer expenditures on jewelry (excluding watches) reached \$62.1 billion in 2012. Based on information from a large jewelry retailer/manufacturer, this estimate assumes gold and silver account for 40% of jewelry sales. Assuming that Wisconsin's share of jewelry is equivalent to the state's share of US personal income, 2012 Wisconsin gold and silver jewelry sales are estimated to be \$434.4 million. Providing a sales/use tax exemption for gold and silver jewelry would result in a sales/use tax revenue decrease of \$21.7 million on an annual basis.

Gold and Silver Coins and Medals:

According to the 2007 Economic Census, nationwide sales of "coins, medals and other numismatic items" totaled \$1,523 million (but a Wisconsin-specific share of sales of this specific product line is not available from the US Census Bureau). Approximately 97% these nationwide sales, however, occurred at retailers classified as "other miscellaneous store retailers" and the 2007 Economic Census reports that Wisconsin's share of US retail sales by this category of retailers is 1.39%. Assuming that Wisconsin's share of "coins, medals, and other numismatic items" is equivalent to the state's share of US sales by "other miscellaneous store retailers" and that sales of these items has increased at the same rate as the sales and use tax collections of a sample of businesses engaged in these sales (approximately 300% from 2007 to 2012), Wisconsin sales of coins, medals, and other numismatic items are estimated to be \$63.5 million annually. Based on a sample of sales tax returns for coin retailers, approximately 25% of coin retailers' sales are taxable. Providing an exemption for gold and silver coins and medals would result in a sales/use tax revenue decrease of approximately \$800,000 on an annual basis.

Combined Impact:

Under the bill, state sales and use tax revenues are expected to decrease \$22.5 million (\$21.7 million + \$800,000) on an annual basis.

County and stadium sales and use taxes were 8.2% of state sales and use taxes in FY12. Assuming this percentage does not change, county and stadium taxes would decrease by \$1.8 million ($\$22.5 \times 8.2\%$) per year under the bill.

The department's administrative costs would be absorbed within existing budget authority.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Sales and use tax exemption for silver and gold			
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	\$	\$-22,500,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-22,500,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-22,500,000	-\$1,800,000	
Agency/Prepared By			
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