

Fiscal Estimate Narratives

DOR 2/14/2013

LRB Number	13-0146/1	Introduction Number	AB-0005	Estimate Type	Original
Description Sales and property tax exemptions for property used by commercial radio and television stations					

Assumptions Used in Arriving at Fiscal Estimate

Sales and Use Tax Exemption:

Under current law, tangible personal property is subject to sales and use tax unless specifically exempted. Current law provides an exemption for listening and viewing materials sold to movie theaters, radio stations, and television stations.

The bill provides a sales and use tax exemption for the sale of tangible personal property to a person with a license to operate a commercial television or radio station in Wisconsin, if the tangible personal property, including fuel and electricity, is used in the origination or integration of various sources of program material for commercial radio or television transmissions that are free to receive. The proposal specifies that the exemption would cover vehicles licensed for highway use and equipment used to transmit or receive signals from a satellite.

According to the US Census Bureau's Service Annual Survey, expenditures by US radio and television stations totaled \$39.2 billion in 2011. This amount includes \$886 million for materials, equipment, electricity, and software. The Service Annual Survey reports radio and television station "other expenditures" at \$10.8 billion. According to the 2007 Economic Census, sales by Wisconsin radio and television stations represented 1.20% of US sales by radio and television stations. Assuming that Wisconsin's share of expenditures by radio station is the same as Wisconsin's share of radio and television station sales and that 25% of "other expenditures" by radio and television stations are for taxable tangible personal property, annual purchases of taxable tangible personal property by commercial radio and television stations in Wisconsin are estimated at \$43.0 million.

It is estimated that state sales and use tax collections will decrease under the bill by \$2.2 million annually (\$43.0 million X 5.0%). County and stadium sales taxes were 8.2% of state sales tax revenues in FY12. Assuming this percentage does not change, county and stadium district sales taxes will decrease by about \$200,000.

Property Tax Exemption:

Under current law, digital broadcasting equipment owned and used by a radio station or a television station are exempt from property taxes.

Under the bill, real and personal property used by a commercial radio station or by a commercial television station to originate program material or integrate program material for transmission that is free to receive would be exempt from property taxation. For purposes of this estimate, it is assumed that the exemption would generally apply to studios, newsrooms, satellite transmitters and receivers, and vehicles for off-site reporting. It is also assumed that the exemption would not apply to those parts of the property used for administrative purposes such as accounting and personnel.

The Department of Revenue (DOR) does not assess radio or television stations, and is therefore unable to provide a precise estimate of the amount of property the bill could exempt. However, based on local assessed value data for a sample of radio and television stations, it is estimated that the bill would exempt from \$50 million to \$100 million in property from property taxes. At the projected statewide net tax rate for 2012/13 of \$21.65 per \$1,000 equalized value, the bill could shift \$1.0 million to \$2.1 million in property taxes from the affected radio and television stations to other taxable property. The State of Wisconsin imposes a forestation property tax at a rate of about \$0.1697 per \$1,000 equalized value. The bill could reduce this tax by from \$8,000 to \$17,000 per year.

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 property tax exemptions for property used by commercial radio and television stations			
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	\$	\$-2,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		-13,000
	TOTAL State Revenues	\$	\$-2,213,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-2,213,000	-\$200,000
Agency/Prepared By		Authorized Signature	Date
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