

Fiscal Estimate Narratives

DOR 12/2/2013

LRB Number	13-3233/1	Introduction Number	SB-364	Estimate Type	Original
Description Providing an itemized statement of sales to customers in this state for sales and use tax purposes and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, sellers with a sufficient business connection (or "nexus") with the state are required to collect and remit sales tax. Nexus is generally established by one of two means: 1) the seller has a physical presence in Wisconsin or 2) the seller has a related affiliate in this state and the affiliate uses facilities or employees in this state to advertise, promote, or facilitate sales on behalf of the seller. When sellers do not collect and remit sales tax, customers are liable for use tax on such purchases. The Wisconsin individual income tax return provides a line for taxpayers to report their use tax liabilities.

The bill would require remote sellers that make sales of tangible personal property and taxable services in excess of \$50,000 in a year to provide either an itemized annual sales statement to each customer in Wisconsin or provide the Department of Revenue with a summary of the remote seller's sales into the state. The bill would also allow the department to impose a fee on each seller who is required to comply with the new provisions to cover the cost of administration.

Based on information from the US Census Bureau, business-to-consumer taxable remote sales (internet, mail order, catalog, and telephone sales) into Wisconsin are expected to reach \$4,674.1 million in 2014. Based on information from Internet Retailer's Top 500 Guide and DOR sales tax records, sales tax is collected on approximately 70% of remote sales into Wisconsin, resulting in uncollected sales tax liabilities of \$70.1 million (\$4,674.1 million x 30% x 5% tax).

Based on data provided by the Vermont Joint Legislative Fiscal Office, use tax collected on individual income tax returns increased by nearly 12% the year after Vermont enacted a similar reporting requirement. For tax year 2012, use tax reported on Wisconsin individual income tax returns reached \$4.8 million. Assuming use tax collections grow at an annual rate of 4.0%, tax year 2014 individual use tax collections would reach \$5.2 million. Assuming the proposed reporting requirements increase Wisconsin use tax compliance by 10%, collections would increase by approximately \$520,000 in 2014.

County and stadium district sales tax collections were 8.2% of state collections in FY13. Assuming this percentage does not change, county and stadium taxes would increase by \$43,000 in 2014.

Administrative costs incurred by the department could be covered by the fee allowed under the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Providing an itemized statement of sales to customers in this state for sales and use tax purposes and making an appropriation			
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	\$520,000	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$520,000	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$520,000	\$43,000
Agency/Prepared By		Authorized Signature	
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		Date	
		12/2/2013	