

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-1163/1	Introduction Number AB-0301
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Description
 Allowing municipalities to impose a sales and use tax for transportation purposes, lowering the state sales and use tax rates, using state sales and use tax revenue for transportation purposes, and making appropriations

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input checked="" type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input checked="" type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566 (1) (gh), 20.835 (4) (gh)	

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Fiscal Estimate Narratives

DOR 8/13/2015

LRB Number	15-1163/1	Introduction Number	AB-0301	Estimate Type	Original
Description Allowing municipalities to impose a sales and use tax for transportation purposes, lowering the state sales and use tax rates, using state sales and use tax revenue for transportation purposes, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

STATE SALES TAX

Under current law, Wisconsin imposes a 5% tax on the sale or use of most items of tangible personal property and on the sale of certain services.

The bill reduces the sales and use tax rate from 5% to 3% for all taxable goods and services effective January 1, 2016. In addition, the sales tax collected from the sale of gasoline and diesel fuel will be deposited in the transportation fund. However, the bill does not repeal the sales/use tax exemption for motor fuels subject to the motor vehicle fuel tax.

The department estimates FY16 and FY17 sales and use tax collections to be \$5.03 billion and \$5.19, billion respectively. The reduction in the sales tax rate from 5% to 3% would take place half way into FY16 and reduce sales tax collections by \$1.01 billion. For FY17, the reduction in the sales tax rate would reduce sales tax collections by \$2.08 billion.

The bill would shift a minor amount of sales tax collected on certain fuel purchases from the general fund to the transportation fund. The impact would be limited to fuel purchased for certain activities and only if the purchaser receives a refund for the motor fuel tax. These purchases include fuel used in real property construction, landscaping, logging, amusement rides, all-terrain vehicles, and waste handling equipment.

MUNICIPAL SALES TAX

Under the bill, a municipality may, by ordinance or resolution, impose an additional sales and use tax at the rate of 1.5% for transportation purposes.

The fiscal effect of the bill depends on the number of municipalities that impose the additional tax. If all municipalities adopted the sales tax of 1.5% in 2014, the department estimates municipal sales tax collections would have been \$1.4 billion.

For illustrative purposes, the department estimated the Madison share of Dane county sales tax collections to have been \$29.4 million in CY14 (distributions of \$28.9 million / 98.25%). Assuming Madison adopts the additional tax, CY14 municipal distributions would have increased by \$86.7 million (collections of \$88.2 million x 98.25%). In addition, administrative fee revenue would have increased by approximately \$1.5 million (\$88.2 million x 1.75%).

Administrative fee revenue would cover the costs of administering the tax.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Administrative costs for the bill include a one-time programming change to WINPAS, the state's tax processing system, of \$45,400 and programming changes to the Sales Tax Rate Lookup Application of \$39,900.		
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	\$	\$-2,080,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-2,080,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-2,080,000,000	\$see text
Agency/Prepared By	Authorized Signature	Date
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