

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-3907/2	Introduction Number AB-0629
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Description
 Sales and use tax exemption for federal excise tax imposed on a sale of a heavy truck or trailer

Fiscal Effect

State:

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

Local:

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

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 type="checkbox"/> SEG <input type="checkbox"/> SEGS	

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Fiscal Estimate Narratives

DOR 1/8/2016

LRB Number	15-3907/2	Introduction Number	AB-0629	Estimate Type	Original
Description Sales and use tax exemption for federal excise tax imposed on a sale of a heavy truck or trailer					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the federal excise tax of 12 percent is included in the sales price of heavy duty trucks and trailers subject to Wisconsin sales tax. Current law provides a sales and use tax exemption for the purchase of trucks sold to a common or contract carrier who uses the vehicle exclusively as a common or contract carrier.

The bill creates an exemption from the state sales and use tax for any federal excise tax imposed on a seller of a heavy truck or trailer sold at retail.

ANNUAL FISCAL EFFECT

Based on information from the 2012 Economic Census, IRS data, and Wisconsin sales tax returns, federal excise tax collections on heavy truck and trailer sales are estimated to reach \$3.3 billion in FY16.

According to the Economic Census, Wisconsin makes up 1.89% of US heavy truck sales. Based on sales tax return information for heavy truck dealers, the department estimates that approximately 10% of heavy trucks are subject to sales tax (many trucks are exempt as purchases by common carriers or delivered outside the state). Therefore, the Wisconsin share of the federal excise tax on heavy trucks subject to the sales tax is estimated to be \$6.29 million ($\$3.3 \text{ billion} * 1.89\% * 10\%$).

The department estimates sales tax revenue to decrease by \$314,000 ($\$6.29 \text{ million} * 5\%$) on an annual basis.

Local (county and baseball district) sales tax revenues were approximately 7.2% of state sales tax. Assuming this percentage remains consistent, the bill would create a revenue loss to local governments of approximately \$23,000 ($\$314,000 * 7.2\%$).

RETROACTIVE EFFECTIVE DATE – REFUND CLAIMS

The bill has a retroactive effective date of September 1, 2014. This would allow a seller to claim a refund for sales tax paid on the federal excise tax. Assuming the bill is enacted March 1, 2016 (18 months from the effective date), the department estimates sales tax collections subject to refund claims to be \$471,000. Applying 3% annual interest for refund payments, the department estimates a reduction in sales tax revenue of \$485,000 over the course of the refund period. This amount will vary depending on the rate of compliance by taxpayers during the period when the taxable sales price included the federal excise tax, the volume of refund claims, and the timing of claims filed with the department.

Local (county and baseball district) sales tax revenues make up approximately 7.2% of state sales tax. Assuming this percentage remains consistent, the bill would create a revenue loss to local governments of approximately \$35,000 ($\$485,000 * 7.2\%$).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Sales and use tax exemption for federal excise tax imposed on a sale of a heavy truck or trailer			
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	\$		\$-314,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-314,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-314,000		-\$23,000
Agency/Prepared By		Authorized Signature	Date
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