

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-4174/1	Introduction Number AB-0781				
Description Sales tax holiday in August					
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations <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 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <div style="float: right; text-align: right;"> 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 </div>					
<table style="width: 100%;"> <tr> <td style="width: 50%;">Fund Sources Affected</td> <td style="width: 50%;">Affected Ch. 20 Appropriations</td> </tr> <tr> <td> <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 </td> <td></td> </tr> </table>		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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Agency/Prepared By DOR/ Travis Arthur (608) 266-8565	Authorized Signature Robert Schmidt (608) 266-5773	Date 1/25/2016			

Fiscal Estimate Narratives

DOR 1/25/2016

LRB Number	15-4174/1	Introduction Number	AB-0781	Estimate Type	Original
Description Sales tax holiday in August					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a temporary sales and use tax exemption for specified items during the two-day period beginning with the first Saturday in August and ending on the following Sunday each year. Under the bill, the sale of clothing items sold for \$75 or less, computers sold for \$2,000 or less, school computer supplies sold for \$250 or less, school instructional materials sold for \$300 or less, and school supplies sold for \$75 or less purchased for a consumer's personal use would be exempt during the two-day period. The price limits apply to the sales price of a single item.

Under the bill, the sales tax holiday would not occur if the Department of Revenue determines, no later than May 1 that the state's financial situation would make the implementation of the temporary exemptions imprudent.

According to the National Retail Federation, national expenditures for school supplies reached an estimated \$3.8 billion in 2015. Wisconsin's share of US personal income is approximately 1.73%. Assuming Wisconsin's share of school supply purchases is the same as the state's share of personal income and that 35% of school supply purchases occur during the exemption period, the temporary exemption for school supplies would decrease state sales/use tax collections by \$1.2 million.

Based on information from the 2012 Economic Census and Wisconsin sales tax returns, 2012 clothing sales reached an estimated \$5.5 billion. Assuming that the sales tax holiday would draw two average weeks of sales activity and assuming that 80% of products sold would be under the exemption threshold (\$75), the temporary exemption for clothing would decrease state sales/use tax collections by approximately \$8.5 million.

According to the National Association of College Stores, higher education full time equivalent (FTE) students spent approximately \$563 on textbooks at college book stores and affiliated web sites during the 2014-15 academic year. According to data from the WI Blue Book and WI Tech system it is estimated that 256,000 full-time students were enrolled in Wisconsin universities, colleges, and technical colleges in 2014. Assuming that, on average, students spend \$282 on instructional materials and textbooks (one-half of the estimated yearly total) and that 20% of the sales occur during the sales tax holiday, the temporary exemption for school instructional materials is expected to decrease state sales/use tax collections by approximately \$722,000.

Based on information from Global Insight, consumer expenditures on computers and computer peripherals reached \$95.1 billion in 2015. Assuming that Wisconsin's share of computers and computer school supplies is the same as the state's share of US personal income (1.73%), 90% of sales are under the price threshold, and that the sales tax holiday would draw two average weeks of sales activity, the temporary exemptions for computers and computer school supplies is expected to decrease state sales/use tax collections by approximately \$2.8 million.

In sum, the August sales tax holiday is estimated to decrease state sales/use tax collections by \$13.2 million on an annual basis.

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 \$952,000 (\$13.2 million * 7.2%).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Sales tax holiday in August			
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, ets.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$-13,200,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-13,200,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-13,200,000		-\$952,000
Agency/Prepared By		Authorized Signature	Date
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