

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-2370/1	Introduction Number AB-0232	
Description a 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"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <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		
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 <input type="checkbox"/> Baseball District, PRAT <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		
Agency/Prepared By DOR/ Travis Arthur (608) 266-8565	Authorized Signature Robert Schmidt (608) 266-5773	Date 4/18/2017

Fiscal Estimate Narratives

DOR 4/18/2017

LRB Number	17-2370/1	Introduction Number	AB-0232	Estimate Type	Original
Description a 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 purchased for a consumer's personal use sold for \$750 or less, school computer supplies purchased for a consumer's personal use sold for \$250 or less, and school supplies sold for \$75 or less would be exempt during the two-day period. The price limits apply to the sales price of a single item. The temporary exemption does not apply in 2019 or in any year thereafter.

According to the National Retail Federation, national expenditures for school supplies reached an estimated \$4.4 billion in 2016. Wisconsin's share of US personal income is approximately 1.71%. 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 \$1.30 million.

Based on information from the 2012 Economic Census and Wisconsin sales tax returns, Wisconsin clothing sales reached an estimated \$5.5 billion in 2016. 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 \$8.29 million.

Under current law, the definition of "computer" covers many electronic devices such as televisions, cellular phones, and video game consoles that have computer chips. The department estimates that US expenditures on consumer electronics will reach \$292 billion in 2017. Assuming that Wisconsin's share of computers and computer school supplies is the same as the state's share of US personal income (1.71%), 80% 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 are expected to decrease state sales/use tax collections by approximately \$7.70 million.

If, however, the bill is modified to limit the definition of "computer" to items such as laptops, desktops, and tablets, the temporary exemption for computers and computer school supplies is expected to decrease state sales/use tax collections by approximately \$1.45 million.

In sum, the August sales tax holiday is estimated to decrease state sales/use tax collections by \$17.3 million on an annual basis. If the definition of "computer" is limited to laptops, desktop, and tablets, the temporary exemption would decrease state sales/use tax collections by \$11.0 million.

Local (county, baseball district, and premier resort area) sales tax revenues were approximately 7.7% of state sales tax collections in 2016. Assuming this percentage remains consistent, the bill would create a revenue loss to local governments of approximately \$1.3 million (\$17.3 million * 7.7 %). If the definition of "computer" is limited to laptops, desktop, and tablets, the temporary exemption would decrease local sales/use tax collections by \$850,000.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 17-2370/1	Introduction Number AB-0232	
Description a 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, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See text	\$See text
Agency/Prepared By	Authorized Signature	Date
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