



## Fiscal Estimate Narratives

DOR 6/1/2017

LRB Number	17-3508/1	Introduction Number	AB-0352	Estimate Type	Original
<b>Description</b> 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.

### SALES TAX COLLECTIONS ON REMOTE SALES

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 \$6,833.7 million in 2017. Based on information from Internet Retailer's Top 500 Guide and DOR sales tax records, sales tax is collected on approximately 70% of these remote sales into Wisconsin, resulting in uncollected sales tax liabilities of \$102.5 million (\$6,833.7 million x 30% x 5% tax). Forgone revenue from business-to-business remote transactions is estimated to reach \$84.2 million in 2017.

Remote sellers may volunteer to collect sales tax in place of submitting sales statements to customers or the department. The bill would result in an indeterminate revenue increase. The magnitude of the revenue increase is dependent on the voluntary collection of sales tax by remote sellers.

### USE TAX REPORTING ON INCOME TAX FORMS

For tax year 2015, use tax reported on Wisconsin individual income tax returns is estimated to be \$3.4 million. Assuming use tax collections remain flat, tax year 2017 individual use tax collections will be \$3.4 million. Assuming the proposed reporting requirements increase Wisconsin use tax compliance by 10%, collections would increase by approximately \$340,000 in 2017.

County and stadium district sales tax collections were 7.7% of state collections in FY16. Assuming this percentage does not change, county and stadium taxes would increase by \$26,000 in 2017.

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

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> providing an itemized statement of sales to customers in this state for sales and use tax purposes and making an appropriation		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  One-time cost of \$16,000 for programming changes to WINPAS, the DOR sales and use tax software package.		
<b>II. Annualized Costs:</b>		
<b>Annualized Fiscal Impact on funds from:</b>		
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$See Text
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
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