

Fiscal Estimate Narratives

DOR 6/28/2017

LRB Number	17-3710/1	Introduction Number	SB-306	Estimate Type	Original
Description a sales and use tax exemption for sales to a state veterans organization					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, purchases by certain non-profit organizations are exempt from sales and use tax. The bill creates a sales and use tax exemption for tangible personal property and taxable services sold to a state veterans organization. The exemption also applies to building materials purchased by a contractor who transfers the materials to a state veterans organization as part of constructing a facility for the organization.

Using data from the 2015 Census Annual Capital Expenditures Survey, 2012 Economic Census, and 2016 IRS tax return data from 501(c)(19) and 501(c)(23) veterans organizations, the department estimates nationwide capital expenditures on equipment for veterans organizations to be \$426 million. Based on data from the same sources, the department estimates that building materials purchased by contractors performing construction activity on behalf of veterans organizations total about \$153 million on an annual basis.

Based on 2016 IRS tax return data from 501(c)(19) and 501(c)(23) organizations, expenses on taxable good and services totaled \$72.2 million in 2016.

Using data from the 2015 Census County Business Patterns, the department estimates expenditures by Wisconsin veterans organizations to be 1.8% of the US total.

The department estimates sales and use tax collections will decrease by about \$586,500 ($(\$426 \text{ million} + \$153 \text{ million} + \$72.2 \text{ million}) * 1.8\% * 5\%$) under the bill. County and baseball district sales taxes were 7.7% of state sales tax revenues in FY16. Assuming this percentage does not change, county and stadium district sales taxes will decrease by about \$45,000 per year. The fiscal effect could be higher/lower to the extent spending on taxable products by Wisconsin veterans organizations differs from the amounts estimated and the amount expenditures that occur in any particular year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description a sales and use tax exemption for sales to a state veterans organization			
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	\$		\$-586,500
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-586,500
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE		\$-586,500	-\$45,000
Agency/Prepared By		Authorized Signature	Date
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