

2019 DRAFTING REQUEST

Bill

For: **Joe Sanfelippo (608) 266-0620** Drafter: **jkreye**
 By: Secondary Drafters:
 Date: **12/19/2018** May Contact:

Same as LRB: **-3344** ←

Submit via email: **YES**
 Requester's email: **Rep.Sanfelippo@legis.wisconsin.gov**
 Carbon copy (CC) to: **joseph.kreye@legis.wisconsin.gov**

Pre Topic:

No specific pre topic given

Topic:

Transfer sales and use tax revenues from motor vehicle-related sales to the transportation fund

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 12/21/2018				
/P1	jkreye 1/10/2019	wjackson 12/28/2018	mbarman 12/28/2018		State S&L
/P2	jkreye 4/25/2019	wjackson 4/26/2019	mbarman 1/15/2019		State S&L
/P3			dwalker 4/26/2019		State S&L
/1			mbarman	mbarman	State

Vers. Drafted

Reviewed

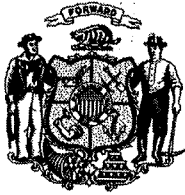
Submitted
5/16/2019

Jacketed
6/3/2019

Required
S&L

FE Sent For: ²
at
intro

<END>



Legislative Fiscal Bureau

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Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

December 17, 2018

TO: Representative Joe Sanfelippo
Room 306 North, State Capitol

FROM: Dan Spika, Fiscal Analyst

SUBJECT: Motor Vehicle-Related Sales Tax Collections

This memorandum responds to your request regarding general fund sales and use tax collections on motor vehicle-related sales, and the fiscal impact of your proposal to deposit those collections into the transportation fund, rather than the general fund.

Under current law, Wisconsin levies a 5% general sales tax on items of tangible personal property not specifically exempted in statute, and on services specifically enumerated in statute. Motor vehicles and motor vehicle parts and accessories are generally subject to the tax.

The following table shows aggregate sales and use tax returns for calendar years 2011-2017 reported to the Department of Revenue (DOR) by retailers and by those reporting occasional sales of motor vehicles. It should be noted that sales and use tax returns do not identify the type of taxable good or service for which the tax is being paid. For example, sales and use tax collections reported for automobile dealers include car sales, as well as repairs, parts, and other services. Therefore, sales tax collections from specific types of tangible personal property and services must be estimated.

Sales Tax Collections by Type of Seller (Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Automobile Dealers	\$336.3	\$366.7	\$404.9	\$435.3	\$454.9	\$476.4	\$495.8
Other Motor Vehicle Dealers	39.2	42.6	48.2	49.4	52.5	57.2	60.9
Automotive Parts, Accessories, and Tire Stores	36.2	36.5	39.1	39.9	41.0	42.6	42.6
Automotive Equipment Rental and Leasing	46.8	46.3	48.3	50.2	50.2	52.7	55.1
Automotive Repair and Maintenance	63.9	63.5	67.9	74.1	73.6	76.0	79.8
Occasional Sales of Motor Vehicles	<u>83.3</u>	<u>89.0</u>	<u>94.0</u>	<u>103.7</u>	<u>109.2</u>	<u>116.5</u>	<u>123.2</u>
Total	\$605.7	\$644.6	\$702.4	\$752.6	\$781.4	\$821.4	\$857.4

In order to estimate motor vehicle-related sales and use tax collections, this office uses industry data from the US Census Bureau, collections data from DOR, and economic growth forecasts from IHS Markit. This range of sources is necessary, but it also complicates the estimates because of differences in product definitions and categories, and in how sales receipts are counted. For example, some sources report auto sales net of trade-ins, while others report gross sales. In addition, motor vehicle sales are volatile and dependent on overall economic conditions. For example, IHS Markit estimates that nominal consumer spending on new motor vehicles decreased nationally by nearly 22% between 2007 and 2010, but increased by nearly 36% between 2011 and 2018.

Given this volatility, and the data limitations listed above, this memorandum provides an annualized range of estimates for motor vehicle-related sales tax collections. Based on the most recent data from the sources listed above, it is estimated that state sales tax collections on motor vehicle sales and leases, parts, and services total approximately \$750 million to \$1,100 million on an annualized basis.

Gross transportation fund revenues, inclusive of transfers from other funds (such as the current law transfer from the general fund discussed below) and before the payment of transportation revenue bond debt service, are nearly \$2.0 billion annually. Your proposal would deposit all motor vehicle-related sales tax collections in each fiscal year to the transportation fund, rather than the general fund, beginning in 2019-20. The estimated annual proposed transfer to the transportation fund in the 2019-21 biennium would be between \$750 million and \$1,100 million, and would increase gross annual revenue to the transportation fund by between an estimated 38% and 55%.

It should be noted that the volatility of motor vehicle-related sales could create uncertainty in budgeting for both general fund and transportation fund expenditures. If the amount deposited into the transportation fund is higher than originally estimated, it could create a shortfall in the general fund. Conversely, if the amount deposited in the transportation fund is lower than expected, the transportation fund could experience a shortfall.

Additionally, current law provides a transfer from the general fund to the transportation fund of 0.25% of all projected general fund tax deposits as published in the biennial budget act in each fiscal year (which includes all projected motor vehicle-related sales tax collections), or \$35,127,000, whichever is greater. According to the November 20, 2018 "Estimated GPR Tax Revenues" included in the Department of Administration's report entitled Agency Budget Requests and Revenue Estimates, FY 2020 FY 2021, for the 2019-21 biennium, the estimated amount to be transferred to the transportation fund under current law is about \$44 million in each year of the 2019-21 biennium. Thus, your proposal to transfer all motor vehicle-related sales tax collections to the transportation fund, in addition to the current law transfer, would result in an annual overall transfer from the general fund to the transportation fund of between approximately \$794 million and \$1,144 million in the 2019-21 biennium. Under your proposal, it is estimated that total general fund transfers to the transportation fund in the 2019-21 biennium would represent between an estimated 29% and 37% of all transportation fund revenues.

I hope this memorandum is informative; please contact me with any questions.

DS/sas



Legislative Fiscal Bureau

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Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

December 5, 2018

TO: Representative Joe Sanfelippo
Room 306 North, State Capitol

FROM: Dan Spika, Fiscal Analyst

SUBJECT: Historical Sales Tax Collections and Proposal to Transfer Sales Tax Revenue Growth to the Transportation Fund

This memorandum responds to your request regarding overall state sales and use tax revenue collections for each fiscal year since 2010-11, as well as projected sales and use tax revenue growth for the fiscal years in the upcoming 2019-21 biennium. It also analyzes the impact of your proposal to transfer annual state sales and use tax revenue growth to the transportation fund beginning in 2019-20.

Under current law, Wisconsin levies a 5% general sales and use tax on items of tangible personal property not specifically exempted in statute, and on services specifically enumerated in statute. Table 1 below shows overall sales and use tax collections since 2010-11.

TABLE 1

**Annual State Sales and Use Tax Revenue, FY 2011-2018
(Millions)**

<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2010-11	\$4,109.0
2011-12	4,288.7
2012-13	4,410.1
2013-14	4,628.3
2014-15	4,892.1
2015-16	5,065.8
2016-17	5,223.9
2017-18	5,448.1

Table 2 below reports projected overall sales and use tax collections for state fiscal years 2019 through 2021, and corresponding sales tax revenue growth reported in both percentage terms and dollars. As shown in Table 2, annual sales tax revenue growth projections range from \$256.1 million in 2018-19 to \$8.6 million in 2020-21. These estimates are based on the November 20, 2018, "Estimated GPR Tax Revenues" included in the Department of Administration's (DOA) Agency Budget Requests and Revenue Estimates, FY 2020 FY 2021. It should be noted that our office performs revenue estimates in January, whereupon the projections for sales tax revenues presented in the table below may change.

TABLE 2

**DOA Projected Annual Sales and Use Tax
Collections and Revenue Growth, FY 2019-2021
(\$ in Millions)**

<u>Fiscal Year</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Sales Tax Revenue	\$5,704.2	\$5,913.4	\$5,922.0
Growth Rate	4.70%	3.67%	0.15%
Growth Amount	\$256.1	\$209.2	\$8.6

Gross transportation fund revenues, inclusive of transfers from other funds (such as the current law transfer from the general fund discussed below) and before the payment of transportation revenue bond debt service, are nearly \$2.0 billion annually. Your proposal would deposit the growth in state sales and use tax revenues collected in the current year over the amount collected in the prior year to the transportation fund, rather than the general fund, beginning in 2019-20. The estimated annual proposed transfer to the transportation fund in the 2019-21 biennium would be \$209.2 million in 2019-20 and \$8.6 million in 2020-21, and would increase gross annual revenue to the fund by an estimated 10.5% and 0.4%, respectively.

It should be noted that the volatility of annual sales and use tax collections could create uncertainty in budgeting for transportation fund expenditures. For example, if sales tax revenue growth were 1.0% lower than projected in 2019-20, the proposed transfer to the transportation fund would be approximately \$152.3 million. Conversely, if sales tax revenue growth were 1.0% higher than projected in 2019-20, the proposed transfer to the transportation fund would be approximately \$266.4 million. In either scenario, the total transfer would differ by approximately \$57 million, or by approximately 27%, from the projected amount for 2019-20.

Additionally, current law provides a transfer from the general fund to the transportation fund of 0.25% of all projected general fund tax deposits as published in the biennial budget act in each fiscal year (which includes all projected sales and use tax revenue growth), or \$35,127,000, whichever is greater. According to DOA's November 20 report, for the 2019-21 biennium, the estimated amount to be transferred to the transportation fund under current law is approximately \$43.5 million in 2019-20 and \$44.5 million in 2020-21. Thus, your proposal to transfer all sales and

use tax revenue growth to the transportation fund, in addition to the current law transfer, would result in an overall transfer from the general fund to the transportation fund of approximately \$252.7 million in 2019-20 and \$53.1 million in 2020-21. Under your proposal, it is estimated that total general fund transfers to the transportation fund in the 2019-21 biennium would represent approximately 7.3% of all transportation fund revenues.

I hope this memorandum is informative; please contact me with any questions.

DS/sas



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1132/P1

JK:...
Wlj

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in Enley 12-21
due Enley 12-28

1 AN ACT ^{gc}...; relating to: depositing sales tax revenue from the sale of motor
2 vehicles and motor vehicle parts and accessories into the transportation fund.

Analysis by the Legislative Reference Bureau

This bill requires the Department of Revenue to deposit into the transportation fund the sales tax revenue from the sale of motor vehicles and motor vehicle parts and accessories beginning with the taxes collected on July 1, 2019.

For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 25.40 (1) (bn) of the statutes is created to read:
4 25.40 (1) (bn) All moneys deposited under s. 77.61 (21). ✓
5 SECTION 2. 77.61 (21) of the statutes is created to read:
6 77.61 (21) Beginning with the taxes ^{gc}(that) the department receives on July 1,
7 2019, the department shall annually estimate the amount of, and deposit into the
8 transportation fund, the taxes collected under ss. 77.52 ✓ and 77.53 ✓ on the sale, lease,

SECTION 2

on the basis of

1 or use of motor vehicles and motor vehicle parts and accessories, based on the annual
2 sales and use tax collections, as of the last day of the fiscal year, from sellers primarily
3 engaged in businesses classified under industry numbers 4411, 441210, 441221,
4 4413, and 5321 in the North American Industry Classification System, 2007^{9/2017} edition,
5 published by the federal office of management and budget, and from sales and use
6 taxes collected by the department of transportation when registering motor vehicles
7 with this state.

STB

8

(END)

Kreye, Joseph

From: Moran, Sean
Sent: Thursday, January 10, 2019 7:56 AM
To: Kreye, Joseph
Cc: Spika, Dan
Subject: FW: Related Issue Paper from 11-13 Budget

Hi Joe,

In case this is helpful at all, it looks like the Governor introduced a similar proposal in the 2011-13 budget. If memory serves me right, the Governor's proposal was amended during the budget process to equal the 0.25% general fund transfer that exists under current law.

-Sean

From: Spika, Dan <Dan.Spika@legis.wisconsin.gov>
Sent: Wednesday, January 09, 2019 4:40 PM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Cc: Moran, Sean <Sean.Moran@legis.wisconsin.gov>
Subject: Related Issue Paper from 11-13 Budget

Josh,

I just wanted to follow up after today's meeting. Below is the link to an issue paper Sean prepared in the 2011-13 budget involving a proposal similar to Rep. Sanfelippo's proposal:

http://docs.legis.wisconsin.gov/misc/lfb/budget/2011_13_biennial_budget/102_budget_papers/644_transportation_deposit_sales_and_use_tax_revenue_generated_from_sales_of_motor_vehicles_and_motor_vehicle_parts_and_accessories_into_the_transportation_fund.pdf

Let me know if you have any questions.

Thanks,

Dan Spika
Fiscal Analyst
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Legislative Fiscal Bureau

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May 24, 2011

Joint Committee on Finance

Paper #644

Deposit Sales and Use Tax Revenue Generated from Sales of Motor Vehicles and Motor Vehicle Parts and Accessories into the Transportation Fund (General Fund Taxes -- Sales and Excise Taxes and DOT -- Transportation Finance)

[LFB 2011-13 Budget Summary: Page 195, #1 and Page 429, #4]

CURRENT LAW

Under current law, Wisconsin generally imposes a sales and use tax at a rate of 5% on sales of tangible personal property and selectively imposes the tax on certain enumerated services. All revenues generated from the tax accrue to the general fund. Motor vehicles and motor vehicle parts and accessories are generally subject to the tax. Sales and use tax revenues are currently estimated at \$4,350 million in 2011-12 and \$4,485 million in 2012-13.

GOVERNOR

Deposit a specified percentage of sales and use tax revenues generated from sales of motor vehicles and motor vehicle parts and accessories into the transportation fund. Under the Governor's proposal, beginning July 1, 2012, the Department of Revenue (DOR) would have to annually estimate the amount of sales tax revenue generated from the sale, lease, or use of motor vehicles and motor vehicle parts and accessories. The proposed percentage of sales tax generated by such sales to be deposited into the transportation fund would increase over a ten-year period, from 7.5% to 50% of such revenues, in the following manner:

- a. 7.5% of revenues for 2012-13, but not more than \$35,127,000;
- b. 10% of revenues for 2013-14;
- c. 15% of revenues for 2014-15;
- d. 20% of revenues for 2015-16;
- e. 25% of revenues for 2016-17;
- f. 30% of revenues for 2017-18;
- g. 35% of revenues for 2018-19;
- h. 40% of revenues for 2019-20;
- i. 45% of revenues for 2020-21; and
- j. 50% of revenues for 2021-22 and for each year thereafter.

DOR estimates total sales tax revenues generated from sales and leases of motor vehicles and motor vehicle parts and accessories for 2012-13 at \$584 million. The Department estimates that the proposal would deposit \$35,127,000 GPR into the transportation fund in 2012-13. In 2012-13 dollars, it is estimated that sales tax revenues would be deposited into the transportation fund in the amounts of \$58 million in 2013-14 and \$88 million in 2014-15, and would increase to \$292 million in 2021-22.

DISCUSSION POINTS

1. Under current law, all revenues generated by the state sales and use tax, as well as the individual income, corporate income, excise, public utility, insurance company, and miscellaneous taxes, accrue to the general fund. General fund tax revenues are estimated at \$13,164.3 million in 2011-12 and at \$13,690.2 million in 2012-13. The Governor's proposal to deposit a portion of sales tax revenue to the transportation fund would represent the only earmarking of any general fund tax for a specific purpose.

2. The Governor's proposal specifies that DOR would be responsible for estimating the amount of revenue generated by the sales tax on motor vehicles and motor vehicle parts and accessories. Sales and use tax returns filed by taxpayers do not identify the type of taxable good or service for which the tax is paid. Therefore, sales tax revenues from specific types of tangible personal property and services must be estimated. The proposal does not provide a definition for motor vehicles or motor vehicle parts and accessories, nor does it specify how the Department must estimate revenue generated from such sales.

According to DOR, the Department's estimate would reflect the amount of taxable sales reported by Wisconsin sales tax filers who have identified themselves as primarily engaged in businesses related to selling motor vehicles and motor vehicle parts and accessories.

DOR's estimate would not reflect product specific sales and leases of motor vehicle parts and accessories. Consequently, the estimate would include sales of taxable items and services other than motor vehicles and motor vehicle parts and accessories if the items were sold by businesses that identify themselves as primarily engaged in such retail activities. An example of this would be repair services performed by motor vehicle dealerships. Conversely, if a business did not identify itself as primarily engaged in selling or leasing motor vehicles or motor vehicle parts and accessories, such sales would be omitted from the estimate. For example, sales of motor vehicle parts and accessories by department stores, hardware stores, and automotive repair and

maintenance shops would not be included in the estimate.

3. Wisconsin sales tax filers are categorized by their primary retail activity according to categories defined in the U.S. Census Bureau's North American Industry Classification System (NAICS). According to DOR, data compiled through sales tax returns from these filers represents the best available indication of the amount of taxable retail sales by each type of business in Wisconsin, but the reliability is limited. DOR determines the business classifications based on a brief description of the seller's principal business and merchandise that is part of their application for a seller's permit. In the case of a business with a variety of areas or with products that have changed over a period of time, the coding may not accurately reflect the extent and nature of sales by the business. According to DOR, the estimate would include the types of business classifications shown in Table 1.

TABLE 1

NAICS Classification Codes for DOR's Estimate

<u>NAICS</u>	<u>Establishment's Primary Retail Activity</u>
4411	New and used automobiles, light trucks, sport utility vehicles, passenger vans, and cargo vans, as well as sales of such new vehicles in combination with repair services and selling replacement parts and services.
441210	New and used recreational vehicles (RVs), as well as new RV sales in combination with repair services and selling replacement parts and accessories.
441221	New and used motorcycles, motor scooters, motorbikes, mopeds, off-road all-terrain vehicles, and personal watercraft, as well as sales of such new vehicles in combination with repair services and selling replacement parts and accessories.
4413	Automotive parts, accessories, and tire stores.
5321	Renting or leasing, without drivers, passenger cars, trucks, truck tractors, buses, semitrailers, utility trailers, or RVs.
N/A	Occasional sales of automobiles (generally private party transactions), for which the sales tax is paid to the Department of Transportation when registering a vehicle with the state, and subsequently remitted to DOR

4. As noted, the proposal does not require DOR to use this methodology; however, the Department has indicated that this would be its method of estimation. An amendment requiring DOR to estimate sales tax revenues generated from sales and leases of motor vehicles and motor vehicle parts and accessories using this methodology would remove uncertainty about how the Department would generate the estimates. Altering methods of estimation can produce significantly different estimates. For example, when the budget bill was introduced, the Department of Administration (DOA) estimated that this provision would transfer \$47.2 million to the transportation fund in 2013-14, implying an underlying sales tax base of \$472 million. In the estimate generated by DOR, the sales tax base for 2013-14 was estimated at \$607 million, almost 30% higher than DOA's estimate. Given the uncertain outcome that differing methods of estimation may produce, an amendment requiring that DOR use this specific method for estimating

revenues to be deposited in the transportation fund would mitigate the uncertainty in how the estimate would be derived [Alternative #2].

5. The proposal does not specify when DOR would estimate the amount of sales and use tax revenue generated by sales of motor vehicles and motor vehicle parts and accessories. According to DOR, the Department would project the amount of sales tax revenue generated on sales of motor vehicles and motor vehicle parts and accessories on November of each even-numbered year for that current fiscal year and for each year in the upcoming biennium. On June 30th of each fiscal year, DOR would reestimate the amount of sales tax revenues collected during that fiscal year based on sales tax returns received by the Department.

6. Based on DOR's anticipated schedule for estimating these revenues, estimates would be available at the beginning of the budget process and could be included in the general fund condition statement delivered to the Legislature. It should be noted that sales of new and used motor vehicles, leases of motor vehicles, and sales of motor vehicle parts and accessories experience significant volatility. Table 2 below shows U.S. personal consumption expenditures for these items since 2000.

TABLE 2
Consumer Expenditures for Motor Vehicles, Parts, and Leases

<u>Year</u>	<u>Expenditures (\$ in Billions)</u>	<u>Percent Change</u>
2000	\$404.3	
2001	423.2	4.7%
2002	435.1	2.8
2003	430.4	-1.1
2004	432.5	0.5
2005	439.1	1.5
2006	431.3	-1.8
2007	438.6	1.7
2008	379.4	-13.5
2009	351.5	-7.3
2010	375.5	6.8

Source: IHS Global Insight, Inc.

As shown in Table 2, national consumer expenditures for these items declined from a peak of \$439.1 billion in 2005 to a low of \$351.5 billion in 2009, a decrease of nearly 20%. Year-over-year growth rates ranged from a low of -13.5% in 2008 to a high of 6.8% in 2010. Data from the 1980s and 1990s also show significant volatility in such auto-related expenditures, although the peak to trough declines during the recession years in those decades were not as extreme as the 20% drop in the more recent downturn. In comparison, total sales tax collections show considerably less volatility. Since the tax was first imposed in 1962, there have been only two years when revenues decreased from the prior year (fiscal years 2008-09 and 2009-10). In the past decade, annual growth rates for total sales tax collections ranged from a low of -4.3% in

2008-09 to a high of 4.3% in 2003-04. In the 1980s and 1990s, the annual growth rates generally ranged from 4% to 8%. The only year with lower growth was 1990-91, when the increase was 2.2%. Significantly higher growth rates were seen after the tax rate was increased to 5% in 1982.

Volatility in the amount that would be deposited from sales of these items and services would create an additional level of uncertainty in budgeting for general fund and transportation fund expenditures. If the final amount deposited into the transportation fund is higher than originally estimated, there may be an unanticipated shortfall in the general fund. Conversely, if the amount deposited into the transportation fund at the end of each year is lower than originally estimated, this may create a shortfall in the transportation fund. Other states have dedicated a portion of estimated motor vehicle related sales tax revenues for transportation purposes in a manner that mitigates volatility and uncertainty.

7. For example, Utah dedicates a portion of sales and use tax revenue generated from motor vehicle-related sales for transportation purposes as a percentage of total sales tax revenue. Utah declares in statute that approximately 17% of sales and use tax revenues in that state are generated from vehicle and vehicle-related products. Of this amount, their Legislature earmarks 8.3% (temporarily reduced to 1.93% for 2010-11) of all sales and use tax revenues to Utah's Transportation Investment Fund, which represents approximately half of that state's estimated sales tax revenues generated from sales of vehicles and vehicle-related products. If Wisconsin were to dedicate a specific percentage of all sales and use tax revenue to the transportation fund, the earmarked sales tax revenue would grow over time at a less volatile rate than under the proposal [Alternative #3]. The amount of revenues deposited into the transportation fund would still vary and create uncertainty in budgeting, but should generally be less volatile than as provided under the Governor's proposal.

8. According to the administration's testimony to the Joint Committee on Finance, general fund revenues have been proposed for use in support of transportation expenditures to, in part, reimburse the transportation fund for monies that were transferred to the general fund in prior biennia. The Legislature could accomplish the Governor's intent to reimburse the transportation fund with general fund revenues by, instead, depositing \$35,127,000 (or some other amount) into the fund in 2012-13 and eliminating the requirement that DOR estimate in each year the amount of sales tax revenue generated by sales of motor vehicles and motor vehicle parts and accessories [Alternative #4]. DOR estimates that such sales represent approximately 13% of sales and use tax revenues, which equates to approximately \$584 million in 2012-13. In subsequent budgets, the Legislature could choose to increase or decrease the amount of these sales tax revenues deposited in the transportation fund and specify that the funds deposited into the transportation fund are generated from the sales and use tax on sales and leases of motor vehicles and motor vehicle parts and accessories.

9. The amounts and percentages of sales and use tax revenues dedicated to the transportation fund used in the alternatives below are based on the numbers included in the Governor's proposal. The Committee could dedicate some other percentage or a specific amount of revenues to the transportation fund. The Committee could also choose to change the rate of growth over time by altering either the percentage of motor vehicle-related revenues dedicated to the fund, or by specifying a growth rate for an amount of revenue dedicated to the fund.

ALTERNATIVES

1. Approve the Governor's proposal.
2. Modify the Governor's proposal to specify that the Department of Revenue must estimate sales and use tax revenues generated from Wisconsin sales tax filers whose primary retail activity is defined under NAICS 4411, 441210, 441221, 4413, 5321, and use tax revenues from the occasional sales of automobiles paid to the Department of Transportation when registering a vehicle in the state. Specify that the share of this estimate deposited into the transportation fund would progressively increase over ten years in the same manner as provided under the bill.
3. Modify the Governor's proposal to declare that the Legislature finds that an estimated 13% of state sales and use tax revenues are generated from sales and leases of motor vehicles and sales of motor vehicle parts and accessories. Deposit a percentage of sales tax revenues generated by such sales into the transportation fund, increasing from 7.5% to 50% over a ten-year period, in the following manner:
 - a. 7.5% of revenues for 2012-13, but not more than \$35,127,000;
 - b. 10% of revenues for 2013-14;
 - c. 15% of revenues for 2014-15;
 - d. 20% of revenues for 2015-16;
 - e. 25% of revenues for 2016-17;
 - f. 30% of revenues for 2017-18;
 - g. 35% of revenues for 2018-19;
 - h. 40% of revenues for 2019-20;
 - i. 45% of revenues for 2020-21; and
 - j. 50% of revenues for 2021-22 and for each year thereafter.
4. Delete the Governor's proposal and instead transfer \$35,127,000 from the general fund into the transportation fund in 2012-13. Specify that funding for this transfer is from sales and use tax revenues generated from sales and leases of motor vehicles and sales of motor vehicle parts and accessories.
5. Delete the Governor's proposal.

ALT 5	Change to Bill Revenue
GPR	\$35,127,000
SEG	<u>-35,127,000</u>
Total	\$0

Prepared by: Sean Moran

Kreye, Joseph

From: Spika, Dan
Sent: Wednesday, January 09, 2019 9:06 AM
To: Hoisington, Joshua; Kreye, Joseph
Cc: Moran, Sean
Subject: RE: Scheduling request

Good morning,

Sean (my supervisor) and I will also be available at 2:30.

Dan

From: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Sent: Wednesday, January 9, 2019 9:00 AM
To: Spika, Dan <Dan.Spika@legis.wisconsin.gov>; Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Subject: Scheduling request

Good morning,

Are you gentlemen available to meet in Rep. Sanfelippo's office, 314 North, today at 2:30 p.m. to discuss questions he has related to auto related sales taxes?

Best regards,

Josh Hoisington
Office of Representative Joe Sanfelippo
15th Assembly District
608.266.0620

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NOTE: Emails sent to and from this account may be subject to open records requests and should not be considered private.

6.4 Yrly increases(%)

8.9
7.1
3.8
5.1
4.4

5.95 average
5.75 median

	2017	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
\$	857.4	\$ 906.7	\$ 958.8	\$ 1,014.0	\$ 1,072.3	\$ 1,133.9	\$ 1,199.1	\$ 1,268.1	\$ 1,341.0	\$ 1,418.1	\$ 1,499.6	\$ 1,585.9	\$ 1,677.1	\$ 1,773.5	\$ 1,875.5	\$ 1,983.3
(Millions)	\$ 90.7	\$ 143.8	\$ 202.8	\$ 241.3	\$ 283.5	\$ 329.8	\$ 380.4	\$ 435.8	\$ 496.3	\$ 562.4	\$ 634.3	\$ 712.7	\$ 798.1	\$ 890.8	\$ 991.7	
			\$ 346.6		\$ 524.7		\$ 710.2		\$ 932.2		\$ 1,196.7		\$ 1,510.8		\$ 1,882.5	

Goal: 50% of auto-related sales tax revenue transferred from general fund to transportation fund.

Formula: Base = 2017 estimated total per 12/17/18 memo.

Increase by median % of prior 6 years per 12/17/18 memo.

Transfer 15% in 2020, 20% in 2021 then increase 2.5% each year thereafter until 50% reached.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

December 17, 2018

TO: Representative Joe Sanfelippo
Room 306 North, State Capitol

FROM: Dan Spika, Fiscal Analyst

SUBJECT: Motor Vehicle-Related Sales Tax Collections

This memorandum responds to your request regarding general fund sales and use tax collections on motor vehicle-related sales, and the fiscal impact of your proposal to deposit those collections into the transportation fund, rather than the general fund.

Under current law, Wisconsin levies a 5% general sales tax on items of tangible personal property not specifically exempted in statute, and on services specifically enumerated in statute. Motor vehicles and motor vehicle parts and accessories are generally subject to the tax.

The following table shows aggregate sales and use tax returns for calendar years 2011-2017 reported to the Department of Revenue (DOR) by retailers and by those reporting occasional sales of motor vehicles. It should be noted that sales and use tax returns do not identify the type of taxable good or service for which the tax is being paid. For example, sales and use tax collections reported for automobile dealers include car sales, as well as repairs, parts, and other services. Therefore, sales tax collections from specific types of tangible personal property and services must be estimated.

Sales Tax Collections by Type of Seller (Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
4411 Automobile Dealers	\$336.3	\$366.7	\$404.9	\$435.3	\$454.9	\$476.4	\$495.8
4412 Other Motor Vehicle Dealers	39.2	42.6	48.2	49.4	52.5	57.2	60.9
4413 Automotive Parts, Accessories, and Tire Stores	36.2	36.5	39.1	39.9	41.0	42.6	42.6
5021 Automotive Equipment Rental and Leasing	46.8	46.3	48.3	50.2	50.2	52.7	55.1
Automotive Repair and Maintenance	63.9	63.5	67.9	74.1	73.6	76.0	79.8
Occasional Sales of Motor Vehicles	<u>83.3</u>	<u>89.0</u>	<u>94.0</u>	<u>103.7</u>	<u>109.2</u>	<u>116.5</u>	<u>123.2</u>
Total	\$605.7	\$644.6	\$702.4	\$752.6	\$781.4	\$821.4	\$857.4

In order to estimate motor vehicle-related sales and use tax collections, this office uses industry data from the US Census Bureau, collections data from DOR, and economic growth forecasts from IHS Markit. This range of sources is necessary, but it also complicates the estimates because of differences in product definitions and categories, and in how sales receipts are counted. For example, some sources report auto sales net of trade-ins, while others report gross sales. In addition, motor vehicle sales are volatile and dependent on overall economic conditions. For example, IHS Markit estimates that nominal consumer spending on new motor vehicles decreased nationally by nearly 22% between 2007 and 2010, but increased by nearly 36% between 2011 and 2018.

Given this volatility, and the data limitations listed above, this memorandum provides an annualized range of estimates for motor vehicle-related sales tax collections. Based on the most recent data from the sources listed above, it is estimated that state sales tax collections on motor vehicle sales and leases, parts, and services total approximately \$750 million to \$1,100 million on an annualized basis.

Gross transportation fund revenues, inclusive of transfers from other funds (such as the current law transfer from the general fund discussed below) and before the payment of transportation revenue bond debt service, are nearly \$2.0 billion annually. Your proposal would deposit all motor vehicle-related sales tax collections in each fiscal year to the transportation fund, rather than the general fund, beginning in 2019-20. The estimated annual proposed transfer to the transportation fund in the 2019-21 biennium would be between \$750 million and \$1,100 million, and would increase gross annual revenue to the transportation fund by between an estimated 38% and 55%.

It should be noted that the volatility of motor vehicle-related sales could create uncertainty in budgeting for both general fund and transportation fund expenditures. If the amount deposited into the transportation fund is higher than originally estimated, it could create a shortfall in the general fund. Conversely, if the amount deposited in the transportation fund is lower than expected, the transportation fund could experience a shortfall.

Additionally, current law provides a transfer from the general fund to the transportation fund of 0.25% of all projected general fund tax deposits as published in the biennial budget act in each fiscal year (which includes all projected motor vehicle-related sales tax collections), or \$35,127,000, whichever is greater. According to the November 20, 2018 "Estimated GPR Tax Revenues" included in the Department of Administration's report entitled Agency Budget Requests and Revenue Estimates, FY 2020 FY 2021, for the 2019-21 biennium, the estimated amount to be transferred to the transportation fund under current law is about \$44 million in each year of the 2019-21 biennium. Thus, your proposal to transfer all motor vehicle-related sales tax collections to the transportation fund, in addition to the current law transfer, would result in an annual overall transfer from the general fund to the transportation fund of between approximately \$794 million and \$1,144 million in the 2019-21 biennium. Under your proposal, it is estimated that total general fund transfers to the transportation fund in the 2019-21 biennium would represent between an estimated 29% and 37% of all transportation fund revenues.

I hope this memorandum is informative; please contact me with any questions.

DS/sas



P2

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in June
7-10

due June
1-15

a percentage of

1 **AN ACT to create** 25.40 (1) (bn) and 77.61 (21) of the statutes; **relating to:**
2 depositing ^{a percentage of} sales tax revenue from the sale of motor vehicles and motor vehicle
3 parts and accessories into the transportation fund.

Analysis by the Legislative Reference Bureau

This bill requires the Department of Revenue to deposit into the transportation fund the sales tax revenue from the sale of motor vehicles and motor vehicle parts and accessories beginning with the taxes collected on July 1, 2019.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 **SECTION 1.** 25.40 (1) (bn) of the statutes is created to read:

5 25.40 (1) (bn) All moneys deposited under s. 77.61 (21).

6 **SECTION 2.** 77.61 (21) of the statutes is created to read:

7 77.61 (21) Beginning with the taxes the department receives on July 1, 2019,

8 the department shall annually estimate the amount of, and deposit into the

SECTION 2

the following percentages of

4412

1 transportation fund, the taxes collected under ss. 77.52 and 77.53 on the sale, lease,
 2 or use of motor vehicles and motor vehicle parts and accessories, on the basis of the
 3 annual sales and use tax collections, as of the last day of the fiscal year, from sellers
 4 primarily engaged in businesses classified under industry numbers 4411, 441210,
 5 441221, 4413, and 5321 in the North American Industry Classification System, 2007
 6 edition, published by the federal office of management and budget, and from sales
 7 and use taxes collected by the department of transportation when registering motor
 8 vehicles with this state.

(END)

*Insert
2-8*

*, and
81111*

**2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1132/P2ins
JK:wlj

Insert 2 - 8

- 1 (a) For fiscal year 2019-20, 10 percent.
- 2 (b) For fiscal year 2020-21, 15 percent.
- 3 (c) For fiscal year 2021-22, 20 percent.
- 4 (d) For fiscal year 2022-23, 22.5 percent.
- 5 (e) For fiscal year 2023-24, 25 percent.
- 6 (f) For fiscal year 2024-25, 27.5 percent.
- 7 (g) For fiscal year 2025-26, 30 percent.
- 8 (h) For fiscal year 2026-27, 32.5 percent.
- 9 (i) For fiscal year 2027-28, 35 percent.
- 10 (i) For fiscal year 2028-29, 37.2 percent.
- 11 (i) For fiscal year 2029-30, 40 percent.
- 12 (j) For fiscal year 2030-31, 42.5 percent.
- 13 (k) For fiscal year 2031-32, 45 percent.
- 14 (L) For fiscal year 2032-33, 47.5 percent.
- 15 (m) For fiscal year 2033-34, and for each fiscal year thereafter, 50 percent.

Kreye, Joseph

From: Hoisington, Joshua
Sent: Thursday, April 25, 2019 11:33 AM
To: Kreye, Joseph
Cc: Spika, Dan
Subject: RE: Draft review: LRB -1132/P2

If there is not an impact, please use the updated codes from 2017.

Best regards,

Josh Hoisington
Office of Representative Joe Sanfelippo
15th Assembly District
608.266.0620

Follow **Rep. Sanfelippo** on Facebook and Twitter.

NOTE: Emails sent to and from this account may be subject to open records requests and should not be considered private.

From: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Sent: Thursday, April 25, 2019 11:15 AM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Cc: Spika, Dan <Dan.Spika@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P2

Hi Josh,

I don't think there would be much impact because the codes listed in the current draft are the same as the 2017 codes.

Joe

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Sent: Thursday, April 25, 2019 10:28 AM
To: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Cc: Spika, Dan <Dan.Spika@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P2

Good morning, Joe.

Would you please amend LRB 1132/P2 to reflect LFB's comments listed below?

Also, would there be an impact be if we use the 2017 NAICS codes to match what the 2007 codes cover?

Best regards,

Josh Hoisington
Office of Representative Joe Sanfelippo
15th Assembly District
608.266.0620

Follow **Rep. Sanfelippo** on **Facebook** and **Twitter**.

NOTE: Emails sent to and from this account may be subject to open records requests and should not be considered private.

From: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Sent: Wednesday, January 02, 2019 1:22 PM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P1

Hi Josh,

The 2007 codes listed in the bill are as follows:

4411 – all automobile dealers.
441210 – recreational vehicle dealers
441221 – motorcycle, ATV, and personal watercraft dealers.
4413 – all automobile parts and accessories stores and tire stores.
5321 – all passenger car rental and leasing and all truck, utility trailer, and RV rental and leasing.

Please note that the NAICS codes in these areas have been updated twice since 2007, but the industries covered by the codes have not changed significantly. I have access now to the most recent updates in 2017. I can use those codes if you want and let you know how or if they vary from the 2007 codes used in the draft.

Joe

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Sent: Thursday, January 03, 2019 11:19 AM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P1

Hi Josh,

The 2017 codes are the same as the 2007 codes except as they relate to motorcycle, ATV, and personal watercraft dealers.

44122 covers motorcycle and ATV dealers, but also covers boat dealers and aircraft dealers. It does not cover personal watercraft, mopeds, or snowmobiles.

441222 only covers boat dealers.

441228 covers motorcycles, ATVs, and personal watercraft, but not boats. It also covers aircraft, mopeds, and snowmobiles.

Let me know how you want to proceed. It seems that listing 441222 and 441228 would be the most inclusive option, if that's consistent with your intent.

Joe

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Spika, Dan <Dan.Spika@legis.wisconsin.gov>
Sent: Wednesday, April 24, 2019 9:55 AM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Cc: Moran, Sean <Sean.Moran@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P2

Good morning Josh,

Per our phone conversation, the draft does not explicitly mention services like repairs and painting services. I did include such services in the fiscal estimate we prepared relating to this draft, so I just wanted to alert you to the fact that the draft language would likely need to explicitly include motor vehicle related services in order to capture the revenue we estimated.

In addition, the proposed percentage transfer on line 18 should be edited to 37.5 percent to comport with the estimate.

Thanks,

Dan Spika
Fiscal Analyst
Wisconsin Legislative Fiscal Bureau
(608) 266-3847 Dan.Spika@legis.wisconsin.gov

Kreye, Joseph

From: Hoisington, Joshua
Sent: Thursday, April 25, 2019 10:28 AM
To: Kreye, Joseph
Cc: Spika, Dan
Subject: RE: Draft review: LRB -1132/P2
Attachments: 19-1132_P2.pdf; 201902151242.pdf

Good morning, Joe.

Would you please amend LRB 1132/P2 to reflect LFB's comments listed below?

Also, would there be an impact be if we use the 2017 NAICS codes to match what the 2007 codes cover?

Best regards,

Josh Hoisington
Office of Representative Joe Sanfelippo
15th Assembly District
608.266.0620

Follow **Rep. Sanfelippo** on [Facebook](#) and [Twitter](#).

NOTE: Emails sent to and from this account may be subject to open records requests and should not be considered private.

From: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Sent: Wednesday, January 02, 2019 1:22 PM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P1

Hi Josh,

The 2007 codes listed in the bill are as follows:

4411 – all automobile dealers.
441210 – recreational vehicle dealers
441221 – motorcycle, ATV, and personal watercraft dealers.
4413 – all automobile parts and accessories stores and tire stores.
5321 – all passenger car rental and leasing and all truck, utility trailer, and RV rental and leasing.

Please note that the NAICS codes in these areas have been updated twice since 2007, but the industries covered by the codes have not changed significantly. I have access now to the most recent updates in 2017. I can use those codes if you want and let you know how or if they vary from the 2007 codes used in the draft.

Joe

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Sent: Thursday, January 03, 2019 11:19 AM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P1

Hi Josh,

The 2017 codes are the same as the 2007 codes except as they relate to motorcycle, ATV, and personal watercraft dealers.

44122 covers motorcycle and ATV dealers, but also covers boat dealers and aircraft dealers. It does not cover personal watercraft, mopeds, or snowmobiles.

441222 only covers boat dealers.

441228 covers motorcycles, ATVs, and personal watercraft, but not boats. It also covers aircraft, mopeds, and snowmobiles.

Let me know how you want to proceed. It seems that listing 441222 and 441228 would be the most inclusive option, if that's consistent with your intent.

Joe

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Spika, Dan <Dan.Spika@legis.wisconsin.gov>
Sent: Wednesday, April 24, 2019 9:55 AM
To: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Cc: Moran, Sean <Sean.Moran@legis.wisconsin.gov>
Subject: RE: Draft review: LRB -1132/P2

Good morning Josh,

Per our phone conversation, the draft does not explicitly mention services like repairs and painting services. I did include such services in the fiscal estimate we prepared relating to this draft, so I just wanted to alert you to the fact that the draft language would likely need to explicitly include motor vehicle related services in order to capture the revenue we estimated.

In addition, the proposed percentage transfer on line 18 should be edited to 37.5 percent to comport with the estimate.

Thanks,

Dan Spika
Fiscal Analyst
Wisconsin Legislative Fiscal Bureau
(608) 266-3847 Dan.Spika@legis.wisconsin.gov

Kreye, Joseph

From: Hoisington, Joshua
Sent: Wednesday, January 02, 2019 3:38 PM
To: Kreye, Joseph
Subject: RE: Draft review: LRB -1132/P1

Thank you, sir. If you would please use the 2017 codes and let me know how or if they vary from the 2007 codes used, I'd appreciate it. I requested a fiscal estimate from LFB and may end up passing the info along to them in case they find the information helpful.

Best Regards,

Josh Hoisington
Office of Rep. Joe Sanfelippo
608.266.0620

From: Kreye, Joseph
Sent: Wednesday, January 02, 2019 1:22 PM
To: Hoisington, Joshua
Subject: RE: Draft review: LRB -1132/P1

Hi Josh,

The 2007 codes listed in the bill are as follows:

- 4411 – all automobile dealers. *- none*
- 441210 – recreational vehicle dealers *- none*
- ~~441221~~ – motorcycle, ATV, and personal watercraft dealers. *441222 or 441228 if not to include boat dealers*
- 4413 – all automobile parts and accessories stores and tire stores.
- 5321 – all passenger car rental and leasing and all truck, utility trailer, and RV rental and leasing. *- none*

Please note that the NAICS codes in these areas have been updated twice since 2007, but the industries covered by the codes have not changed significantly. I have access now to the most recent updates in 2017. I can use those codes if you want and let you know how or if they vary from the 2007 codes used in the draft.

Joe

Joseph T. Kreye
Legal Services Manager
Legislative Reference Bureau
608 504-5857

From: Hoisington, Joshua <Joshua.Hoisington@legis.wisconsin.gov>
Sent: Wednesday, January 02, 2019 12:57 PM
To: Kreye, Joseph <Joseph.Kreye@legis.wisconsin.gov>
Subject: FW: Draft review: LRB -1132/P1

Joe,

Would you please itemize what the NAICS codes are in the attached bill?

Best regards,

Josh Hoisington
Office of Representative Joe Sanfelippo
15th Assembly District
608.266.0620

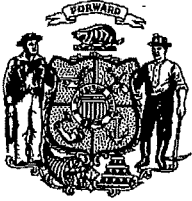
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NOTE: Emails sent to and from this account may be subject to open records requests and should not be considered private.

From: Rep.Sanfelippo <Rep.Sanfelippo@legis.wisconsin.gov>
Sent: Wednesday, January 02, 2019 8:16 AM
To: Rep.Sanfelippo <Rep.Sanfelippo@legis.wisconsin.gov>
Subject: FW: Draft review: LRB -1132/P1

From: LRB.Legal <lrblegal@legis.wisconsin.gov>
Sent: Friday, December 28, 2018 1:52 PM
To: Rep.Sanfelippo <Rep.Sanfelippo@legis.wisconsin.gov>
Subject: Draft review: LRB -1132/P1

Following is the PDF version of draft LRB -1132/P1.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

February 15, 2019

TO: Representative Joe Sanfelippo
Room 314 North, State Capitol

FROM: Dan Spika and Al Runde

SUBJECT: Proposal to Transfer Percentage of Motor Vehicle Related Sales Tax Collections to the Transportation Fund

At your request, this memorandum describes your proposal under LRB 1132/P2 to transfer a percentage of motor vehicle related sales and use tax collections from the general fund to the transportation fund. In addition, this memorandum provides information regarding the amount of transportation fund revenue that would be available each year associated with the transferred amounts and the decline in annual debt service resulting from a moratorium on new transportation-related bonding authorizations.

CURRENT LAW

Wisconsin imposes a 5% general sales and use tax on retail sales of tangible personal property not specifically exempted in statute, and on services specifically enumerated in statute. Sales of motor vehicles and motor vehicle parts and services are generally subject to the tax. State sales and use tax collections are estimated at \$5,955.0 million in 2019-20 and \$6,000.0 million in 2020-21.

Current law also provides a transfer from the general fund to the transportation fund of 0.25% of total projected general fund tax deposits in each fiscal year, as published in the biennial budget act (which includes motor vehicle related sales tax collections and other general fund tax revenues), or \$35,127,000, whichever is greater. This transfer totaled \$40.2 million in 2017-18. No designation is made under current law to specifically transfer motor vehicle related sales tax collections to the transportation fund. Total general fund tax collections are estimated at \$17,366.9 million in 2019-20 and \$17,759.9 million in 2020-21.

SUMMARY OF LRB 1132/P2

The bill would require the Department of Revenue (DOR) to estimate total state sales and use tax collections from the sale, lease, or use of motor vehicles and motor vehicle parts and accessories

from certain retailers and to deposit a percentage of such collections into the transportation fund in each fiscal year, beginning in 2019-20. The percentage transferred would increase in each fiscal year, as shown in Table 1, until 2033-34 and annually thereafter, whereupon 50% of such collections would be transferred. The proposed transfer would apply to such sales and use tax collections from sellers primarily engaged in businesses classified under industry numbers 4411, 4412, 4413, 5321, and 811111 in the North American Industry Classification System (NAICS), 2007 edition, published by the federal Office of Management and Budget, and from sales and use taxes collected by the Department of Transportation (DOT) when registering motor vehicles in the state. This transfer would be in addition to the aforementioned general fund transfer under current law.

FISCAL EFFECT TO THE GENERAL FUND

Sales and use tax returns do not identify the specific type of taxable good or service for which the tax is being paid. As such, sales and use tax revenues from sales of specific types of tangible personal property and taxable services must be estimated. This estimate utilizes industry data from the U.S. Census Bureau, and motor-vehicle occasional sales data from DOR. It is estimated that state sales and use tax collections from sellers in the above NAICS categories, and from occasional sales of motor vehicles, will generate approximately \$1,035.0 million in 2020-21.

Table 1 applies the percentage values you proposed under LRB 1132/P2 to the above estimate for total motor vehicle related sales tax collections to arrive at an estimated annual transfer of these collections to the transportation fund. The estimates in the table are expressed in 2020-21 dollars. Amounts available in the general fund would decrease in each year, beginning in 2019-20, and would decrease by \$517.5 million annually beginning in 2033-34. Total amounts transferred from the general fund by 2033-34 would be approximately \$4,968.2 million.

TABLE 1

**Estimated Annual Transfer of Motor Vehicle Related State Sales and
Use Tax Collections from the General Fund to the Transportation Fund under LRB 1132/P2
(\$ in Millions)**

<u>Fiscal Year</u>	<u>Proposed Percentage to Transfer</u>	<u>Estimated Transfer</u>	<u>Cumulative Transfer</u>
2019-20	10.0%	\$103.5	\$103.5
2020-21	15.0	155.3	258.8
2021-22	20.0	207.0	465.8
2022-23	22.5	232.9	698.7
2023-24	25.0	258.8	957.5
2024-25	27.5	284.6	1,242.1
2025-26	30.0	310.5	1,552.6
2026-27	32.5	336.4	1,889.0
2027-28	35.0	362.3	2,251.3
2028-29	37.5	388.1	2,639.4
2029-30	40.0	414.0	3,053.4
2030-31	42.5	439.9	3,493.3
2031-32	45.0	465.8	3,959.1
2032-33	47.5	491.6	4,450.7
2033-34 and thereafter	50.0	517.5	4,968.2

REVENUES AVAILABLE TO FUND TRANSPORTATION PROGRAMMING

You also requested information on the total amount of additional revenue that would be available to the Department of Transportation (DOT) to fund transportation programming each year associated with: (a) the annual amount of transfers from the general fund under LRB 1132/P2, as indicated in Table 1; and (b) additional existing transportation fund revenues that are available each year associated with the eventual decline in annual debt service if no new transportation-related bonding were authorized (this provision is not included in LRB 1132/P2).

Transportation-Related Bonding and Debt

The state issues both general obligation bonds and revenue obligation bonds for transportation-related purposes. These bond proceeds fund state highway projects, harbor and rail improvements, and DOT facility improvements. Debt service on the general obligation portion of the debt is repaid by either the segregated transportation fund or the general fund. Debt service on the transportation revenue obligation debt is paid from a dedicated annual revenue stream made up of the state's vehicle registration fees as well as various other fees. Once the annual debt service on transportation revenue obligations is met, any excess dedicated revenues not needed to meet that year's debt service are deposited to the transportation fund. [This proposal would not affect the general fund-supported debt issued for transportation purposes.]

As of December, 2018, the state had a total of \$3,346,645,300 in transportation fund-supported debt outstanding: \$1,578,335,300 in general obligation debt and \$1,768,310,000 in transportation revenue obligation debt. As currently amortized, principal and interest repayment will total \$4,699,099,100. In addition, approximately \$196,225,900 in remaining general obligation bonds and \$210,200,000 in transportation revenue obligation bonds have been authorized, but not yet issued. The following table lists the total principal and interest currently due on bonds issued to date as well as the projected principal and interest due on the \$406,425,900 in transportation-related bonds yet to be issued.

TABLE 2

Principal and Interest Payments Due on Transportation Fund-Supported Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Issued to Date	\$3,346,645,300	\$1,352,453,800	\$4,699,099,100
Authorized Unissued	<u>406,425,900</u>	<u>229,976,600</u>	<u>636,402,500</u>
Total	\$3,753,071,200	\$1,582,430,400	\$5,335,501,600

In addition, as of December, 2018, the state also had \$879.4 million in transportation-related, general fund-supported, general obligation bonding outstanding.

Given the limited revenue growth in the transportation fund and the funding demands on the fund, specifically in the DOT's state and local highway programs, the state has become more reliant on debt to fund its state transportation infrastructure programs. Over the past five biennia, the state has authorized an average of \$836.7 million in borrowing each biennia to fund an average of \$418.4 million in state transportation infrastructure improvements each year. In addition, in recent years, the state has provided additional amounts of transportation fund revenues (cash) to assist local road programs with their transportation infrastructure needs.

LRB 1132/P2 and No New Transportation-Related Bonding Proposal

Specifically, you requested information on the amount of additional existing transportation fund revenues that would become available each year as a result of the proposed transfers from the general fund under LRB 1132/P2 and a proposed moratorium on new transportation-related bonding. Table 3 indicates the total additional revenue available to the transportation fund under this proposal. The "Annual Change in Existing Debt Service" column in Table 3 reflects the estimated change in the debt service due each year, as compared to the 2018-19 base year. Because debt service on existing bonds is expected to grow during the first four years, the change (growth) to the base year is shown as a negative value to illustrate the budgetary effect of the change in annual debt service on available revenues.

TABLE 3

**Estimated Additional Annual Transportation Fund Revenues
Under LRB 1132/P2 and No New Transportation-Related Bonding Proposal
(\$ in Millions)**

<u>Fiscal Year</u>	<u>Estimated Transfer</u>	<u>Annual Change In Existing Debt Service</u>	<u>Total Revenues Available</u>
2019-20	\$103.5	-\$24.8	\$78.7
2020-21	155.3	-44.4	110.9
2021-22	207.0	-12.7	194.3
2022-23	232.9	-3.0	229.9
2023-24	258.8	18.8	277.6
2024-25	284.6	22.4	307.0
2025-26	310.5	46.6	357.1
2026-27	336.4	59.4	395.8
2027-28	362.3	76.3	438.6
2028-29	388.1	74.3	462.4
2029-30	414.0	98.8	512.8
2030-31	439.9	125.1	565.0
2031-32	465.5	153.7	622.2
2032-33	491.6	172.8	664.4
2033-34	517.5	206.9	724.4

As shown in the table, annual growth in the amount of debt service on existing bonds erodes the amount of revenue transferred under LRB 1132/P2 until 2023-24, at which point annual debt service on existing transportation debt begins to decline over the 2018-19 level. From 2023-24, and each year thereafter, the decline in annual debt service adds to the total amount of transportation fund revenues available under LRB 1132/P2 and a no new bonding scenario.

Not until 2027-28, when the total estimated revenues available would equal \$438.6 million, would the annual amount of additional revenues available under your proposal exceed the average annual amount of \$418.4 million in bonding authorized over the past 10 years. As a result, less funding for state transportation infrastructure improvements would be available under this proposal than has been provided in recent biennia using existing transportation fund revenues and bonding. Further, assuming no other revenue increases during this period, no additional revenues would be available to provide increased funding for DOT's local transportation programs. However, as shown in the table, in the later years of the proposal, when the annual transfers under LRB 1132/P2 increase, and annual declines in debt service on existing bonding accelerate (aided by no additional debt being taken on under the proposal), more funds would be available for DOT's state and local infrastructure development programs than have been available in recent biennia when significant amounts of bonding were needed to fund those programs. The amounts of additional revenue would continue to grow each year through 2039-40, when all existing debt is currently scheduled to be retired.

We hope this memorandum is informative; please contact us with any questions.



MEMORANDUM

TO: Attorneys and Administrative Services team
FROM: Cathlene
DATE: April 16, 2019
SUBJECT: Yanks

The co-chairs of the Joint Committee on Finance have agreed on a list of policy items that will be removed from the budget bill. We will draft a budget amendment to remove each policy item from the bill. We will also draft an Assembly bill and a Senate bill for each yanked item. The list of yanks is attached; if your initials appear next to a yank that should belong to another drafter, please let me know.

Attorneys

Entering

Enter the request for each “yank” amendment as follows: the requester is LFB; enter Hannah in the “Requested by” field and add LFB Drafts (Becky Hannah) as a cc to be emailed at submittal; under “Type” choose “Amendment”; click “Assembly” and then “Budget” and “LFB” under “Amdt Info”; the amendment is to AB56; and type the yank number (Yxx) in the “Pre-topic Code” field.

Drafting amendments

If you undo any reconciliation in a budget amendment, attach a drafter’s note to that amendment. The note should indicate if any unrelated material appears in the amendment for the purpose of undoing the reconciliation. For example, the note could read, “This amendment unreconciles the material from LRB-2400, which is retained in the bill.”

All yank amendments should be in editing no later than April 25.

Drafting bills

Each yank should also be entered as a bill for the Assembly and a bill for the Senate (companions). The bills should be in editing within a day or two after the budget amendment goes out. The requester is LFB; enter Hannah in the “Requested by” field and add LFB Drafts (Becky Hannah) as a cc to be emailed at submittal. Use the DOA budget draft as the base document. For each bill, remember the following:

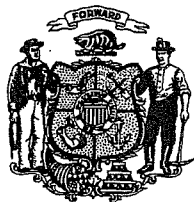
1. The catalog will be generated.
2. Make sure the draft has a complete relating clause.
3. Delete the analysis headings, subheadings, and short title.
4. Change the first instance of any acronym for an agency to spell out the agency name.
5. If the draft requires a tag line, such as FE, TAX, or RET, add the tag line.

6. Incorporate necessary ch. 20 schedule entries.
7. Incorporate appropriation changes for the 2019-20 fiscal biennium if the draft relates to an appropriation change that was included in the governor's budget book. Check with the LFB analyst if you are unsure.
8. Incorporate position changes if the draft relates to a position change that was included in the governor's budget book. Check with the LFB analyst if you are unsure.
9. Incorporate all relevant items from the technical amendment (19b0001) into each bill draft.
10. Do not include an effective date unless the original DOA budget draft included one. If the content of the draft, such as funding or position changes, suggests the need for a delayed effective date, discuss the situation with the LFB analyst. If a delay is needed, the effective date will usually be July 1, 2019, or the day after the publication of the separate act, whichever is later.
11. You do not need to redraft the bill to eliminate the use of the 9000 series numbering in the nonstatutory provisions, but you may need to modify the effective date to reflect the fact that the budget bill has a general effective date of July 1, 2019.
12. If only part of your bill has a delayed effective date, add an effective date section to specify the general effective date of the rest of the bill (July 1, 2019, or on the day after publication).
13. If the entire bill has a delayed effective date, you may want to replace "The treatment of sections" with "This act." Otherwise, you will have to amend the effective date provision in each amendment that adds or delete statutory treatments.

Editors

No amendment should delete from the budget bill any of the four types of nonstatutory bill section headings for each agency. Review the legislative topic field for accuracy and spelling; this field will appear on a variety of reports.

* * * *



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 12, 2019

TO: Representative John Nygren, Assembly Chair
Senator Alberta Darling, Senate Chair
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Non-Fiscal Policy Items Contained Within the Governor's 2019-21 Budget Bill

This office has prepared the attached list of items that are contained within 2019 Assembly Bill 56/Senate Bill 59 (the Governor's 2019-21 budget recommendations). The list includes items that are primarily of a non-fiscal policy nature and not closely related to the state's fiscal programs for the next biennium. Included are the page and item number showing where the provisions are described in the Legislative Fiscal Bureau's summary of the Governor's budget.

Putting such a list together always requires some subjective judgment on which items should be identified. Arguments could be made to expand the list beyond what is presented here or to delete some items from it. However, in preparing the attached list, this office applied the same criteria that it has used in previous biennia when identifying provisions of the executive budget bill as non-fiscal policy items.

The criteria used are as follows: (1) generally, the item has no state fiscal effect; (2) if there is a state fiscal effect associated with an item, the policy implications of the provision outweigh any potential fiscal effect; (3) the item has been, or is, the subject of separate, non-budget legislation; (4) the item is one that typically would be reviewed by a standing committee of the Legislature; and (5) the provision could be accomplished without statutory directive, such as reports, studies, and audits. Items that typically are not included on the list are those that: (1) affect state program eligibility; (2) would generally be referred to the Joint Committee on Finance if introduced as separate legislation; and (3) address a reorganization or transfer of state government operations or functions.

It should be noted that, as with past budgets, there are some items in the bill related to drug testing that are not included on the list. Although there are policy issues related to drug testing, the items have not been included on the list because they potentially could affect eligibility for these programs.

BL/sas
Attachment

NON-FISCAL POLICY ITEMS

ADMINISTRATION

MPG
Y01

General Agency Provisions

- Repeal Approval Process for Capitol Security Changes (Page 25, #11)
- Economic Development Liaison Project Position (Page 25, #12 and Page 451, #4)

MPG
Y02

Facilities

- Modify Requirements for Leased Space (Page 32, #3)

cmH
Y03

AGRICULTURE, TRADE AND CONSUMER PROTECTION

SK
Y04
LJK

- Repeal Minimum Markup of Motor Vehicle Fuel (Page 41, #7)

CORRECTIONS

cmH
Y05

Community Corrections

- Repeal Pardon and Release Reporting Requirement (Page 103, #4)

Juvenile Corrections

- Age of Juvenile Jurisdiction (Page 88, #1 and Page 106, #7)

AW
Y06
EAW

ELECTIONS COMMISSION

SK
Y07
Y08

- Automatic Voter Registration (Page 115, #2 and Page 430, #3)
- Voter Requirement Modifications (Page 117, #3)

EMPLOYEE TRUST FUNDS

MIM
Y09
Y10
Y11
Y12
Y13
Y14
Y15

- Rehired Annuitant Teachers (Page 119, #3)
- Board Oversight of Disability Programs and Reserve Policy (Page 121, #8)
- On-Site Employee Health Clinics (Page 122, #9)
- Internal Auditor (Page 122, #10)
- Fixed-Dollar Employee Premium Subsidy Study (Page 122, #11)
- Prescription Drug Pooling Study (Page 123, #12)
- Private Sector Retirement Security Plan Committee and Study (Page 123, #13 and Page 396, #2)

HEALTH SERVICES

Medical Assistance

- Joint Committee on Finance Review and Approval of Certain MA Program Changes (Page 188, #31)
- Joint Committee on Finance Review Process for Federal Waivers, Pilot Programs, and Demonstration Projects (Page 188, #32)

Public Health

- Prescription Drug Importation Program (Page 205, #15)

HIGHER EDUCATIONAL AIDS BOARD

- Student Loan Refinancing Study Committee (Page 130, #2; Page 229, #10; and Page 396, #2)

INSURANCE

- Prescription Drug Pricing and Cost Reporting (Page 235, #7)
- Health Insurance Issuance and Coverage Requirements (Page 237, #9)

JUSTICE

- Powers of the Attorney General (Page 255, #15)
- Settlement and Relator Appropriations (Page 256, #16)

LEGISLATURE

- Legislative Intervention (Page 261, #5)
- Advice and Consent of the Senate for Appointments (Page 261, #6)
- Retention of Legal Representation for Legislators, Legislative Staff and the Legislature (Page 261, #7)
- Agency Publications (Page 262, #8)
- Administrative Rules (Page 262, #9)
- Legislative and Congressional Redistricting (Page 263, #10)

MARIJUANA-RELATED PROVISIONS

- Medical Marijuana Oversight and Regulation (Page 38, #2; Page 153, #4; Page 154, #1; Page 225, #5; and Page 267, #1)
- Decriminalization, Expungement, and Dismissal of Certain Marijuana Offenses (Page 280, #2)

PUBLIC INSTRUCTION

General School Aids and Revenue Limits

- ~~KAP~~ KAP Y32 • Limit on Number of School District Referenda (Page 322, #16)

Choice, Charter and Open Enrollment

- Y33 • Private School Choice Programs -- Teacher Licensure Requirement (Page 340, #4)
Y34 • Private School Choice Programs -- Accreditation of Private Schools (Page 341, #5)
Y35 • Private School Choice and Special Needs Scholarship Programs -- Information Required on Property Tax Bill (Page 342, #8 and Page 390, #6)
Y36 • Special Needs Scholarship Program -- Teacher Licensure Requirement (Page 344, #11)
Y37 • Special Needs Scholarship Program -- Private School Requirements (Page 344, #12)
Y38 • Special Education Scholarship Program -- Additional Tuition Charges (Page 347, #14)
Y39 • Special Education Scholarship Program -- Religious Activity Opt-Out (Page 348, #15)
Y40 • Opportunity Schools and Partnership Program (Page 351, #20)

Administrative and Other Funding

- Y41 • Eliminate Teacher Licensure for Alternative Teaching Preparation Program (Page 354, #5)
Y42 • Paid Planning Time for Teachers (Page 359, #23)

PUBLIC SERVICE COMMISSION

Broadband Provisions

- MDK Y43 • Municipal Broadband Facilities in Underserved or Unserved Areas (Page 361, #3)
Y44 • State Broadband Access Goal (Page 362, #4)
Y45 • Broadband Report (Page 362, #5)

Departmentwide and Energy Programs

- Y46 • State Carbon-Free Electricity Goal (Page 365, #7)

REVENUE

Lottery Administration

- EKL Y47 • Modify Contract Requirements for Lottery Retailers (Page 372, #4)

SAFETY AND PROFESSIONAL SERVICES

- MDL Y48 • Regulation and Licensure of Dental Therapists (Page 200, #6; Page 376, #10; and Page 443, #16)

SHARED REVENUE AND TAX RELIEF

EKL/JK
↓

Y549
Y550
Y551
Y552

Property Taxation

- Dark Property and Leased Property Tax Assessments ("Dark Stores") (Page 388, #5)
- Tax Incremental Financing District Value Reporting Error (Page 390, #7)
- Limit on Tax Incremental Financing District Developer Cash Grants (Page 391, #8)
- Tax Incremental Financing District Project Plans – Alternative Growth Projections (Page 391, #9)

TRANSPORTATION

EVM/ZDW
↓

Y53
Y54
Y55
Y56
Y57

Local Transportation Assistance

- Repeal Prohibition of Condemnation Authority for Recreational and Pedestrian Trails (Page 302, #10 and Page 418, #8)
- Repeal 2017 Act 368 Local Transportation Project Provisions (Page 418, #9)

State Highway Program

- Repeal 2017 Act 368 Federal Funding Limitations on State Highway Projects (Page 427, #7)

Motor Vehicles

- Exemption from Probationary License Requirements – United States Armed Forces (Page 431, #4)
- Identification Card Receipts for Voting Purposes – Valid Period (Page 432, #5)

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

MPG
↓

Y58
Y59
Y60
Y61

- Online Electronic Database (Page 452, #7)
- WEDC Reporting on Job Creation and Retention (Page 452, #8)
- WEDC Contracting Requirements and Underwriting Review (Page 454, #14)
- Modifications to WEDC Board of Directors and CEO (Page 454, #15)

WORKFORCE DEVELOPMENT

MED
MED
MIM
CMH
MIM
MIM
MES
EVM
MIM

Y62
Y63
Y64
Y65
Y66
Y67
Y68
Y69
Y70

Unemployment Insurance

- UI Weekly Benefit Rate (Page 467, #2)
- UI Work Search Waivers (Page 470, #7)

Equal Rights

- Minimum Wage (Page 471, #1)
- Right to Work (Page 472, #2)
- Prevailing Wage (Page 474, #3)
- Family and Medical Leave (Page 476, #4)
- Local Employment Regulations (Page 478, #5)
- Project Labor Agreements (Page 478, #6)
- Job Applicant Conviction History (Page 479, #7)



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

*in thru 4-25
due Fri. 4-26*

, and services

1 **AN ACT to create** 25.40 (1) (bn) and 77.61 (21) of the statutes; **relating to:**
2 depositing sales tax revenue from the sale of motor vehicles and motor vehicle
3 parts *and* accessories into the transportation fund.

, and services

Analysis by the Legislative Reference Bureau

This bill requires the Department of Revenue to deposit into the transportation fund a percentage of the sales tax revenue from the sale of motor vehicles and motor vehicle parts *and* accessories beginning with the taxes collected on July 1, 2019. For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 **SECTION 1.** 25.40 (1) (bn) of the statutes is created to read:
5 25.40 (1) (bn) All moneys deposited under s. 77.61 (21).
6 **SECTION 2.** 77.61 (21) of the statutes is created to read:
7 77.61 (21) Beginning with the taxes the department receives on July 1, 2019,
8 the department shall annually estimate the amount of, and deposit into the

and services

1 transportation fund, the following percentages of the taxes collected under ss. 77.52
2 and 77.53 on the sale, lease, or use of motor vehicles and motor vehicle parts *and*
3 accessories, on the basis of the annual sales and use tax collections, as of the last day
4 of the fiscal year, from sellers primarily engaged in businesses classified under
5 industry numbers 4411, 4412, 4413, 5321, and 811111 in the North American
6 Industry Classification System, *2007* edition, published by the federal office of *2017*
7 management and budget, and from sales and use taxes collected by the department
8 of transportation when registering motor vehicles with this state:

9 (a) For fiscal year 2019-20, 10 percent.

10 (b) For fiscal year 2020-21, 15 percent.

11 (c) For fiscal year 2021-22, 20 percent.

12 (d) For fiscal year 2022-23, 22.5 percent.

13 (e) For fiscal year 2023-24, 25 percent.

14 (f) For fiscal year 2024-25, 27.5 percent.

15 (g) For fiscal year 2025-26, 30 percent.

16 (h) For fiscal year 2026-27, 32.5 percent.

17 (i) For fiscal year 2027-28, 35 percent.

18 *j*
k (j) For fiscal year 2028-29, *37.2* percent. *37.5*

19 *l* (k) For fiscal year 2029-30, 40 percent.

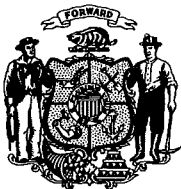
20 *m* (l) For fiscal year 2030-31, 42.5 percent.

21 *n* (m) For fiscal year 2031-32, 45 percent.

22 *o* (n) For fiscal year 2032-33, 47.5 percent.

23 (o) For fiscal year 2033-34, and for each fiscal year thereafter, 50 percent.

24 (END)



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-1132/P8
JK:wlj
1
No change

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22 (n) For fiscal year 2032-33, 47.5 percent.

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Barman, Mike

From: Hoisington, Joshua
Sent: Monday, June 03, 2019 9:03 AM
To: LRB.Legal
Cc: Sen.Tiffany; Sen.Craig; Sen.Kapenga
Subject: Draft Review: RUSH

Good morning,

Please Jacket:

1. LRBs 3344/1132
2. LRBs 3326/2377
3. LRBs 3327/2376
4. LRBs 3331/2380
5. LRBs 3349/2382
6. LRBs 3328/2378
7. LRBs 3329/2379
8. LRBs 3332/2381
9. LRBs 3336/2824
10. LRBs 3333/2033
11. LRBs 3338/2773
12. LRBs 3334/2771
13. LRBs 3335/3106
14. LRBs 3350/3025
15. LRBs 3330/2281

for the ASSEMBLY and SENATE.

Thank you.