

Fiscal Estimate - 2019 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 19-4390/1	Introduction Number AB-0754
Description various changes to the laws administered and enforced by the Department of Revenue	
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 50%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Cities </div> </div> </div> </div>	
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <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 20.835(2)(c) </div> <div> Affected Ch. 20 Appropriations </div> </div>	
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173
Date 1/23/2020	

Fiscal Estimate Narratives

DOR 1/23/2020

LRB Number	19-4390/1	Introduction Number	AB-0754	Estimate Type	Original
Description various changes to the laws administered and enforced by the Department of Revenue					

Assumptions Used in Arriving at Fiscal Estimate

SHARED REVENUE - REIMBURSEMENT AMOUNTS

This bill provides that all such reductions are from the payment of all shared revenue components that the counties and municipalities receive on the fourth Monday in July and the third Monday in November. This provision has no fiscal effect.

SHARED REVEUNE - EXPENDITURE RESTRAINT PAYMENTS

The bill allows municipalities to receive their entire expenditure restraint before the fourth Monday in July, upon certification by DOR. The bill also modifies the consumer price index provision so that it is for the 12 months ending on August 31 instead of the 12 months ending September 30. These provisions have no fiscal effect.

PROPERTY - OMITTED PROPERTY #4

The bill modifies the \$5,000 threshold so that the clerk reports the omitted taxes that are \$250 or more for any single description of property. The bill also provides that the clerk may not list an omitted tax that was levied on property within a tax incremental district unless the current value of the district is lower than the tax incremental base. These provisions have no fiscal effect.

PROPERTY - OBJECTIONS (MANUFACTURING ASSESSMENTS)

Current law requires a person who files an objection to the assessment of the person's manufacturing property to pay a \$45 fee. The bill increases the filing fee to \$200. The department estimates that the bill will increase GPR-earned by \$31,000 on an annual basis.

PROPERTY - LICENSE FEES (UTILITY TAXES)

The bill changes the filing and determination dates for a railroad company so that those dates are the same as those for other public utilities. The bill also decreases the interest rate paid on refunds of license fees paid by public utilities from 9 percent to 3 percent. The department estimates the provision will reduce refunds of license fees paid by approximately \$25,000 on an annual basis.

PROPERTY - BOARD OF REVIEW

The bill requires all members of the board of review to complete the training each year, except that only one member needs to attend training in-person each year. The provision is expected to have a minimal local fiscal effect.

PROPERTY - ASSESSOR CERTIFICATION

The bill allows DOR to determine the amount of the fee for an assessor certification examination on the basis of DOR's estimate of the actual cost to administer and grade the examination, but the fee may not exceed \$75. The bill also allows DOR to determine the recertification fee. The provision is expected to have no net fiscal impact.

PROPERTY - LEVY LIMIT JOINT FIRE DEPARTMENTS

The bill modifies the consumer price index provision for the joint fire department levy limit exception so that it is for the 12 months ending on August 31 (instead of the 12 months ending September 30) of the year of the levy. This provision is expected to have no fiscal effect.

INCOME TAX - DISABILITY INCOME SUBTRACTION

The bill replaces an obsolete reference to the federal Internal Revenue Code with the language used to determine the claimant's eligibility that existed under the obsolete reference. This provision is expected to have no fiscal effect.

INCOME TAX - HOMESTEAD CREDIT

The bill defines "earned income" for purposes of claiming the homestead credit as wages, salaries, tips, and other employee compensation that may be included in federal adjusted gross income for the taxable year, plus the amount of net earnings from self-employment. The bill also clarifies that an individual's primary income is from farming if the individual's gross income from farming for the year in which the claim relates is greater than 50 percent of the individual's total gross income from all sources for that year. The provision is expected to increase expenditures (refunds) by \$140,000 on an annual basis.

INCOME TAX - PASS-THROUGH ENTITY AUDITS

The bill requires a pass-through entity to designate a member to act on the entity's behalf so that DOR may conduct an audit without having to interact with each individual member. The provision would result in a minimal decrease in administrative expenditures.

INCOME TAX - FINAL AUDIT DETERMINATIONS

Under current law, a taxpayer who receives a final audit determination from DOR has 90 days to report to DOR any changes or corrections related to that determination. The bill increases the time for providing that report to 180 days. The provision has no fiscal effect.

INCOME TAX - HISTORICAL REHABILITATION CREDIT

The bill modifies the procedure for transferring the historic rehabilitation tax credit so that the person transferring the credit may file a claim for more than one taxable year. The provision has no fiscal effect.

INCOME TAX - NONRESIDENT INCOME

The bill modifies current law so that nonresidents who derive business income from services performed both in and outside this state determine the amount that is subject to state income or franchise tax by using the same apportionment formula under current law that applies to resident entities. The department does not have aggregate data to accurately estimate the fiscal impact of the proposal, but expects that it will result in an ongoing revenue increase. To the extent that nonresident individuals pay more to Wisconsin for their share of business income, those individuals will be able to claim larger credits for tax paid to other states on the returns in their residency state. In that sense, the proposal will primarily shift tax revenue from other states to Wisconsin rather than increasing the gross tax burden on nonresidents.

SALES TAX - PROPERTY TRANSFERRED WITH SERVICES

Current law provides that persons providing landscaping, printing, fabricating, processing, or photographic services or performing services to tangible personal property may purchase for resale, without paying the sales tax, items that the person will transfer to a customer in conjunction with providing a service that is subject to the sales tax. The bill provides that the exemption applies regardless of whether the service is taxable. The provision is expected to have no fiscal effect given the current practices of filers.

SALES TAX - NONPROFIT ORGANIZATIONS

The bill provides that the exemption applies to organizations that are exempt from federal taxation under section 501 (c) (3) of the Internal Revenue Code and have received a determination letter for the Internal Revenue Service. The bill also provides that the exemption applies to churches and religious organizations that meet the requirements of section 501 (c) (3) of the Internal Revenue Code, but are not required to apply for or obtain tax-exempt status from the IRS. The provision has no fiscal effect as it codifies DOR's current practice.

SALES TAX - OUT-OF-STATE RETAILER

Under the bill, an out-of-state retailer that has annual gross sales into this state in excess of \$100,000 in the previous or current calendar year must register with DOR and collect the sales tax on those sales. The provision is expected to have a minimal fiscal effect.

SALES TAX - DISCLOSURE OF SALES TAX RECORDS TO LEGISLATIVE AUDIT BUREAU

The bill allows the state auditor and Legislative Audit Bureau to examine sales and use tax returns and related documents to the extent necessary for the bureau to carry out its duties. This provision has no fiscal effect.

OTHER - PAYMENTS FROM COUNTIES TO TOWNS

Under current law, during the period beginning on the third Monday of March and ending ten days after the annual town meeting, a county treasurer may not pay to a town treasurer any money that belongs to the town and that is in the hands of the county treasurer except upon a written order of the town board. The bill eliminates this restriction. This provision has no fiscal effect.

OTHER - DOR CALCULATION OF INFLATION FOR SCHOOL REVENUE LIMITS

DOR currently provides DPI with an annual letter that includes an inflation figure that was previously used for calculating school revenue limits. The information DOR provides is no longer used in such a calculation. The bill would permit DOR to provide the information as requested instead of yearly. The provision has no fiscal effect.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 19-4390/1	Introduction Number AB-0754	
Description various changes to the laws administered and enforced by the Department of Revenue		
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	140,000	
TOTAL State Costs by Category	\$140,000	\$
B. State Costs by Source of Funds		
GPR	140,000	
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	\$25,000	\$
GPR Earned	31,000	
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$56,000	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$140,000	\$
NET CHANGE IN REVENUE	\$56,000	\$
Agency/Prepared By		
Authorized Signature		Date
DOR/ Bradley Caruth (608) 261-8984		Michael Oakleaf (608) 261-5173
		1/23/2020