

Fiscal Estimate Narratives

DOR 5/14/2019

LRB Number	19-2949/1	Introduction Number	SB-192	Estimate Type	Original
Description sales and use tax exemptions for precious metals and cryptocurrency					

Assumptions Used in Arriving at Fiscal Estimate

Under the bill, sales of precious metals and cryptocurrency would be exempt from sales and use tax.

The sale of cryptocurrency represents an intangible right and is not subject to Wisconsin sales or use tax; therefore, an exemption is not necessary.

Under the bill, sales of gold, silver and platinum would be exempt from sales and use tax. The exemption would cover items such as coins, ingots, bars, and jewelry. The exemption could be interpreted to include other items that contain precious metals.

Jewelry:

According to the US Bureau of Economic Analysis, nationwide consumer expenditures on jewelry (excluding watches) reached \$68.6 billion in 2018. Based on information from a large jewelry retailer/manufacturer, this estimate assumes precious metal jewelry account for 50% of jewelry sales. Assuming that Wisconsin's share of jewelry is equivalent to the state's share of US personal income, 2018 Wisconsin precious metal jewelry sales are estimated to be \$575.8 million. Providing a sales/use tax exemption for precious metal jewelry would result in a sales/use tax revenue decrease of \$28.8 million on an annual basis.

Coins, bullion, bars:

Using department data, 45 companies with names descriptive of products to be exempted under the bill were registered for sales and use taxes in 2018. The 45 companies collected approximately \$1.45 million sales taxes in 2018. Many of the 45 companies are "coin and stamp" or "coin and jewelry" companies and an unknown portion of the taxes paid by these companies would be for jewelry, stamps and other taxable sales. On the other hand, there may be other companies and individuals that precious metals under non-descriptive business names that have not been included in this tally.

Combined Impact:

Under the bill, state sales and use tax revenues are expected to decrease \$30.2 million (\$28.8 million + \$1.4 million) on an annual basis. The estimate may be smaller to the extent the estimate for coins, bullion, and bars overlaps the estimate for precious metal jewelry. The estimate may be higher to the extent tangible personal that contains precious metals would be exempt under the bill.

County and stadium sales and use taxes were 8.0% of state sales and use taxes in FY18. Assuming this percentage does not change, county and stadium taxes would decrease by \$2.4 million (\$30.2 million x 8.0%) per year under the bill.

The department's administrative costs would be absorbed within existing budget authority

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description sales and use tax exemptions for precious metals and cryptocurrency			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$see text	\$see text
Agency/Prepared By		Authorized Signature	
DOR/ Travis Arthur (608) 266-8565		Jamie Adams (608) 266-6785	
		Date	
		5/14/2019	