

Fiscal Estimate - 2021 Session

Original Updated Corrected Supplemental

LRB Number 21-6261/1		Introduction Number AB-1189	
Description the sales tax and the use tax on tips and gratuities			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input checked="" type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<input type="checkbox"/> Cities			
Fund Sources Affected		Affected Ch. 20 Appropriations	
<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			
Agency/Prepared By		Authorized Signature	
DOR/ Travis Arthur (608) 266-8565		Ann DeGarmo (608) 266-7179	
		Date	
		3/22/2022	

Fiscal Estimate Narratives

DOR 3/22/2022

LRB Number	21-6261/1	Introduction Number	AB-1189	Estimate Type	Original
Description the sales tax and the use tax on tips and gratuities					

Assumptions Used in Arriving at Fiscal Estimate

The bill excludes from the definitions of "sales price" and "purchase price," for purposes of imposing the sales and use tax, any addition to the sale of tangible personal property, including any addition charged to the customer that represents or is in lieu of a tip or gratuity.

The department does not have data on the volume of transactions with a service charge, therefore the overall fiscal effect is indeterminate. The following is for illustrative purposes.

Using department data, taxable sales reported by filers in NAICS code 722511-Full-Service Restaurants totaled \$3.7 billion in FY 2021. Assuming service charges covered by the bill are 2% of revenue, the department estimates sales tax collections to decrease by about \$3.7 million ($\$3.7 \text{ billion} * 2\% * 5\%$) on an annual basis.

County taxes were 8.0% of state sales taxes in FY21. Assuming this percentage does not change, county sales taxes would decrease by about \$298,000 ($\$3.7 \text{ million} * 8.0\%$) annually.

The fiscal effect could be higher or lower to the extent the share service charge revenue is different than estimated.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description the sales tax and the use tax on tips and gratuities		
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	Date
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