

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-0969/1	Introduction Number AB-0226	
Description exemptions to the sale of diapers and feminine hygiene products		
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"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <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 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
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 DOR/ Travis Arthur (608) 266-8565	Authorized Signature Robert Schmidt (608) 266-5773	Date 5/3/2023

Fiscal Estimate Narratives
DOR 5/3/2023

LRB Number	23-0969/1	Introduction Number	AB-0226	Estimate Type	Original
Description exemptions to the sale of diapers and feminine hygiene products					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a sales and use tax exemption for diapers and feminine hygiene products. Under the bill, diaper is defined as "an absorbent garment worn by humans who are incapable of or have difficulty controlling their bladder or bowel movements".

The Unfair Sales Act prohibits retailers and wholesalers from selling merchandise for less than the cost of the merchandise to the seller. Under the bill, the prohibition on below-cost sales does not apply to diapers and feminine hygiene products.

Diapers (including cloth diapers and incontinence products):

According to a Statista market outlook, FY 2024 US sales of diapers are estimated to reach \$15.6 billion. Wisconsin's population is approximately 1.8% of the US. Assuming the Wisconsin share of the diaper market is 1.8%, the department estimates annual sales and use tax revenue to decrease by about \$14.1 million ($\$15.6 \text{ billion} * 1.8\% * 5\%$) under the bill.

Feminine Hygiene Products:

According to a Statista market outlook, FY 2024 US sales of feminine hygiene products are projected to be \$4.6 billion. Assuming WI makes up 1.8% of national consumption of the products, the department estimates sales tax revenue to decrease by about \$4.1 million ($\$4.6 \text{ billion} * 1.8\% * 5\%$) under the bill.

The combined revenue decrease is estimated to be \$18.2 million on an annual basis. The fiscal effect could be higher or lower to the extent the actual Wisconsin market share of affected products is different than the estimated amount.

The fiscal effect could be lower to the extent the exempt products would otherwise be sold below-cost to the consumer.

County taxes were 8.1% of state sales taxes in FY22. Assuming this percentage does not change, statewide county sales and use taxes would decrease by about \$1.5 million ($\$18.2 \text{ million} * 8.1\%$) annually.

Because this bill reduces tax revenue, it may impact the state's federal aid under the American Rescue Plan Act. The Department of Administration should review this bill for this specific purpose to provide further clarity on the matter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description exemptions to the sale of diapers and feminine hygiene products		
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	\$	\$-18,200,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-18,200,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-18,200,000	-\$1,500,000
Agency/Prepared By	Authorized Signature	Date
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