



Legislative Fiscal Bureau

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February 4, 2016

TO: Members
Joint Finance Committee

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 409/Senate Bill 300: Sales Tax Exemption for Music Purchased for Jukeboxes

Assembly Bill 409 (AB 409) was introduced on October 15, 2015, and was referred to the Assembly Committee on Ways and Means. Assembly Amendment 1 was offered on October 15, 2015. The Assembly Committee on Ways and Means recommended the bill for passage as amended on a vote of 13 to 0 on January 4, 2016. The bill was then referred to the Joint Survey Committee on Tax Exemptions. That committee found that the bill was appropriate public policy on January 27, 2016. On February 1, 2016, the bill was referred to the Joint Committee on Finance.

Senate Bill 300 (SB 300) was introduced on October 9, 2015, and was referred to the Senate Committee on Revenue, Financial Institutions, and Rural Issues. Senate Amendment 1 was offered on October 9, 2015. A report from the Joint Survey Committee on Tax Exemptions was requested on November 17, 2015. The Senate Committee on Revenue, Financial Institutions, and Rural Issues adopted Senate Amendment 1 by a vote of 5 to 0 and recommended the bill for passage as amended on a vote of 5 to 0 on December 15, 2015. The Joint Survey Committee on Tax Exemptions found that the bill was appropriate public policy on January 27, 2016. The bill was referred to the Joint Committee on Finance on February 2, 2016.

SUMMARY OF BILLS AS AMENDED

Wisconsin imposes a general sales and use tax at a rate of five percent on the sales price or purchase price of taxable goods and services sold or used in this state, with certain exceptions. Under current law, music in a tangible or digital form purchased by a jukebox operator for use in a jukebox is subject to sales and use tax. The sales tax also applies to the sale of playing time on a jukebox to a customer by a jukebox operator. The jukebox operator cannot buy the music without tax for resale.

The bills, as amended, would create a sales and use tax exemption for the sale of and the storage, use, or other consumption of music sold in a tangible form to a person in the business of

providing a taxable service through a jukebox (jukebox operator) if the music is used exclusively for the jukebox. The amended bills specify that music sold in a tangible form is a separate sale from the jukebox through which the music is played if the sales price of such property is separately indicated from the sales price of the jukebox on the invoice, bill of sale, or similar document that the seller gives to the purchaser. Under the bills as amended, the sales tax would continue to apply to the sale of playing time on a jukebox to a customer by a jukebox operator.

Under current law, there is a sales and use tax exemption for the sale of and the storage, use, or other consumption of digital goods if the sale of and the storage, use, or other consumption of such goods sold in a tangible form is exempt from the sales and use tax [77.54 (50)]. The effect of this exemption on the bills as amended is to exempt music sold in both a tangible and digital form to a jukebox operator if the tangible or digital music is used exclusively for the jukebox.

The effective date of the exemption is January 1, 2016. The Department of Revenue has requested that the bills be amended to change the effective date for the exemption to the first day of the third month beginning after publication.

FISCAL EFFECT

Based on the fiscal estimate produced by the Department of Revenue (DOR), and assuming a June 1, 2016 effective date, the tax exemption created under SB 300 as amended would reduce state sales and use tax revenue by \$20,000 in 2015-16 and \$230,000 in 2016-17. The reduction in local sales tax revenue is estimated by DOR to be \$18,800 on an annual basis.

Prepared by: Ryan Horton