



## Fiscal Estimate Narratives

DOR 3/31/2021

LRB Number	21-0124/1	Introduction Number	SB-227	Estimate Type	Original
<b>Description</b> sales and use tax exemption for diapers, undergarments for incontinence, tampons, and sanitary napkins					

### Assumptions Used in Arriving at Fiscal Estimate

The bill creates a sales and use tax exemption for diapers, undergarments for incontinence, tampons, and sanitary napkins.

#### Diapers:

According to a 2019 survey report by Information Resources Inc. (IRI), US sales for the diapers were \$4.92 billion. Assuming 5% growth, the department estimates sales to be \$5.70 billion in 2022. The exemption largely applies to products targeted at the population of individuals 0-3 years old. Based on US Census data, the Wisconsin share of this portion of the US population is about 1.7%. The department estimates annual sales and use tax revenue to decrease by about \$4.8 million ( $\$5.7 \text{ billion} * 1.7\% * 5\%$ ) under the bill.

#### Incontinence Products:

According to a 2019 survey report by Information Resources Inc. (IRI), US for incontinence products were \$1.88 billion in 2019. Assuming 5% growth, the department estimates sales to be \$2.18 billion in 2022. The WI share of the of the population that is 60 years old and older is about 1.9%. Assuming WI makes up 1.9% of national consumption for these products, the department estimates sales tax revenue to decrease by about \$2.07 million ( $\$2.18 \text{ billion} * 1.9\% * 5\%$ ) under the bill.

#### Tampons and Sanitary Napkins:

According to a market research report by Information Resources Inc (IRI), US sales of tampons and sanitary napkins totaled \$2.8 billion in 2018. Assuming 3.5% annual growth, sales are estimated to be \$3.2 billion in 2022. The WI share of US female population is about 1.8%. Assuming WI makes up 1.8% of national consumption of the products, the department estimates sales tax revenue to decrease by about \$2.7 million ( $\$3.2 \text{ billion} * 1.7\% * 5\%$ ) under the bill.

The total fiscal effect is estimated to be \$9.6 million. The fiscal effect could be higher or lower to the extent the actual Wisconsin market share of affected products is different from the estimated amount.

County taxes were 8.3% of state sales taxes in FY20. Assuming this percentage does not change, county sales and use taxes would decrease by about \$798,000 ( $\$9.6 \text{ million} * 8.3\%$ ) annually.

#### Administrative Costs

The department estimates one-time administrative costs of \$1,300 for drafting new tax law article and updating common questions publications. In addition, the department estimates ongoing costs of \$4,500 to perform audit duties and handle taxpayer questions. The department cannot absorb these costs with existing resources.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 21-0124/1	<b>Introduction Number</b> SB-227	
<b>Description</b> sales and use tax exemption for diapers, undergarments for incontinence, tampons, and sanitary napkins		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The department estimates one-time administrative costs of \$1,300 for drafting new tax law article and updating common questions publications.		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$4,500	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$4,500</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	4,500	
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-9,600,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-9,600,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$4,500	\$
NET CHANGE IN REVENUE	\$-9,600,000	-\$798,000
<b>Agency/Prepared By</b> <b>Authorized Signature</b> <b>Date</b>		
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