



Legislative Fiscal Bureau

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August 29, 2019

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in 2019 Acts 7, 9, and 10 (Revised)

The attached table provides a brief description of each state tax and fee modification included in 2019 Act 9, the 2019-21 biennial budget act, 2019 Act 7, and 2019 Act 10. The table consists of three parts: (a) tax increases and decreases; (b) fee increases and decreases; and (c) collection measures. Each entry in the table related to the budget bill includes the agency name, the Legislative Fiscal Bureau's August, 2019, comparative budget document item that describes the change in more detail, a summary of the modification, and an estimate of the revenue change due to the tax or fee modification.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR and SEG signifies revenue to a segregated fund.

In summary, the changes included in Acts 7, 9, and 10 would decrease net taxes by \$412,373,500 (\$158,661,500 in 2019-20 and \$253,712,000 in 2020-21) and would increase fees by \$379,644,300 (\$160,088,300 in 2019-20 and \$219,556,000 in 2020-21). In addition, it is estimated that measures included in Acts 9 and 10 related to the collection of current taxes would generate an additional \$97,800,000 (\$32,300,000 in 2019-20 and \$65,500,000 in 2020-21).

The sum of these revenue changes in the 2019-21 biennium follows:

Net Tax and Fee Changes

	<u>2019-20</u>	<u>2020-21</u>	<u>Total</u>
GPR	-\$163,561,500	-\$263,612,000	-\$427,173,500
PR	774,600	1,032,800	1,807,400
SEG	<u>164,213,700</u>	<u>228,423,200</u>	<u>392,636,900</u>
Total	\$1,426,800	-\$34,156,000	-\$32,729,200

Collection Measures

	<u>2019-20</u>	<u>2020-21</u>	<u>Total</u>
GPR	\$32,300,000	\$65,500,000	\$97,800,000

	2019-20	2020-21	Fund Source
TAX INCREASES			
GENERAL FUND TAXES			
Deduction for Business Expenses for Moving Out-of-State. [2019 Act 7]. Specify that, for taxable years beginning on January 1, 2019, expenses related to moving business operations outside the state (or the United States) may not be deducted for state income and franchise tax purposes.	\$500,000	\$500,000	GPR
Impose Tobacco Products Tax on Vapor Products. [Page 235, Item 2]. Impose an excise tax on vapor products at the rate of five cents per milliliter on the volume of the liquid or other substance based on the volume as listed by the manufacturer, effective on October 1, 2019.	\$2,300,000	\$3,200,000	GPR
Limit Real Estate Transfer Fee Exemptions for Transfers Between Related Entities. [Page 237, Item 4]. Limit certain current law exemptions from the real estate transfer fee as follows. For conveyances between related entities, specify that both the subsidiary and the parent must be a corporation for the exemption to apply. For conveyances made to provide or release security for a debt, specify that the exemption only applies to a conveyance where no transfer of ownership is made and clarify that, for a conveyance to be eligible for the exemption, the providing or releasing of security for an existing debt or obligation must be the sole purpose of the conveyance. The provisions first apply to conveyances made on the first day of the third month beginning after publication of the bill.	\$538,500	\$718,000	GPR
TRANSPORTATION			
Decrease Licensed Motor Vehicle Fuel Supplier Administrative Allowance. [Page 570, Item 13]. Decrease the current law 1.35% administrative allowance that licensed motor vehicle fuel suppliers may deduct when remitting the fuel tax on gasoline to the Department of Revenue to 0.675%, effective January 1, 2020.	\$2,800,000	\$5,700,000	SEG
Eliminate Retailer Refunds for Evaporation. [Page 571, Item 14]. Eliminate the 0.5% refund of the motor vehicle fuel tax paid on gasoline received into a service station operator's storage facilities to cover shrinkage and evaporation losses. Specify that a refund may not be claimed for fuel purchased after December 31, 2019.	\$2,100,000	\$4,200,000	SEG
SUBTOTAL -- TAXES -- INCREASES	\$3,338,500	\$4,418,000	GPR
	\$4,900,000	\$9,900,000	SEG

	2019-20	2020-21	Fund Source
TAX DECREASES			
GENERAL FUND TAXES			
<p>Individual Income Tax Rate Reduction Based on Sales Taxes from Remote Sellers and Marketplace Providers. [2019 Act 10]. Modify the current law provision that requires a reduction in individual income tax rates in tax year 2019 to offset the additional sales tax collected from certain out-of-state retailers and marketplace providers during the 12-month period from October 1, 2018, to September 30, 2019, by requiring the rate reduction be made to the two lowest individual income tax rates (currently 4.00% and 5.84%), rather than to all four tax rates. Require the rate reduction for each bracket to be calculated such that half of the estimated sales tax revenues be used to reduce each rate for each bracket. Require the same rates be reduced in tax year 2020 to offset such sales tax revenues collected during the 12-month period from October 1, 2019, to September 30, 2020. The income tax rates that will apply to tax year 2020 apply to future tax years.</p>	\$0	-\$119,300,000	GPR
<p>Income Tax Rate Reduction. [Page 219, Item 2 and Page 229, Item 19]. Reduce the marginal tax rate that applies to income that falls within the second income tax bracket from 5.84% to 5.21%, effective with tax years that begin after December 31, 2018. The rate reduction is estimated to reduce income tax revenues by \$168,900,000 in 2019-20 and \$152,600,000 in 2020-21. In addition, increase income and franchise tax collections by an estimated \$2,000,000 in 2019-20 and \$4,000,000 in 2020-21 to account for the interaction effects of proposed changes regarding taxable income, tax rates, and tax credits between 2019 Acts 9 and 10.</p>	-\$166,900,000	-\$148,600,000	GPR
<p>Exclusion for Interest on Certain WHEFA Bonds and Notes. [Page 226, Item 12]. Provide an exclusion from income under the individual income tax and the corporate income/franchise tax for interest received on bonds or notes issued by the Wisconsin Health and Educational Facilities Authority (WHEFA) provided the bonds or notes are issued in an amount totaling \$35,000,000 or less, if the interest is not otherwise exempt. Extend the exclusion to tax years beginning on January 1 of the budget act's effective date, except extend the exclusion beginning in the subsequent tax year if the budget act takes effect after July 31. Estimate the provision will reduce state tax revenues by \$130,000 in 2020-21, \$260,000 in 2021-22, and \$390,000 in 2022-23.</p>	\$0	-\$130,000	GPR
SUBTOTAL -- TAXES -- DECREASES	-\$166,900,000	-\$268,030,000	GPR
FEE INCREASES			
CHILDREN AND FAMILIES			
<p>Child Support Custodial Parent Fee. [Page 161, Item 2]. Increase the annual custodial parent fee for child support enforcement services from \$25 to \$35 to comply with federal law. All revenue from the fee is credited to a program revenue appropriation that partially funds child support enforcement activities.</p>	\$774,600	\$1,032,800	PR

	2019-20	2020-21	Fund Source
PUBLIC INSTRUCTION			
Public Library System Aid. [Page 501, Item 17]. Provide \$1,000,000 annually above base level funding of \$15,013,100 for public library system aid. Funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$1,000,000	\$1,000,000	SEG
Badgerlink and Newslines for the Blind. [Page 501, Item 18]. Provide \$345,800 in 2020-21 to increase funding for the contracts with current BadgerLink vendors and to maintain the current level of services through Newslines for the Blind. Funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$0	\$345,800	SEG
Library Service Contracts. [Page 501, Item 19]. Provide \$133,200 in 2019-20 and \$168,100 in 2020-21 above base level funding of \$1,174,300 to fully fund the cost of statutorily-required library service contracts for resources of specialized library materials and other information. Funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$133,200	\$168,100	SEG
TRANSPORTATION			
Automobile Registration Fee (\$10 Increase). [Page 567, Item 9]. Increase the annual vehicle registration fee for automobiles by \$10, from \$75 to \$85, effective October 1, 2019.	\$28,010,100	\$37,307,500	SEG
Gross Vehicle Weight Registration Fee (Not Exceeding 4,500 lbs.). [Page 567, Item 10]. Increase the registration fee for vehicles not exceeding 4,500 pounds by \$25 (from \$75 to \$100). Adjust fees for special highway vehicles (trailer, truck tractor, and others) of this weight class by the percentage of the fee for this weight class, as required under existing law.	\$4,592,700	\$6,224,300	SEG
Gross Vehicle Weight Registration Fee (Not Exceeding 6,000 lbs.). [Page 567, Item 10]. Increase the registration fee for vehicles not exceeding 6,000 pounds by \$16 (from \$84 to \$100). Adjust fees for special highway vehicles (trailer, truck tractor, and others) of this weight class by the percentage of the fee for this weight class, as required under existing law.	\$6,309,800	\$8,551,400	SEG
Vehicle Title Fees (\$95 Increase). [Page 569, Item 11]. Increase the fee for an initial vehicle title or title transfer transaction by \$95.00, effective October 1, 2019. This action would increase the total amount of these fees, inclusive of the current law supplemental title fee, to \$164.50.	\$114,662,600	\$158,251,000	SEG

	2019-20	2020-21	Fund Source
Hybrid-Electric Vehicle Definition. [Page 569, Item 12]. Amend the definition of a hybrid-electric vehicle to mean a vehicle that is capable of using both electricity and gasoline, diesel fuel, or alternative fuel to propel the vehicle, but with a modified effective date of October 1, 2019. This definition change would enable collection of the current law, supplemental \$75 annual registration fee for these vehicles.	\$4,605,300	\$6,675,100	SEG
SUBTOTAL -- FEES -- INCREASES	\$774,600 \$159,313,700	\$1,032,800 \$218,523,200	PR SEG
COLLECTION MEASURES			
GENERAL FUND TAXES			
Require Marketplace Providers to Collect Sales Tax. [2019 Act 10]. Create provisions that require a marketplace provider to collect and remit state sales or use tax on sales facilitated by the marketplace provider on behalf of a marketplace seller. The provision takes effect on the first day of the calendar quarter that is at least three months after publication of the bill.	\$33,500,000	\$67,100,000	GPR
Liability Relief from Sales Tax Audit. [2019 Act 10]. Provide a one-time reduction for persons subject to sales tax audit equal to 10% of the additional sales tax due for each year of the audit period if the person subject to audit has less than \$5 million in gross sales for each year of the audit period. The provision first applies to written notices of audit determinations made on October 1, 2019.	-\$1,200,000	-\$1,600,000	GPR
REVENUE			
Expand Auditing Activity. [Page 512, Item 1]. Specify that the expiration of 38.0 audit and compliance project positions provided to DOR under 2017 Wisconsin Act 59 be extended from an expiration date of September 30, 2021, to June 30, 2025. This provision would not have a fiscal effect in the 2019-21 biennium, but is estimated to increase state tax revenues relative to current law by \$24.0 million in 2021-22, and \$32.0 million in 2022-23, 2023-24, and 2024-25.	See Text	See Text	GPR
SUBTOTAL -- COLLECTION MEASURES	\$32,300,000	\$65,500,000	GPR