

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-1075/2
INTRODUCTION # AB-121
Admin. Rule #

Subject
Sales and Use Tax Exemption for Farm Inputs

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

 Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others Baseball Park and Football Stadium Districts
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(a)

Assumptions Used in Arriving at Fiscal Estimate:

Under current law, most of the inputs used exclusively in the business of farming are specifically exempt from sales and use tax. The bill expands the sales and use tax exemption to include sales of nonpowered equipment and other tangible personal property used exclusively and directly in the business of farming.

The bill also extends the exemption to the sale of these items used in the business of husbandry and aquaculture. To the extent that farming is currently defined to include the breeding of many types of farm animals and the commercial raising of fish for food, it is assumed that these changes will have no effect on current law.

The nonpowered equipment that is currently taxable that would be exempt under the bill includes items such as calf stalls, cattle chutes, cow mats, and non-powered waterers. Personal property that is currently taxable that would be exempt under the bill includes bovine growth hormones, hormone growth stimulants and vitamins.

According to the 1997 Census of Agriculture Wisconsin farmers spent \$523.8 million on miscellaneous farm expenses. Based on studies of production costs conducted by the Center for Dairy Profitability, College of Agricultural and Life Sciences and Cooperative Extension, University of Wisconsin-Madison, it is assumed that the amount spent on miscellaneous supplies has increased 20% since 1997. Thus, it is assumed that Wisconsin farmers spend \$628.6 million (\$523.8 million x 1.2) on miscellaneous supplies annually and that 15% of this amount, or \$94.3 million (\$628.6 million x 15%), are expenses that are currently taxable that would be exempt under the bill. Exempting these supplies would reduce sales tax revenue by an estimated \$4.7 million (\$94.3 million x 5%).

For FY02, county and stadium sales tax revenues are expected to be 7.064% of state sales tax. Thus, the revenue loss to local governments would be approximately \$333,000 (\$4.7 million x 7.064%).

The department would incur one-time costs of \$56,100 required for a special mailing to retailers to notify them of the new law, the costs of which could not be absorbed.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Rebecca A Boldt, (608) 266-6785	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	3/12/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

\$56,100 GPR-Exp

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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	\$	\$ - 4.7 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 4.7 million

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -4.7 million	\$ -333,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue	Yeang-Eng Braun <i>Yeang Eng Braun</i>	3/12/01
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