

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-0221/1
INTRODUCTION # AB 57
Admin. Rule #

Subject
Create Sales and Use Tax Exemption for Nonprescription Drugs

Fiscal Effect

<p>State: <input type="checkbox"/> No State Fiscal Effect Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation</p> <p><input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation</p>	<p><input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Decrease Costs</p>
---	---

Local: No Local Government Costs

<p>1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p>	<p>3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory</p>	<p>5. Types of Local Governmental Units Affected:</p> <p><input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball Park and Football Stadium Districts</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts</p>
---	---	--

<p>Fund Sources Affected</p> <p><input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S</p>	<p>Affected Ch. 20 Appropriations</p> <p>20.566 (1)(a)</p>
--	---

Assumptions Used in Arriving at Fiscal Estimate:

This bill creates a sales and use tax exemption for nonprescription, prepackaged drugs. The estimate assumes the exemption would take effect July 1, 2001.

Personal consumption expenditures on drug preparations and sundries in the U.S. in 1999 were \$136,800 million, according to the *Survey of Current Business*, August 2000. According to the Health Care Financing Administration (HCFA), prescription drugs accounted for 74.3% of these purchases, so purchases of nonprescription drugs and sundries were 25.7%, or \$35,126 million (\$136,800 million X 25.7%). Data are not available to permit the subtraction of purchases of heating pads, bandages and other medical sundries from this amount, so the estimate overstates the revenue loss to the extent spending on these items is included. Assuming that spending on nonprescription drugs grew at the same rate as the consumer price index for drugs and medicines from 1999 to state FY02, or 8.5%, U.S. expenditures on nonprescription drugs are estimated to be \$38,100 million (\$35,126 million X 1.085) in FY02.

According to the HCFA, Wisconsin's share of national drug and non-durable medical expenditures in 1998 was 2.16%. Assuming this is the state's share of nonprescription drug spending, Wisconsin expenditures in FY02 would be \$821.7 million (\$38,100 million X 2.16%). Applying the 5% state sales tax rate to this amount yields an estimated revenue loss of \$41 million (\$821.7 million X 5%).

County and baseball park and football stadium district sales and use taxes in FY02 are expected to be 7.064% of state sales and use tax collections. Thus, the bill would reduce local revenues by \$2.9 million (\$41 million X 7.064%).

The Department would incur one-time costs of \$56,100 to notify retailers of the new exemption. The bill does not provide funding for this amount.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Yeang-Eng Braun <i>Yeang-Eng Braun</i> (608) 266-2700	2/14/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-0221/1

Admin. Rule #

INTRODUCTION # AB 57

Subject

Create Sales and Use Tax Exemption for Nonprescription Drugs

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	\$	\$ - 41 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 41 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -41 million	\$ -2.9 million

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	2/14/01