

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

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

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

Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation Decrease Costs

Local: No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <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</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected <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	Affected Ch. 20 Appropriations 20.566 (1)(a)
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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.

According to the U.S. Health Care Financing Administration (HCFA), retail outlet sales of nondurable medical products, other than prescription drugs, purchased by consumers were \$29.5 billion in 1999. In addition to nonprescription, prepackaged drugs, these sales include some products not covered by the exemption, such as heating pads, bandages and other sundries that would not be exempt. Data are not available to permit the subtraction of these sales, so the estimate overstates the revenue loss to the extent that they are 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 8.8%, U.S. expenditures on nonprescription drugs are estimated to be \$32.1 billion (\$29.5 billion X 1.088) in FY02.

According to the HCFA, Wisconsin's share of national expenditures on nondurable medical expenditures other than prescription drugs in 1998 was 1.68%. Assuming this percentage has remained constant, the state's share of nonprescription drugs in FY02 is estimated to be \$539 million (\$32.1 billion X 1.68%). Applying the 5% state sales tax rate to this amount yields an estimated revenue loss of \$27 million (\$539 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 \$1.9 million (\$27 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.) Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Authorized Signature/Telephone No. Dennis Collier <i>Dennis Collier</i> (608) 266-5773	Date 6/27/01
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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2001 Session

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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 spending

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	\$	\$ - 27 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 27 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -27 million	\$ -1.0 million

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Wisconsin Department of Revenue Dennis Collier, (608) 266-5773	Dennis Collier <i>Dennis Collier</i> (608) 266-5773	6/27/01