

FISCAL ESTIMATE FORM

2001 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 01-0951/1

INTRODUCTION # AB 64

Admin. Rule #

Subject

Exclude Tips from the Sales and Use Tax

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 _____
 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:

This bill excludes services that are part of a sale of tangible personal property from gross receipts that are subject to the state sales and use tax. For purposes of this fiscal estimate, it is assumed that the revenue loss will be primarily related to tips and gratuities included on the bill by retailers of meals and beverages, and that the bill would take effect July 1, 2001.

Taxable receipts of Wisconsin eating and drinking places in 1999, according to Wisconsin Department of Revenue statistics, were \$4,777 million. Assuming that these receipts grow at the same rate as consumption of food and beverages, as estimated by Standard and Poor's DRI, between 1999 and FY02, or 12.6%, taxable receipts in FY02 are estimated to be \$5,381 million (\$4,777 X 1.126). It is assumed that only receipts of full-service restaurants and caterers would be affected by this bill. According to the U.S. Bureau of the Census's 1997 *Economic Census*, these establishments accounted for 46.2% of total foodservice and drinking establishment receipts in 1997. It is further assumed that 10% of receipts would be affected by this bill and that the gratuity to be excluded would be 15% of receipts. Thus, the revenue loss from the 5% sales tax would be approximately \$1.85 million (\$5,381 million X 46.2% X 10% X 15% X 5%).

There would be no local revenue loss because the bill provides that the exclusion from gross receipts is not provided for county, baseball park or football stadium district taxes or for the premier resort tax. In addition, local exposition district taxes would not be affected.

The Department would incur one-time expenses of \$56,100 for a special mailing to inform retailers of the change.

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	2/27/01

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2001 Session

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Exclude Tips from the Sales and Use Tax

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	\$	\$ - 1.85 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 1.85 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUES	\$ -1.85 million	\$

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