

Fiscal Estimate Narratives

DOR 08/06/2001

LRB Number	01-2424/3	Introduction Number	SB-220	Estimate Type	Original
Subject					
Sales tax exemption for textbooks					

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from sales tax textbooks that are required for a course offered by a university, college, technical college, or school approved by the state Educational Approval Board, located in this state and that are used by a student enrolled in the course.

According to the Association of American Publishers, 2000 net sales of books for higher education were \$3.23 billion. According to the U.S. Department of Education, National Center for Education Statistics, about 15.1 million students were enrolled in 2-year and 4-year degree college programs in 2000 and 58.2% of students enrolled in such programs in 1997 were full-time students. Thus, an estimated 8.8 million (15.1 million x 58.2%) full-time students were enrolled in colleges, universities and vocational schools in 2000 and about \$368 was spent on college textbooks per enrolled full-time student nationally (\$3.23 billion/8.8 million students).

Based on data from the University of Wisconsin System, the Wisconsin Association of Independent Colleges and Universities and the Wisconsin Technical College System, it is estimated that 221,000 full-time equivalent (FTE) students are enrolled in Wisconsin universities, colleges and technical colleges in a 2-year or 4-year program and 6,400 FTE students are enrolled in non-degree technical college courses. Thus, it is estimated that \$83.7 million (\$368 x 227,400 FTE Wisconsin students) is spent annually on college textbooks in the state.

The Educational Approval Board (EAB) approves private trade, correspondence, business and technical schools. According to the EAB, about 21,000 students were enrolled in EAB-approved schools in FY00. Assuming each student spends \$50 for textbooks, total expenditures for textbooks by students enrolled in EAB-approved schools would be about \$1.1 million (\$50 x 21,000).

Thus, sales of textbooks totalling about \$84.8 million (\$83.7 million + \$1.1 million) would be exempt under the bill. Exempting these sales would result in a \$4.2 million [\$84.8 million x 5%] decrease in sales and use tax revenue.

For FY01, 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 \$295,000 (\$4.2 million x 7.064%).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
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, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-4,200,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-4,200,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-4,200,000	\$-\$295,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310		Dennis Collier (608) 266-5773	08/02/2001