

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number **01-3856/1** Introduction Number **SB-273**

**Subject**  
 Creating definitions for common and contract carriers for sales tax and use tax purposes

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate  
      Increase Existing Appropriations     
  Increase Existing Revenues  
      Decrease Existing Appropriations     
  Decrease Existing Revenues  
      Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget  
      Yes       No  
 Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1.  Increase Costs     
 3.  Increase Revenue  
      Permissive  Mandatory     
      Permissive  Mandatory  
 2.  Decrease Costs     
 4.  Decrease Revenue  
      Permissive  Mandatory     
      Permissive  Mandatory

5. Types of Local Government Units Affected  
 Towns       Village       Cities  
 Counties       Others      Baseball & football districts  
 School Districts       WTCS Districts

**Fund Sources Affected**      **Affected Ch. 20 Appropriations**

GPR   
  FED   
  PRO   
  PRS   
  SEG   
  SEGS

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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## Fiscal Estimate Narratives

DOR 10/16/01

LRB Number	<b>01-3856/1</b>	Introduction Number	<b>SB-273</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Creating definitions for common and contract carriers for sales tax and use tax purposes					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the terms "common carrier" and "contract carrier" are not defined for sales tax and use tax purposes. The Department of Revenue relies on similar terms defined for Department of Transportation regulation of motor carriers for safety purposes.

Under the bill, "common carrier" is defined as a person who, for hire, transports passengers or property, including valueless property, by motor vehicle between fixed points or over regular or irregular routes upon public highways or upon private roads. Also under the bill, "contract carrier" is defined as a person who, for hire, transports property, including valueless property, by motor vehicle over regular or irregular routes upon public highways or upon private roads. The bill first applies to sales made on January 1, 1992, and takes effect retroactively to that date.

The bill has the effect of exempting from sales and use taxes, retroactively to 1992, motor vehicles, accessories, attachments, parts, supplies and materials for motor vehicles purchased by common or contract carriers, as defined. The bill's fiscal effect is the refund of state and local sales and use taxes, plus 9% interest per year, on motor vehicles, accessories, attachments, parts, supplies and materials for motor vehicles purchased by such carriers since 1992.

According to the author, the intent of the bill is to exempt vehicles, accessories, parts, supplies and materials sold to common or contract carriers when the vehicles are used to haul valueless property. The bill is not intended to exempt vehicles or other items sold to waste management companies. If the bill is amended to achieve the author's intent, the revenue loss to the state would be less than the amounts indicated in the attached table.

According to the US Industry and Trade Outlook 2000, published by the US Department of Commerce/International Trade Association and McGraw-Hill, total US sales of waste management equipment are expected to be about \$10.1 billion in FY02. Wisconsin's gross state product was 1.8% of the US total in 1999; assuming waste management equipment expenditures are distributed the same as gross state product (1.8%), Wisconsin waste management companies would purchase about \$182 million (\$10.1 billion x 1.8%) of waste management equipment in FY02.

Wisconsin's waste industry consists of public and private entities but only private waste companies' purchases of motor vehicles and related equipment would be affected under the bill. Assuming the bill would result in the exemption of one-quarter of total waste industry equipment expenditures, state sales and use taxes are estimated to decrease by about \$2.3 million (\$182 million x 25% x 5%) in FY02. Assuming waste management companies apply for refunds of \$2.3 million in sales and use tax per year, plus interest, since 1992, total refunds would be about \$38.1 million.

It is possible that waste management companies may not retain records sufficient to document refund claims back to 1992. Moreover, companies typically have 4 years to file a claim for a tax refund; it is not clear how claims for earlier periods would be treated under the bill. Since the amount of claims for refunds that would be filed under the bill cannot be reliably determined, the attached table shows the total cost of refunds plus interest for various amounts of tax for which refunds might be requested each year since 1992. The estimates assume that interest accrues from 1992 through 2001 and that the refunds would be paid in early 2002.

County, baseball park district and football stadium district sales and use taxes would also be refunded under the bill. These taxes are currently 7.064% of state taxes and were about 5% in 1992. Total refunds of these local taxes are also shown in the attached table, under the assumption that they averaged 6% of state sales and use taxes from 1992 to 2001.

The bill has no administrative costs.

	<b>Total Refund of Tax and Interest from 1992 to 2001</b>		
<b>Tax Paid Each Year</b>	<b>Refunds of State Sales Taxes</b>	<b>Refunds of County, Baseball Park and Football Stadium Taxes</b>	<b>Total Refunds of State and Local Taxes</b>
\$100,000	\$1,656,000	\$99,000	\$1,755,000
\$250,000	\$4,140,000	\$248,000	\$4,388,000
\$1,000,000	\$16,560,000	\$994,000	\$17,554,000
\$2,300,000	\$38,089,000	\$2,285,000	\$40,374,000

**Long-Range Fiscal Implications**