

Fiscal Estimate - 2013 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-4368/1	Introduction Number AB-0841
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Description
 Defining prepared foods for purposes of imposing sales and use taxes

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Towns Village Cities
 Counties Others stadium districts
 School Districts WTCS Districts

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By DOR/ Robert Schmidt (608) 266-5773	Authorized Signature Robert Schmidt (608) 266-5773	Date 3/5/2014
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Fiscal Estimate Narratives

DOR 3/5/2014

LRB Number	13-4368/1	Introduction Number	AB-0841	Estimate Type	Original
Description Defining prepared foods for purposes of imposing sales and use taxes					

Assumptions Used in Arriving at Fiscal Estimate

Current law provides a sales and use tax exemption for food and food ingredients. This exemption does not apply to "candy," "soft drinks," "dietary supplements," or "prepared food." "Prepared food" includes food ingredients mixed or combined by a retailer for sale as a single item not including: unheated items sold by weight or volume; bakery items; items that are only sliced, repackaged, or pasteurized by a retailer; and foods containing eggs, fish, meat, or poultry that require cooking by the consumer, as recommended by the US Food and Drug Administration.

The bill creates an additional exclusion for items made of food ingredients mixed or combined by a retailer for sale as a single item if the following conditions apply: 1) one of the ingredients is raw dough; 2) the item is sold in an unheated state; and 3) the consumer is required to cook the single item before consumption, as recommended by the retailer. By modifying the definition of prepared food, the bill effectively creates a sales and use tax exemption for unheated "take and bake" pizzas and similar products prepared by retailers.

Based on information published on the Papa Murphy's franchise website, average franchise locations generate sales of approximately \$575,000 on an annual basis. Currently, there are roughly 75 Papa Murphy's locations in Wisconsin, suggesting annual sales of approximately \$43.1 million. Assuming Papa Murphy's represents 80% of the "take and bake" market affected by the bill, annual sales are approximately \$53.9 million. Based on this assumption, excluding "take and bake" pizza and similar items that contain raw dough from the definition of prepared food would result in a state sales tax revenue decrease of approximately \$2.7 million (\$53.9 million x 5%).

County and stadium district sales and use tax collections were 8.2% of state collections in FY2013. Assuming this share does not change, local sales and use tax collections are expected to decrease by \$220,000 on an annual basis.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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Description Defining prepared foods for purposes of imposing sales and use taxes			
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, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes	\$		\$-2,700,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-2,700,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-2,700,000	-\$220,000
Agency/Prepared By		Authorized Signature	
DOR/ Robert Schmidt (608) 266-5773		Robert Schmidt (608) 266-5773	
		Date	
		3/5/2014	