



KEVIN PETERSEN

STATE REPRESENTATIVE

Chairman Macco, and honorable members of the Ways and Means Committee, thank you for the opportunity to testify on AB 944 relating to: a sales and use tax rebate for certain dependent children, a sales tax holiday in August 2018, and making an appropriation.

This bill creates a onetime sales and use tax rebate to be paid by September 1, 2018, as an approximation of nonbusiness Wisconsin sales tax paid in 2017 for raising children. An individual may claim a rebate equal to \$100 for each qualifying child. A qualified child is an individual who is under 18 years of age for the entire year of 2017, a United States citizen, a resident of this state on December 31, 2017, and the claimant's dependent, as determined under the Internal Revenue Code.

There is also a stipulation in the bill stating the online application form shall allow an eligible claimant to designate their rebate as donations as provided in State Statute 71.10 specifically: (5) Endangered resources, (5f) Cancer research program, (5g) Veterans trust fund donations, (5i) Military family relief fund checkoff, (5j) Feeding America; Second Harvest food banks checkoff, (5k) American Red Cross, Badger Chapter checkoff, (5km) Special Olympics Wisconsin checkoff, (5m) Multiple sclerosis programs checkoff, or to the general fund.

The bill also creates a sales tax holiday in 2018. For the two-day period beginning on the first Saturday in August 2018 and ending on the following Sunday, the sale of any product sold at retail for which the sales price is no more than \$100 is exempt from the sales and use tax.

Certain items are excluded from the sales tax exemptions, including the sale of taxable services, prepared food, candy, soft drinks, dietary supplements, alcoholic beverages, cigarettes, tobacco products, pornographic material, motor vehicles, motor vehicle parts, tangible or intangible property used to access telecommunications services, or tangible or intangible property provided by a utility.

Even though the current school year is nowhere near finished, 16 states are already preparing for their annual back to school tax holiday. The National Retail Federation's data shows spending increased from \$68 billion in 2015 to \$75.8 billion in 2016. An average family can expect to spend approximately \$675 on school supplies, clothing and shoes, as well as electronics.

AB 944 is an opportunity to return the state's budget surplus to Wisconsin taxpayers. While AB 944 is a one-time break for hard working proud Wisconsin taxpayers, I look forward as chairman of the Ways and Means Sub-committee on Sales and Use Tax to explore long term and significant tax reform.



State of Wisconsin • DEPARTMENT OF REVENUE

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Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

February 14, 2018

Testimony to the Assembly Committee on Ways and Means on AB 944

Chairman Macco and members of the committee, thank you for the opportunity to testify in favor of Assembly Bill 944. Since 2011, we have made significant progress reducing Wisconsin's tax burden. The Governor wants to take the next step by providing more tax relief for families.

Here is a brief recap of our major tax cut initiatives:

- Tax cuts have saved Wisconsin taxpayers a total of \$8 billion over eight years
- We implemented income tax rate cuts for all taxpayers in 2013 and 2014
- The manufacturing and agriculture credit was created in 2011 to encourage the historical drivers of Wisconsin's economy to continue to grow here
- We reduced property taxes by more than \$400 million per year by buying down the technical college levy
- We eliminated the state property tax and removed many items from the personal property tax in 2017

As a result of these changes, Wisconsin's state and local tax burden is now below the national average, according to the most recent U.S. Census Bureau figures released in September 2017. We have focused on cutting property taxes for all residents and targeted income tax relief to the middle class. Because of our income tax cuts a typical family will have saved \$1,400 since 2010. Property taxes on a median-valued home are estimated to be more than \$100 lower in 2018 than they were in 2010.

We have made a lot of progress, but there is still more to be done. We believe the next step in Wisconsin's tax reduction efforts should be tax reductions focused on children and middle class families. It is time now to help Wisconsin families with the cost of raising a family and make an investment in our future.

Wisconsin families deserve continued tax relief and the Governor has consistently said that a budget surplus should be sent back to taxpayers. Because of our prudent budgeting practices over the last several years we are able to return this surplus to Wisconsin families. This bill would accomplish that by creating a \$100 per child sales tax rebate for parents and a sales tax holiday for everyone on the weekend of August 4-5 this year. The state should return this money back to the hardworking families that need it.

1. Child Tax Rebate

Under the bill, an individual may claim a rebate equal to \$100 for each child that was under 18 as of the end of 2017. This is a one-time sales and use tax rebate that will be paid by September 1, 2018. This money can have a big impact on families that are preparing for the next school year. The \$100 per child can go towards back-to-school shopping items, like backpacks or tennis shoes. It could also go towards activity fees at school or a co-pay at the doctor's office. Families all across Wisconsin will be able to benefit from this rebate.

DOR will notify potential eligible households of the rebate by mailing postcards to taxpayers that we believe may be eligible. In order to claim the rebate, an individual will have to fill out a simple form on the Department's website. This form will be available on May 15 and must be submitted by June 30.

For purposes of claiming the rebate, a qualified child is an individual who is under 18 years of age for the entire year of 2017, a United States citizen, a resident of this state on December 31, 2017, and the claimant's dependent, as determined under the Internal Revenue Code. The Department will pay claims as they are received, either by mailing a check or making a direct deposit. There will also be an option to donate the money to one of eight charities that are currently listed on the tax form this year or donate the money to the general fund.

2. Sales Tax Holiday

The bill also creates a sales tax holiday on August 4-5, 2018. Under this provision, sales of products sold at retail for personal use, for which the sales price is no more than \$100, are exempt from the sales and use tax. This sales tax holiday will benefit everyone and can be used towards the purchases of hundreds of items including clothing, books, and household goods. This puts money back into the pockets of hard-working Wisconsinites.

The exemption does not apply to some items, including taxable services, prepared food, alcoholic beverages, cigarettes, and tobacco products.

Major tax reforms on the federal level have included targeted relief for parents. Why? Because it best delivers middle class relief. An expanded child tax credit was included in the recently passed federal legislation and is a very popular feature of the bill. We believe we should invest in the future by creating a state child tax credit. Parents of children may not be here to advocate for the credit because they are out working and caring for their children, but they will definitely appreciate the credit. Similarly, they will appreciate a sales tax holiday in August when they are buying school supplies.

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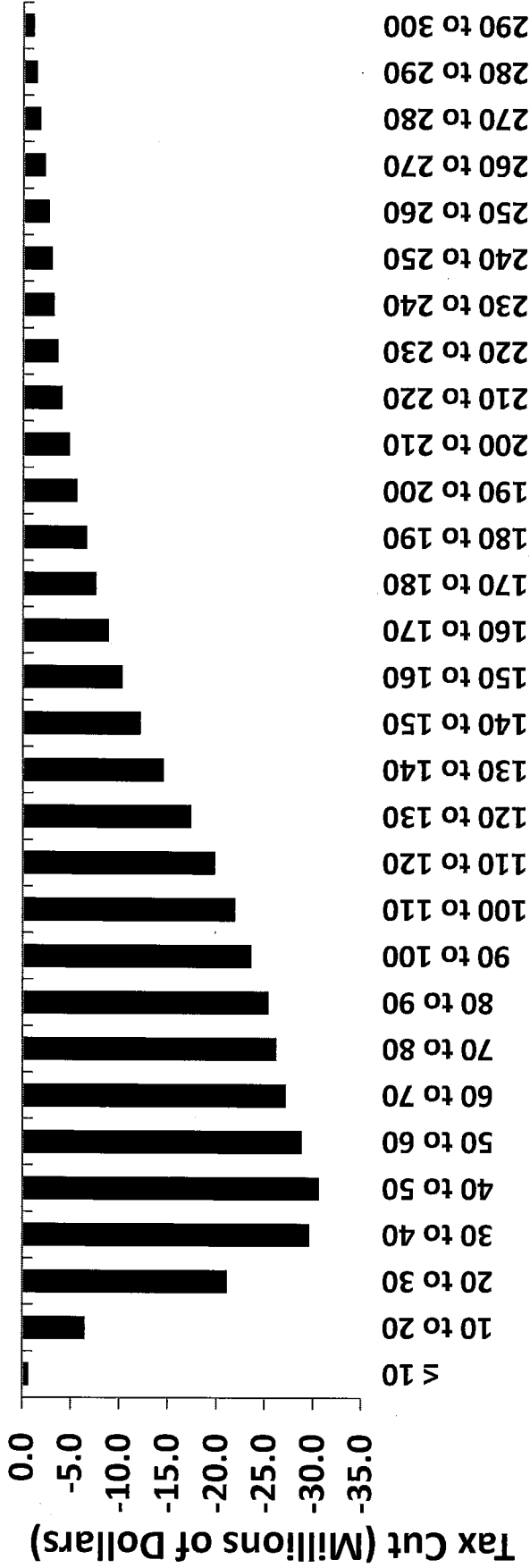
Thank you for the opportunity to testify in support of AB 944, I would be happy to take any questions.

Income Tax Payments Are Reduced For Taxpayers

At All Income Levels

Middle class taxpayers see the greatest relief

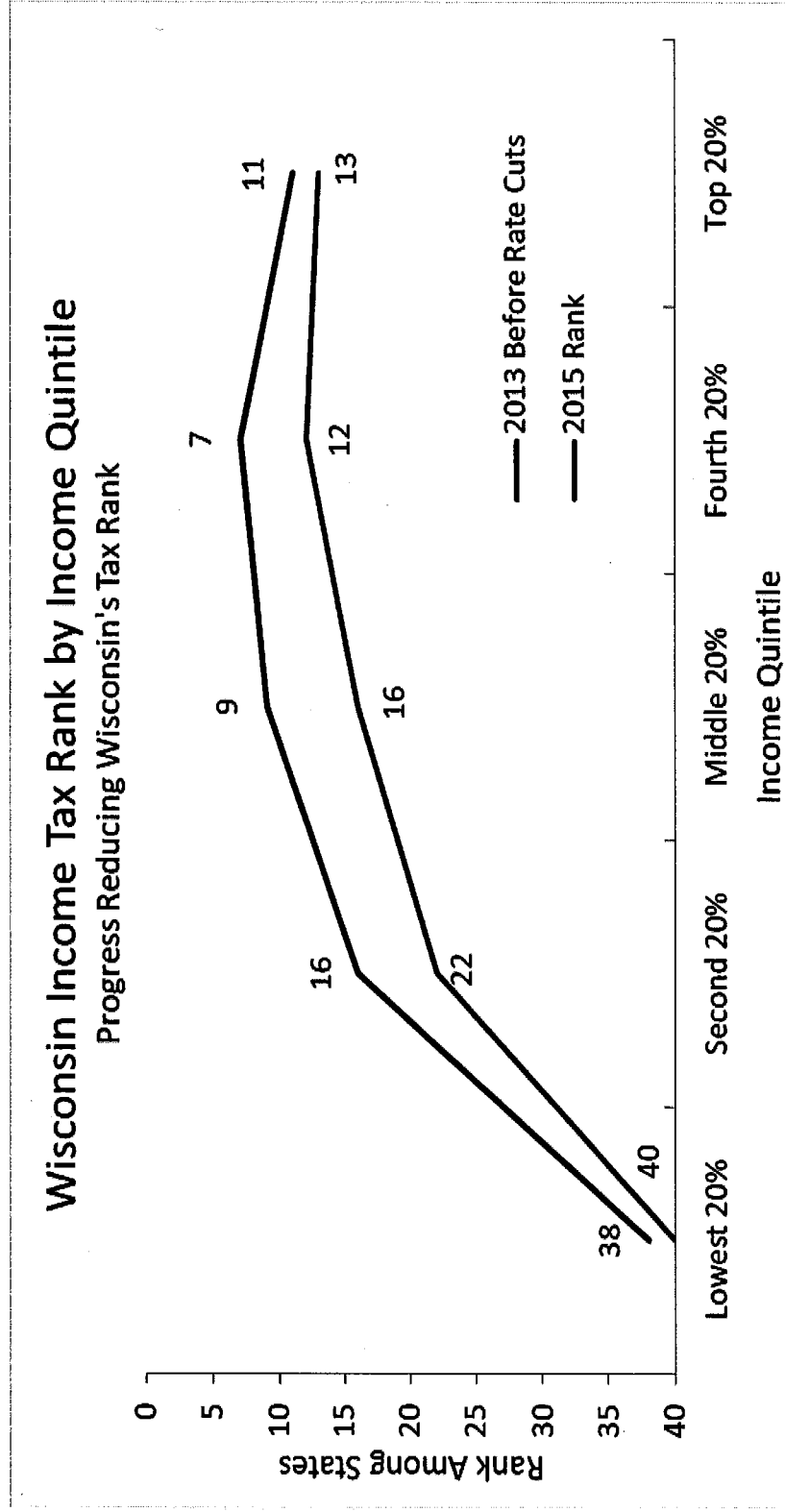
Tax Relief by Income Class in 2016, All Filers
Effect of 2013 and 2014 Rate Cuts



Wisconsin Adj. Gross Income Category (\$1,000s)

Distribution of Income Tax Burden

Wisconsin rank improved after middle class rate cuts



Source: DOR calculations based on "Who Pays?" study, Institute on Taxation and Economic Policy, January 2015



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Best Buy
Co., Inc.
Blain's
Farm & Fleet
Home Depot

To: Assembly Committee on Ways and Means
From: Alliance of Wisconsin Retailers
Date: February 14, 2018
Re: Support AB 944 and a Sales Tax Holiday

JCPenney
Kohl's
Macy's
meijer
Sears Holding
Corporation
Shopko

The Alliance of Wisconsin Retailers urges your support of Assembly Bill 944 which creates a one-time Sales Tax Holiday in Wisconsin. Currently, eighteen other states provide sales tax holidays.

Target
Wisconsin Jewelers
Association

The sales tax holiday proposal in Assembly Bill 944, is a simpler version than what was proposed in the State budget, and is limited to only one year. Specifically, the bill would create a sales tax Holiday on August 4th and 5th of 2018 on most items that are priced \$100 or less.

Contrary to conventional wisdom, states that have a sales tax holiday have experienced overall higher sales tax collection. In states with a Sales Tax Holiday:

- Sales of both taxable and non-taxable items increase significantly. Taxable items grew as much as 50% while non-taxable items grew by as much as 35%.
- Sales tax holidays significantly increase customer traffic resulting in major retailers adding additional jobs.
- Sales of all merchandise increase over a sales tax holiday weekend.

In Florida, taxable sales of items related to the 2010 sales tax holiday grew by \$115 million. Florida retailers also added 8300 payroll hours over the three day event. The three day sales tax holiday resulted in the following findings in a study by the Washington Economics Group, Inc.

1. Increase gross retail sales by about 8 percent on a statewide basis, with smaller counties experiencing increases of about 5 percent and larger counties experiencing increases of about 9 percent.
2. Increase workforce utilization and Labor Income.
3. Increase overall tax collections.

In the State of Washington, a study by the Washington Economics Group, Inc. concluded the sales tax holiday had the following impact:

- Creation of 1,555 jobs – 83 percent in the retail sector and the rest distributed over the economy as a whole.
- A \$46 million increase in labor income (earned income) – About 74 percent in retailing and the rest distributed over the economy as a whole.
- A *net increase* in state and local taxes of \$12.6 million.

In Ohio, a University of Cincinnati Economics Center study revealed that Ohio's August 2015 STH increased sales tax collections by \$4.7 million due to a significant increase in "cross border" sales, while saving Ohio consumers \$3.3 million in taxes. This experience led Ohio to re-authorize the STH in 2016, and the state is now debating legislation to make the STH permanent.

The Alliance of Wisconsin Retailers urges your support for a sales tax holiday in Wisconsin. If you have any questions please feel free to contact our lobbyist Scott Stenger at 287-0403 or Scott@Stengergov.com.