

Fiscal Effects on Wisconsin of Adopting  
the Definitions Proposed by the  
Streamlined Sales Tax Project



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Objective

Estimate the fiscal impact on state  
revenues of specifying the Wisconsin  
sales tax base in terms of the Uniform  
Definitions under s. 312 of the SSTA.

Assumption

No change in nexus.  
No change in tax rates.

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**The SSTA definitions adopted January 24, 2001 are:**

- **Clothing**
- Clothing accessories and equipment
- Sport and recreational equipment
- Protective equipment
- Delivery charges
- **Food** and food ingredients
- Alcoholic beverages
- Tobacco
- Candy
- Dietary supplement
- **Soft drinks**
- Food sold through vending machines
- **Prepared food**
- Purchase price
- Retail sale or sale at retail
- Sales price

**APPROACH:**

1. Compare the Wisconsin definitions with the SSTA definitions.
2. Identify products whose tax status would change.
3. Find data on those products.
4. Estimate sales tax changes. Typically, prorate national data to Wisconsin.

Complications avoided:

- Wisconsin has not had sales tax holidays and none are scheduled.
- Except for mobile homes and manufactured buildings where 35% of the price is exempt, Wisconsin does not have partial exemptions or thresholds at which sales tax begins.

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<b>DIAPER SERVICES</b>	
USA - Personal and laundry services receipts, 1997 (1)	\$57,879,444,000
USA - Diaper services receipts, 1997 (1)	\$36,565,000
USA - % diaper services	0.06%
WI - Personal and laundry services receipts, 1997 (2)	\$1,051,551,000
WI - Est'd diaper services receipts, 1997	\$664,311
WI - Change in DPI CY1997 to FY02	25.79%
WI - Est'd diaper services receipts, FY02	\$835,652
Sales tax under SSTA, FY02	<b>\$41,783</b>
<p>(1) US Census Bureau, 1997 Economic Census, Other Services by Industry, United States.  <a href="http://www.census.gov/epcd/ec97/us/US000_81.HTM#N812">http://www.census.gov/epcd/ec97/us/US000_81.HTM#N812</a></p> <p>(2) US Census Bureau, 1997 Economic Census, Other Services, Wisconsin.  <a href="http://www.census.gov/epcd/ec97/wi/WI000_81.HTM">http://www.census.gov/epcd/ec97/wi/WI000_81.HTM</a></p>	

<b>POPCORN</b>			
	<u>2000 sales (1)</u>	<u>Growth rates (1)</u>	<u>Est'd FY02 sales</u>
USA - Microwave	\$1,245,900,000	7.0%	\$1,378,982,810
USA - Unpopped	\$80,000,000	6.0%	\$21,826,736 *
USA - Ready-to-eat (RTE)	\$490,000,000	-0.5%	\$486,329,598
USA - TOTAL			\$1,887,139,143
WI % of USA DPI, 2000			1.81%
WI- Est'd popcorn sales, FY02			\$34,110,953
Sales tax under SSTA, FY02			<b>-\$1,705,548</b>
<p>* Assume 75% of unpopped is sold for concessions, poppers, carts, etc. and remains taxable.</p>			
<p>(1) Snack Food Association  <a href="http://www.sfa.org">www.sfa.org</a>            (703) 836-4500</p>			

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<b>Frozen Novelties</b>	
USA - Sales of frozen novelties, 2000 (1)	\$1,956,000,000
Growth rate (1)	3.20%
WI % of USA DPI, 2000	1.81%
WI - Sales of frozen novelties, 2000	\$35,355,646
WI - Sales of frozen novelties, FY02	\$36,487,027
Sales tax under SSTA, FY02	<b>-\$1,824,351</b>
<p>(1) Food Industry Research Center, "Frozen Food Age", March 2000  <a href="http://www.frozenfoodage.com/frozenfoodage/reports_analysis/reports/icecreamupdate.pdf">http://www.frozenfoodage.com/frozenfoodage/reports_analysis/reports/icecreamupdate.pdf</a></p>	

<b>NON-ALCOHOLIC BEER</b>	
USA - Beer sales, 1999 (1)	\$55,016,600,000
USA - Beer sales, 2000 (1)	\$55,872,600,000
Growth rate	1.56%
Non-alcoholic beer is 1% of market (2)	\$558,726,000
WI % of USA DPI, 2000	1.81%
WI - Est'd sales of non-alcoholic beer, 2000	\$10,099,243
WI - Est'd sales of non-alcoholic beer, FY02	\$10,335,858
Sales tax under SSTA, FY02	<b>-\$516,793</b>
<p>(1) Beverage World 2001 Databank            (2) Realbeer.com, "End of Non-Alcoholic Beer Trend"  <a href="http://www.realbeer.com/library/rbpmail/rbpmail-199701.html#END">http://www.realbeer.com/library/rbpmail/rbpmail-199701.html#END</a></p>	

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<b>Carbonated, Unsweetened Water</b>	
USA - Bottled water, retail sales, 1999 (1)	\$5,923,400,000
USA - Bottled water, retail sales, 2000 (1)	\$6,834,800,000
Growth rate	15.4%
Sparkling (carbonated) water is 6.4%; still water is 93.6% (1)	
USA - Sparkling (carbonated) water, 2000	\$437,427,200
WI % of USA DPI, 2000	1.81%
WI - Carbonated water, 2000	\$7,906,708
WI - Carbonated water, FY02	\$9,800,040
Sales tax under SSTA, FY02	<b>-\$490,002</b>
 (1) Beverage World, May 15, 2001.	

<b>Fruit drinks, 50% &gt; juice &lt; 100%</b>	
USA - Fruit beverages, retail sales, 1999 (1)	\$18,574,000,000
USA - Fruit beverages, retail sales, 2000 (1)	\$18,852,500,000
Growth rate	1.50%
USA - Fruit drinks < 100% juice, 2000 (40% of fruit beverage sales) (2)	\$7,541,000,000
Assume 20% fruit drinks become exempt.	\$1,508,200,000
WI % of USA DPI, 2000	1.81%
WI - Est'd fruit drink sales, 2000	\$27,261,445
WI - Est'd fruit drink sales, FY02	\$27,876,878
Sales tax under SSTA, FY02	<b>-\$1,393,844</b>
 (1) BeverageWorld.com (2) Donna Berry, <i>Dairy Foods</i> , "Fruitful Opportunity", October 2000, cites Beverage Marketing Corp. and Florida Department of Citrus. <a href="http://www.dairyfoods.com/articles/2000/1000/0010it.htm">http://www.dairyfoods.com/articles/2000/1000/0010it.htm</a>	

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<b>Ready-To-Drink (RTD) Coffee and Tea</b>		
	<u>Wholesale sales</u>	<u>Retail sales</u>
USA - RTD tea, 2000 (1)	\$1,536,000,000	\$2,813,900,000
USA - RTD coffee, 2000 (1)	\$232,000,000	
USA - Est'd RTD coffee (83% markup same as tea)		<u>\$425,016,146</u>
USA - RTD coffee and tea		\$3,238,916,146
WI % of USA DPI, 2000		1.81%
WI - RTD coffee and tea, 2000		\$58,544,977
WI - RTD coffee and tea, FY02		\$64,184,989
Sales tax under SSTA, FY02		<b>\$3,209,249</b>
 (1) Beverage World, May 15, 2001.		

	<b>Institutional Cafeteria Meals Sold to the Public and Employees</b>			
	Hospitals		Nursing and Residential Care Facilities	
	<u>For-Profit</u>	<u>Not-for-Profit</u>	<u>For-Profit</u>	<u>Not-for-Profit</u>
USA - Total receipts, 1997 (1)	\$40,146,379,000	\$339,031,933,000	\$44,485,246,000	\$37,235,108,000
USA - Receipts from food and beverage sales, 1997, (1)	\$35,271,000	\$1,319,226,000	\$18,163,000	\$121,586,000
Food and beverage receipts as % of total	0.09%	0.39%	0.04%	0.33%
WI - Receipts, 1997 (2)	\$42,073,000	\$6,581,560,000	\$1,220,085,000	\$925,536,000
Est'd Wisconsin food and beverage receipts, 1997	\$36,964	\$25,609,874	\$498,152	\$3,022,207
Total est'd Wisconsin food and beverage receipts, 1997				\$29,167,197
WI - Change in DPI CY1997 to FY02				25.8%
Est. Wisconsin food and beverage receipts, FY02				\$36,690,061
<b>Sales tax, FY02</b>				<b>\$1,834,503</b>
<p>(1) US Census Bureau, 1997 Economic Census, Health Care &amp; Social Assistance-Subject Series, Table 1a (1b), Major Sources of Receipts from Customers for Firms Subject to (Exempt from) Federal Income Tax for the United States, 1997, (1)</p> <p>(2) US Census Bureau, 1997 Economic Census, Health Care &amp; Social Assistance-Subject Series, Table 1a (1b), Summary Statistics for Firms Subject to (Exempt from) Federal Income Tax for the State (Wisconsin): 1997.</p>				

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<b>Streamlined Sales Tax Project Summary of Fiscal Effect, FY02</b>	
<u>Products</u>	<u>Change</u>
<b>Diaper service</b>	\$41,783
Popcorn	-\$1,705,548
Frozen Novelties	-\$1,824,351
Non-Alcoholic Beer	-\$516,793
Carbonated, non-sweetened water	-\$490,002
51-99% Fruit Juice (liquid and concentrate)	-\$1,393,844
<b>RTD Tea and coffee w/sweetener</b>	\$3,209,249
<b>Hospital, Nursing Home &amp; Institutional Cafeteria Meals</b>	\$1,834,503
Net Fiscal Effect	<b>-\$845,003</b>

What's next?

- Revise the estimates as necessary.
- Estimate effects of new definitions as they are adopted.
- Estimate effects of changes to administrative procedures, including tax rates.
- Estimate effects of changes in nexus law.

