

# **SINGLE SALES FACTOR APPORTIONMENT DISTRIBUTIONAL DATA**

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## **Current Law**

- For most multistate companies, Wisconsin apportions income using a three-factor formula that double-weights the sales factor.
- Special formulas are required for certain industries, including interstate financial organizations, public utilities, insurance companies, pipeline companies, railroads, and motor and air carriers.

## Proposed Changes

- The two most recent biennial budgets have included single sales factor apportionment proposals.
- The most recent version would have phased-in single sales factor, weighting the sales factor at 60% in the first year, 80% in the second year and 100% in the third year.

## Current Law and Proposed Changes

Industry	Current Law Factors	Proposed Factors (TY 2005)
General Formula	Sales (double weighted)	Sales
	Payroll	
	Property	
Interstate Financial Organizations	Gross Receipts	Gross Receipts
	Compensation (equally weighted)	
	Premiums	
Insurance Companies	Payroll (equally weighted)	Premiums
	Sales	
	Property	
Interstate Public Utilities	Payroll	Sales
	Property (equally weighted)	
	Traffic Units	
Interstate Pipeline Companies	Payroll	No Change
	Property (equally weighted)	
	Originating Revenues	
Interstate Air Carriers	Arrivals and Departures	No Change
	Revenue Tons (equally weighted)	
	Gross Receipts	
Interstate Motor Carriers	Ton Miles of Carriage (equally weighted)	No Change
	Gross Receipts	
	Gross Receipts	
Interstate Railroads	Revenue Ton Miles	No Change
	Revenue Ton Miles (equally weighted)	
Sleeping Car Companies		
Car Line Companies		

## Fiscal Effect

	Sales Factor	Fiscal Year Equivalent
Current Law	50%	None
Phase 1: 2003	60%	-\$8.0 million
Phase 2: 2004	80%	-\$32.5 million
Phase 3: 2005	100%	-\$63.5 million
Fully Phased In: 2006	100%	-\$80.0 million

## Distribution by Type of Company

Industry	Net Tax Change	CORPORATIONS WITH TAX DECREASES			CORPORATIONS WITH TAX INCREASES		
		Count	Amount	Average Change	Count	Amount	Average Change
Agricultural, Construction & Mining	\$ (649,234)	425	\$ 1,561,703	\$ 3,675	391	\$ 912,469	\$ 2,334
Manufacturing	(67,907,716)	537	90,253,963	168,071	718	22,346,247	31,123
Transportation & Warehousing	992,329	13	246,966	18,997	10	1,239,295	123,930
Communication, Utilities & Sanitary Services	6,464,232	24	262,257	12,679	150	6,726,489	11,710
Wholesale Trade	2,904,755	135	3,784,938	28,037	602	6,689,693	11,112
Retail Trade	(4,510,616)	183	5,205,207	28,444	291	694,591	2,387
Services	(5,591,581)	826	13,976,441	10,518	2,099	8,384,860	3,437
<b>Subtotal</b>	<b>(68,297,831)</b>	<b>2,143</b>	<b>\$ 115,291,475</b>	<b>\$ 53,799</b>	<b>4,261</b>	<b>\$ 46,993,644</b>	<b>\$ 11,029</b>
Other & Missing Data	(11,480,614)						
<b>TOTAL CHANGE</b>	<b>\$(79,778,445)</b>						

## Manufacturing Sector

TABLE 4  
DISTRIBUTIONAL EFFECT OF WEIGHTING SALES FACTOR AT 100%

Manufacturing Industry	Net Tax Change	CORPORATIONS WITH TAX DECREASES			CORPORATIONS WITH TAX INCREASES		
		Count	Amount	Average Change	Count	Amount	Average Change
Food & Tobacco	\$ (4,325,065)	33	\$ 10,579,329	\$ 320,586	80	\$ 6,254,264	\$ 78,178
Textiles, Apparel, Lumber & Furniture	(1,277,060)	19	2,058,634	108,349	34	781,574	22,987
Paper	(16,425,905)	16	17,055,560	1,065,973	7	629,655	89,951
Printing	(124,573)	22	2,200,192	100,009	97	2,075,619	21,398
Chemical	(919,706)	26	4,269,792	164,223	110	3,350,086	30,455
Petroleum, Rubber, Leather & Stone	(1,816,800)	32	3,331,422	104,107	17	1,514,622	89,095
Primary & Fabricated Metal	(11,577,979)	125	12,276,250	98,210	23	698,271	30,360
Machinery	(12,372,536)	117	13,549,666	115,809	68	1,177,130	17,311
Electrical	(10,535,932)	38	12,747,601	335,463	62	2,211,669	35,672
Automotive	(3,064,365)	15	3,826,936	255,129	39	762,571	19,553
Scientific Instruments	(262,003)	14	1,328,993	94,928	66	1,066,990	16,167
Other Manufacturing	(5,205,792)	80	7,029,588	87,870	115	1,823,796	15,859
<b>TOTAL CHANGE</b>	<b>\$ (67,907,716)</b>	<b>537</b>	<b>\$ 90,253,963</b>	<b>\$ 168,071</b>	<b>718</b>	<b>\$ 22,346,247</b>	<b>\$ 31,123</b>

## Special Formula Corporations

TABLE 5  
SPECIAL APPORTIONMENT FORMULA CORPORATIONS

Industry	Net Tax Change	TAX DECREASE			TAX INCREASE		
		Count	Amount	Average Change	Count	Amount	Average Change
<b>Subtotal Regular Formula Corporations</b>	<b>(68,914,345)</b>	<b>2,087</b>	<b>\$109,440,868</b>	<b>\$52,439</b>	<b>4,207</b>	<b>\$40,526,523</b>	<b>\$ 9,633</b>
Other and Missing Data	(10,414,348)						
<b>Total Regular Formula Corporations</b>	<b>\$ (79,328,693)</b>						
<b>Special Formula Corporations</b>							
Finance	(497,928)	22	1,579,946	71,816	27	1,082,018	40,075
Electric, Gas & Telecommunication	5,122,357	7	46,710	6,673	17	5,169,067	304,063
Insurance	(4,007,915)	27	4,223,951	156,443	10	216,036	21,604
<b>Subtotal Special Formula Corporations</b>	<b>616,514</b>	<b>56</b>	<b>5,850,607</b>	<b>234,931</b>	<b>54</b>	<b>6,467,121</b>	<b>365,741</b>
Insurance Missing Data	(1,066,266)						
<b>Total Special Formula Corporations</b>	<b>(449,752)</b>						
<b>TOTAL CHANGE</b>	<b>\$ (79,778,445)</b>	<b>2,413</b>	<b>\$ 115,291,475</b>	<b>\$ 53,799</b>	<b>4,261</b>	<b>\$ 46,993,644</b>	<b>\$ 11,029</b>

## Distribution by Size of Corporation

TABLE 6  
DISTRIBUTIONAL EFFECT OF SINGLE SALES FACTOR BY SIZE

Gross Receipts Bracket	Net Tax Change	Tax Decrease			Tax Increase		
		Count	Amount	Average	Count	Amount	Average
\$0 to \$100,000	\$ 323,300	120	\$ 256,690	\$ 2,139	50	\$ 579,990	\$ 11,600
\$100,000 to \$500,000	473,705	52	12,922	249	157	486,627	3,100
\$500,000 to \$1 million	11,914	38	14,296	376	252	26,210	104
\$1 million to \$5 million	(443,542)	427	944,399	2,212	698	500,857	718
\$5 million to \$10 million	(261,634)	267	1,011,909	3,790	400	750,275	1,876
\$10 million to \$25 million	(3,597,100)	425	4,729,836	11,129	840	1,132,736	1,348
\$25 million to \$50 million	(6,048,967)	227	7,282,055	32,080	312	1,233,088	3,952
\$50 million to \$100 million	(7,842,334)	197	10,242,722	51,994	585	2,400,388	4,103
Greater than \$100 million	(50,913,173)	390	90,796,646	232,812	967	39,883,473	41,245
<b>Subtotal</b>	<b>68,297,831</b>	<b>2,143</b>	<b>\$ 115,291,475</b>	<b>\$ 53,799</b>	<b>4,261</b>	<b>\$ 46,993,644</b>	<b>\$ 11,029</b>
Missing Data	(11,480,614)						
<b>TOTAL CHANGE</b>	<b>\$ 79,778,445</b>						

## Optional Single Sales Factor Formula

- If SSF apportionment were optional for all multistate corporations, the revenue loss would be an estimated \$115 million annually, compared to \$80 million if SSF is required.



