



Legislative Fiscal Bureau

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March 9, 2007

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in the Governor's 2007-09 Budget Recommendations

A number of legislators have requested information concerning state tax and fee changes included in the 2007-09 budget recommendations of the Governor. This memorandum responds to those inquiries.

The attached table provides a brief description of each state tax and fee modification proposed in the Governor's bill. The table consists of three parts: (1) tax increases and decreases; (2) fee increases and decreases; and (3) measures which would enhance the collection of current taxes or fees. Each entry in the table includes the agency name, the Legislative Fiscal Bureau's budget summary document item that describes the change in more detail, a summary of the proposed modification, and an estimate of the revenue change due to the tax or fee modification.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR and SEG signifies revenue to a segregated fund. "Unknown" means that no estimate of the revenue impact is available at this time. The fiscal effects shown in the table reflect estimates made by the administration; estimates prepared by this office during budget deliberations may be different.

In summary, the changes included in the Governor's budget would increase net taxes by \$1,371,778,800 (\$665,149,800 in 2007-08 and \$706,629,000 in 2008-09) and would increase net fees by \$376,242,000 (\$154,753,800 in 2007-08 and \$221,488,200 in 2008-09). In addition, measures included in the bill to enhance the collection of current taxes/fees would generate an additional \$32,600,000 (\$18,700,000 in 2007-08 and \$13,900,000 in 2008-09).

The sum of these revenue changes for the 2007-09 biennium is shown below.

Net Tax and Fee Changes

	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
GPR	-\$5,000,000	-\$31,600,000	-\$36,600,000
PR	36,791,500	53,408,800	90,200,300
SEG	<u>788,112,100</u>	<u>906,308,400</u>	<u>1,694,420,500</u>
TOTAL	\$819,903,600	\$928,117,200	\$1,748,020,800

Enhanced Collection Measures

	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
GPR	\$18,700,000	\$13,900,000	\$32,600,000

	2007-08	2008-09	Fund Source
TAX INCREASES			
GENERAL FUND TAXES			
<p>Income of Nonresidents and Part-Year Residents [Page 155, Item 4 and Page 156, Item 5]. Specify that, for purposes of the individual income tax, amounts received by a nonresident under a covenant not to compete are taxable to the extent that the covenant was based on a Wisconsin-based activity. Such income is currently taxable for state residents. This provision would first apply to taxable years beginning on or after January 1, 2007.</p> <p>In addition, require nonresidents and part-year residents to add back to federal adjusted gross income (AGI), for purposes of calculating Wisconsin AGI, certain items that are deductible under federal law and related to income that is not taxable by the state. This provision is intended to prevent nonresidents and part-year residents from receiving unintended state tax deductions relating to domestic production activities and certain attorney fees and court costs. These provisions would first apply to taxable years beginning on January 1 of the year in which the budget bill takes effect, except that if the bill's effective date is after July 31, the provisions would first apply to taxable years beginning on January 1 of the following year.</p>	Minimal	Minimal	GPR
<p>Modify Film Production Investment Credit [Page 165, Item 17]. Modify the film production company investment credit under the individual income and corporate income and franchise taxes as described below.</p> <p>Under current law, beginning in tax year 2008, the film production company investment credit can be claimed for 15% of the following that the claimant paid in the taxable year to establish a film production company in this state: (a) the purchase price of depreciable, tangible personal property; or (b) the amount expended to acquire, construct, rehabilitate, remodel, or repair real property. A claimant may claim the credit for an amount expended to acquire real property, if the property is not previously owned property and if the claimant acquires the property after December 31, 2007, or if the completed project is placed in service after December 31, 2007.</p> <p>"Previously owned property" means real property that the claimant or a related person owned during the two years prior to doing business in this state as a film production company and for which the claimant may not deduct a loss from the sale of the property to, or an exchange of the property with, the related person as defined under the Internal Revenue Code (IRC). The relevant section of the IRC requires at least 50% ownership for a person to be a related party.</p> <p>The budget bill would specify that a related party under this provision would be based on any level of ownership of part of the property, rather than 50% or more. The bill would also specify that in order to qualify for the credit the physical work or acquisition of the property would have to begin after December 31, 2007, and (rather than or) the completed project is placed in service after that date. The second change would clarify that the credit could not be claimed for expenditures made before the effective date of the credit.</p>	Minimal	Minimal	GPR
<p>Sales and Use Tax on Digital Goods [Page 171, Item 1]. Impose the state sales and use tax on certain products (audiovisual works, audio works, finished artwork, games, and literary works) furnished to customers electronically that would be subject to the tax if furnished in tangible form. This provision would take effect on January 1, 2008.</p>	\$2,600,000	\$3,700,000	GPR

	2007-08	2008-09	Fund Source
<p>Statute of Limitations on "Lemon Law" Sales Tax Refunds [Page 189, Item 7]. Impose a four-year statute of limitations for: (a) sales tax refunds to vehicle manufacturers who have refunded such taxes to vehicle lessors or purchasers who have returned their vehicles under a motor vehicle warranty (known as the "lemon law"); and (b) vehicle lessors and purchasers to request a sales tax refund from DOR when they have obtained from the manufacturer a refund of the purchase price but not the sales tax paid on the vehicle. Specify that such vehicle manufacturers, lessors, and purchasers are to receive 9% interest on the sales tax refunded to them under these provisions.</p> <p>The provisions would first apply with respect to applications for sales tax refunds filed on the first day of the second month beginning after publication of the budget bill.</p>	Minimal	Minimal	GPR
<p>Cigarette Tax [Page 191, Item 1]. Increase the state excise tax on cigarettes from \$0.77 per pack to \$2.02 per pack, and reduce the manufacturers' and distributors' discount on cigarette tax stamp purchases from 1.6% to 0.7%, effective on September 1, 2007, or the first day of the third month beginning after publication of the budget bill, whichever is later. In addition, specify that the additional revenues from the tax increase would be deposited to the segregated health care quality fund rather than to the general fund.</p>	\$257,500,000	\$249,000,000	SEG
<p>Tobacco Products Tax [Page 191, Item 1]. Increase the state excise tax on tobacco products, other than cigarettes, from 25% to 65.6% of the manufacturer's list price, effective on September 1, 2007, or the first day of the third month beginning after publication of the budget bill, whichever is later. In addition, specify that the additional revenues from the tax increase would be deposited to the segregated health care quality fund rather than to the general fund.</p>	\$18,200,000	\$21,500,000	SEG
<p>Real Estate Transfer Fee [Page 209, Item 1]. Increase the real estate transfer fee imposed on grantors (sellers) of real estate from \$3.00 per \$1,000 of value to \$6.00 per \$1,000 of value. In addition, increase the state share of the fee from 80% to 90% and reduce the county share from 20% to 10%. These changes would take effect on the first day of the second month beginning after publication of the bill. Finally, starting in 2007-08, specify that all state revenues from the fee would be deposited to the segregated county aid fund rather than to the general fund. County revenues from the fee would not be affected by these provisions.</p>	\$64,600,000	\$77,500,000	SEG
HEALTH AND FAMILY SERVICES			
<p>Nursing Home Bed Assessment [Page 285, Item 2]. Increase the assessment on beds in nursing homes from \$75 per month to \$127 per month, effective upon the bill becoming law. The additional revenue the state would collect from the assessment would be deposited to the segregated medical assistance (MA) trust fund.</p>	\$11,716,100	\$21,921,300	SEG
<p>ICF-MR Bed Assessment [Page 285, Item 3]. Increase the assessment on beds in intermediate care facilities for the mentally retarded (ICFs-MR) from \$445 per month to an amount set by DHFS, subject to a statutorily specified formula. DHFS would be directed to establish the monthly rate for each year by multiplying the projected annual gross revenues of all ICFs-MR in the state by 0.055, dividing the product by the number of licensed beds in the facilities, and dividing the quotient by 12. DHFS would be permitted to reduce the amount of the assessment during a state fiscal year to avoid collecting an amount that exceeds 5.5% of the aggregate gross revenues for ICFs-MR for the fiscal year. Under the bill, DHFS would not be required to calculate the amount of the bed assessment for state fiscal year 2007-08 until October 1, 2007, or until the first day of the third month beginning after the effective date of the bill, whichever is later. The additional revenue would be deposited to the segregated medical assistance (MA) trust fund.</p>	\$2,060,000	\$2,599,400	SEG

	2007-08	2008-09	Fund Source
Hospital Gross Revenue Assessment [Page 238, Item 2]. Create an annual assessment on hospitals that would be equal to up to 1% of each hospital's gross revenue. All revenue from the assessment would be deposited to the health care quality fund , a new segregated fund that would be created in the bill, to support health related programs. Repeal the current assessment on hospitals, under which DHFS receives \$1,500,000 annually to support medical assistance benefits costs.	\$205,532,800 -\$1,500,000	\$212,726,500 -\$1,500,000	SEG PR
TRANSPORTATION			
Oil Company Assessment [Page 528, Item 3]. Establish an oil company assessment equal to 2.5% of gross receipts that would initially apply to motor vehicle fuel sales on the first day of the second calendar quarter beginning after the effective date of the bill. Deposit the revenues from the assessment to the transportation fund. Extend the current gasoline and diesel fuel exemptions to the state motor vehicle fuel excise tax for licensed exporters and for fuel sold for use by a federal agency to the proposed oil company assessment. Other current law exemptions from the state motor vehicle fuel excise tax, including the exemptions for mass transit, aircraft, and nonhighway uses, use as a heating oil, and use in trains, would not be extended under the proposed assessment (the fiscal effect of this provision does not reflect the difference in the exemptions).	\$114,840,900	\$157,281,800	SEG
SUBTOTAL -- TAXES -- INCREASES	\$2,600,000 -\$1,500,000 \$674,449,800	\$3,700,000 -\$1,500,000 \$742,529,000	GPR PR SEG
TAX DECREASES			
GENERAL FUND TAXES			
Health Insurance Deduction [Page 151, Item 1]. Phase in a full individual income tax deduction for health insurance premiums paid by employed individuals whose employers pay for a portion of their insurance. The deduction would be 10% of the amount paid by the employee in tax year 2008, 25% in 2009, 45% in 2010, and 100% in 2011 and thereafter. The estimated fiscal effect would increase to \$31.9 million in 2009-10, \$62.0 million in 2010-11, and \$149.0 million in 2111-12 and thereafter.	\$0	-\$11,800,000	GPR
Tuition Deduction [Page 152, Item 2]. Increase the maximum college tuition deduction amount under the individual income tax to \$6,000 per eligible student per year and provide that the deduction could be claimed for mandatory student fees as well as tuition. These changes would be effective for tax years beginning after December 31, 2006. Under current law, the maximum deduction amount is equal to twice the average amount charged by the Board of Regents of the University of Wisconsin System at four-year institutions for resident undergraduate academic fees (tuition) during the most recent fall semester. This amount is \$4,844 for 2007. It is anticipated that the fiscal effect would decrease in future years as the difference between the actual amount charged for tuition and the \$6,000 proposed maximum deduction narrows.	-\$2,400,000	-\$1,600,000	GPR

	2007-08	2008-09	Fund Source
Child and Dependent Care Deduction [Page 154, Item 3]. Provide an individual income tax deduction for employment-related child or dependent care expenses that are allowable under the federal credit for child and dependent care expenses. Limit the maximum amount that could be deducted in tax year 2008 to \$750 if the taxpayer has one qualifying individual and \$1,500 if the taxpayer has two or more qualifying individuals. Increase the maximum deduction amounts to \$1,500/\$3,000 in 2009, \$2,250/\$4,500 in 2010, and \$3,000/\$6,000 in 2011 and thereafter. "Qualifying individual" would be defined as under federal law to mean a dependent of the taxpayer under age 13 or a dependent or spouse of the taxpayer who is physically or mentally unable to care for himself or herself and who lives with the taxpayer for more than half of the tax year. The estimated fiscal effect would increase to \$7.8 million in 2009-10, \$11.8 million in 2010-11, and \$15.9 million in 2111-12 and thereafter.	\$0	-\$3,900,000	GPR
Internal Revenue Code Update [Page 158, Item 11]. With certain exceptions, update state tax references to the federal Internal Revenue Code to refer to the code in effect on December 31, 2006, rather than December 31, 2004. This modification would adopt most federal tax law changes enacted in 2005 and through November, 2006, for state tax purposes.	-\$500,000	-\$3,200,000	GPR
Investment Tax Credits [Page 162, Item 14]. Increase the aggregate amount that may be claimed in all tax years under the angel investment tax credit from \$30.0 million to \$47.5 million and increase the aggregate amount that may claimed under the early stage seed investment credit from \$35.0 million to \$52.5 million. Beginning in tax year 2008, increase the aggregate amount that may be claimed in an individual tax year under the angel investment credit from \$3.0 million to \$5.0 million and increase the amount that may be claimed each year under the early stage seed credit from \$3.5 million to \$6.0 million. Finally, increase the amount of an individual's investment that may be used as a basis for the angel investment credit from \$500,000 to \$2.0 million.	-\$2,800,000	-\$5,000,000	GPR
Credit for Information Technology (IT) Purchases by Health Care Providers [Page 164, Item 15]. Provide a credit under the individual income and corporate income and franchise taxes for 50% of the amount expended in a year by a health care provider for IT hardware or software that is used to maintain medical records in electronic form. Limit the total amount of credits that could be claimed in a taxable year to \$10 million. Require the Department of Commerce to certify health care providers as eligible for the credit. These provisions would first apply to tax years beginning after December 31, 2008. The estimated fiscal effect would increase to \$10.0 annually in 2009-10 and thereafter.	\$0	-\$4,500,000	GPR
Bioindustry Credit [Page 167, Item 18]. Create a credit under the individual income and corporate income and franchise taxes equal to 25% of the amount that the claimant paid in the taxable year to install or retrofit pumps located in this state that dispense motor vehicle fuel consisting of at least 85% ethanol or at least 20% biodiesel fuel, but not more than \$5,000 per installed or retrofitted pump. The credit would first apply to taxable years beginning after December 31, 2007.	\$0	-\$1,000,000	GPR
Dairy Plant Credit [Page 168, Item 19]. Create a credit under the individual income and corporate income and franchise taxes equal to 10% of the amount spent by the claimant during the taxable year for modernization or expansion of the claimant's dairy manufacturing operation. "Dairy manufacturing" would mean processing milk into dairy products or processing dairy products for sale commercially. The credit would be limited to \$200,000 per claimant and would be available for tax years beginning after December 31, 2006, and before January 1, 2015. Current law provides similar tax credits for expansion and modernization of dairy farms and livestock farms.	-\$300,000	-\$400,000	GPR

	2007-08	2008-09	Fund Source
Beloit Development Opportunity Zone [Page 169, Item 20]. Extend the Beloit development opportunity zone for an additional two years and increase the total amount of tax credits that could be claimed by businesses in the zone by \$2 million, from \$4.7 million to \$6.7 million. Under the bill, the Beloit zone would expire on September 1, 2010, instead of September 1, 2008.	\$0	-\$100,000	GPR
Exclusion for Veterans Service Organizations [Page 170, Item 21]. Create an exclusion from the corporate income and franchise tax for income of a federally-chartered veterans service organization. This provision would first apply to tax year 2007, unless the budget bill takes effect after July 1, 2007. In that case, the new provisions would first apply to tax year 2008.	Minimal	Minimal	GPR
Sales Tax Exemptions for Biotechnology [Page 173, Item 2]. Create new sales and use tax exemptions for animals, machines, and other types of tangible personal property purchased by: (a) biotechnology businesses if the items are used exclusively and directly in biotechnology research; or (b) businesses raising laboratory animals that are sold to biotechnology businesses for use in research. These provisions would take effect on the first day of the second month beginning after publication of the bill.	-\$2,500,000	-\$2,500,000	GPR
Streamlined Sales and Use Tax [Page 176, Item 3]. Modify Wisconsin's sales and use tax laws to conform to the provisions of the multi-state Streamlined Sales and Use Tax Agreement. The administration estimates that changes to the sales tax base under these provisions would reduce state sales tax revenues by \$1.9 million in 2007-08 and \$3.5 million in 2008-09, primarily due to expanded exemptions relating to food and durable medical equipment [shown in the adjacent columns]. The administration expects these revenue losses to be offset by increased revenues of \$3.2 million in 2007-08 and \$7.0 million in 2008-09 from out-of-state sellers that voluntarily agree to collect the use tax on sales to Wisconsin residents if these provisions are adopted [shown under "Enhanced Collection Measures"].	-\$1,900,000	-\$3,500,000	GPR
<p>Sales Tax Exemption for Catalogs [Page 188, Item 4]. Create a sales and use tax exemption for catalogs, and the envelopes in which the catalogs are mailed, that are designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms.</p> <p>Under current law, there are two provisions related to the sales tax as it applies to catalog sales. Under the first, the statutes specifically impose the tax on gross receipts from the service of producing, fabricating, processing, printing, or imprinting of tangible personal property for consumers who furnish the materials. However, an exception is provided if the tangible personal property will subsequently be transported and used solely outside this state by the consumer for advertising purposes. Under the second, a sales tax exemption is provided for the gross receipts from the storage of printed material designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms, if such printed material is purchased and stored for the purpose of subsequently transporting the material outside the state by the purchaser for use solely outside the state.</p> <p>Under the bill, all purchases of catalogs, and printing services that create catalogs, would be exempt from the sales tax. Envelopes in which catalogs are mailed would also be exempt. These provisions would take effect on April 1, 2009. The fiscal effect would increase to \$2.4 million annually in 2009-10 and thereafter.</p>	\$0	-\$600,000	GPR
Sales Tax Exemption for Veterans Home Exchanges [Page 189, Item 5]. Create a sales and use tax exemption for goods and services sold by veterans home exchanges, effective on the first day of the second month beginning after publication of the budget bill.	Minimal	Minimal	GPR
SUBTOTAL -- TAXES -- DECREASES	-\$10,400,000	-\$38,100,000	GPR

	2007-08	2008-09	Fund Source
FEE INCREASES			
CORRECTIONS			
Sex Offender Registry Fee [Page 114, Item 2]. Authorize the Department to require a person, who must register as a sex offender, whether or not they are under Corrections' custody, to pay an annual fee of up to \$50 to offset costs of monitoring sex offenders.	\$288,500	\$292,300	PR
FINANCIAL INSTITUTIONS			
Securities Agent and Investor Advisor Representative License Fee [Page 147, Item 3]. Increase the annual license fee for securities agents and investment adviser representatives from \$30 to \$60 on the bill's general effective date.	\$3,000,000	\$3,000,000	PR
JUSTICE			
Crime Victim and Witness Assistance Surcharge [Page 370, Item 5]. Specify that the crime victim and witness assistance surcharge be imposed if: (a) a person is charged with one or more crimes in a complaint; (b) as a result of the complaint being amended, the person is charged with a civil offense in lieu of one of those crimes; and (c) the court finds that the person committed the civil offense on or after the effective date of this change to the surcharge. The amount of the surcharge would be based on whether the original underlying charge was a felony charge (in which case an \$85 surcharge would be assessed), or a misdemeanor charge (in which case a \$60 surcharge would be assessed). Direct that all revenue generated under these new provisions be allocated for victim and witness assistance programs and for crime victim compensation awards ("Part A" of the surcharge). Under current law, when a court imposes a sentence or places a person on probation, the court also imposes the crime victim and witness assistance surcharge (\$60 for each misdemeanor offense and \$85 for each felony offense). The initial \$40 of the surcharge for a misdemeanor offense and \$65 for a felony is termed the "Part A" portion of the surcharge and is allocated for victim and witness assistance programs and for crime victim compensation awards.	\$660,000	\$660,000	PR
Handgun Purchaser Record Check Fee [Page 373, Item 8]. Increase the handgun purchaser record check fee from \$8 to \$30, effective for firearms restrictions records searches requested on the day after publication of the budget act. Under current law, an \$8 handgun purchaser record check fee is assessed on a firearms dealer (who may pass the charge on to the purchaser) for each required background check of a purchaser of a handgun. The fees are remitted to the Department of Justice and are intended to fund the cost of operating the record check program.	\$704,000	\$704,000	PR
Penalty Surcharge [Page 372, Item 7]. Increase the penalty surcharge from 26% to 27% of the total fine or forfeiture imposed for most violations of state law or municipal or county ordinance.	\$0	\$755,200	PR

	2007-08	2008-09	Fund Source
HEALTH AND FAMILY SERVICES			
License Fees for CBRFs and Adult Family Homes [Page 291, Item 9]. Authorize DHFS to establish biennial license fees for adult family homes and biennial license fees for community-based residential facilities (CBRFs), including CBRF per resident fees, by rule. Direct DHFS to submit rules to implement the fees to the Legislative Council staff no later than November 1, 2007. Under current law, the following fees are established by statute: (a) for an adult family home, a biennial fee of \$135; and (b) for a CBRF, a biennial fee of \$306, plus a biennial fee of \$39.60 per resident.	Unknown	Unknown	PR
Vital Records Fees [Page 304, Item 1]. Increase several vital records fees, thereby increasing program revenue to the state by an estimated \$8,009,800 in 2007-08 and \$8,587,300 in 2008-09. The administration estimates that the recommended fee increases would also increase revenues retained by local registrars by \$2,026,500 in 2007-08 and \$3,524,300 in 2008-09, in addition to the increased program revenues to the state. The fee increases would pertain to a wide variety of vital record services and records, including birth, marriage, death, and divorce records.	\$8,009,800	\$8,587,300	PR
NATURAL RESOURCES			
Shovelnose Sturgeon Permit Fee [Page 411, Item 10]. Create a \$50.75 annual fee for shovelnose sturgeon harvest, with the revenues deposited to the fish and wildlife account of the conservation fund.	\$100	\$200	SEG
Elk Hunting Fee Increase [Page 412, Item 12]. Increase the fee for a resident elk hunting license from \$49 to \$75 and the fee for a nonresident elk hunting license from \$251 to \$400. Further, increase the processing fee for both a resident and a nonresident elk hunting license from \$3 to \$10. DNR anticipates a limited bull-only elk season could be instituted in December, 2009, at the earliest. Therefore, the fee increase is not expected to generate revenues during the 2007-09 biennium.	\$0	\$0	SEG
Boat Registration Fee Increase [Page 413, Item 14]. Increase the fees paid for a three-year boat registration as shown in the Attachment. The fee is deposited in the boat registration account of the conservation fund.	\$670,000	\$1,600,000	SEG
Duplicate Recreational Safety Certificate [Page 415, Item 20]. Authorize a \$2.75 fee for the issuance of duplicate certificates showing completion of the boating, all-terrain vehicle, and snowmobile safety programs. No estimate of revenue is made.	Unknown	Unknown	SEG
Recycling Tipping Fee Increase [Page 428, Item 1]. Double the recycling tipping fee from \$3 to \$6 per ton for waste, other than high-volume industrial waste, disposed of in Wisconsin landfills on or after July 1, 2007. The fees are deposited in the segregated recycling fund.	\$18,000,000	\$24,000,000	SEG
Permanent Vehicle Environmental Impact Fee [Page 429, Item 4]. Eliminate the current December 31, 2007, sunset of the \$9 per title vehicle environmental impact fee (assessed on the titling of new or used vehicles), making the fee permanent. The fees are deposited in the environmental management account of the environmental fund.	\$6,450,000	\$12,964,500	SEG
Environmental Repair Tipping Fee Increase [Page 429, Item 5] Increase the environmental repair tipping fee imposed on non high-volume industrial waste by 50¢ per ton, from \$1.10, to \$1.60 per ton, for waste disposed of in Wisconsin landfills on or after July 1, 2007. 75¢ would be deposited in the nonpoint account and 35¢ would be deposited in the environmental management account of the environmental fund.	\$7,260,000	\$9,680,000	SEG

	2007-08	2008-09	Fund Source
Dry Cleaning Fee [Page 430, Item 7]. Increase the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 2.8% of the gross receipts from the dry cleaning of apparel and household fabrics. The increase would first apply to the quarterly payment due on July 25, 2007, for gross receipts from April 1, 2007, through June 30, 2007. The fees are deposited in the segregated dry cleaner environmental response fund.	\$525,000	\$525,000	SEG
PUBLIC INSTRUCTION			
Milwaukee Parental Choice Program Auditor and Fees [Page 471, Item 3]. Provide funding for 1.0 auditor position beginning in 2007-08 in a new appropriation funded from an annual fee paid by schools participating in and intending to participate in the choice program. Require DPI to promulgate administrative rules to establish the fee to be paid by schools.	\$67,100	\$87,800	PR
Public Library System Aid [Page 475, Item 7]. Provide funding above the base level of \$4,223,800 for aids to public library systems. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$616,800	\$1,262,300	SEG
BadgerLink Funding [Page 475, Item 9]. Provide funding above the base level of \$2,030,500 for statewide Internet access to periodical and reference information databases, which are part of the BadgerLink project. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$31,200	\$80,500	SEG
Newsline for the Blind [Page 476, Item 10]. Provide funding above the base level of \$67,500 for services provided by the Regional Library for the Blind and Physically Handicapped, which provides access to national and local periodicals for blind individuals. Provide that this funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$38,500	\$40,500	SEG
REGULATION AND LICENSING			
Methodology for Establishing Initial and Renewal Fees [Page 484, Item 2]. Allow the Department of Regulation and Licensing to set initial and renewal credential fees administratively, rather than by statute and delete statutorily specified fee levels. These rules would not be subject to administrative rule procedures. The Department would determine the fee level of each initial credential for which no examination is required, for reciprocal credentials, and for all credential renewals, based on the administrative costs of R&L that are attributable to the regulation of each occupation or business regulated by the Department. The impact on fees for specific businesses and occupations would be based on R&L fee review and approval by the Joint Committee on Finance.	Unknown	Unknown	PR
REVENUE			
Sales Tax Filing Fee [Page 491, Item 8]. Authorize the Department of Revenue to require a filing fee for sales tax returns that are filed on paper, effective with returns that are filed for the calendar quarter ending on September 30, 2007. According to the administration, the fee would be \$5 per return.	\$2,800,000	\$2,800,000	GPR

	2007-08	2008-09	Fund Source
<p>Withholding Certain Administrative Costs From Lottery Prizes [Page 496, Item 6]. Require DOR to charge the winner or assignee of a lottery prize greater than \$1,000 for the Department's administrative expenses associated with withholding and remitting debt owed to a state agency and authorize DOR to withhold the amount of the administrative expenses from the prize payment. The provision would take effect on the first day of the third month beginning after publication.</p> <p>Under current law, DOR withholds money from lottery prizes of \$1,000 or more to pay certain debts owed by the prize payee, including amounts owed for delinquent state taxes, court-ordered payment of child support, and debts to state agencies. DOR charges state agencies for DOR's administrative expenses associated with withholding money from a lottery prize and paying it to the state agency. The provision would require DOR to charge the lottery prize payee rather than the state agency for DOR's administrative expenses and would authorize DOR to withhold the amount of the administrative expenses from the prize payment.</p>	Unknown	Unknown	PR
<p>SUPREME COURT</p> <p>Circuit Court Automated Information Systems Fee [Page 523, Item 7]. Authorize the Director of State Courts Office to establish and charge fees for use of the circuit court automated information systems.</p>	Unknown	Unknown	PR
<p>TRANSPORTATION</p> <p>Vehicle Registration Fee Increase for Automobiles and Light Trucks [Page 530, Item 4]. Increase the annual vehicle registration fee for passenger vehicles (automobiles, vans, and sport utility vehicles) by \$20, from \$55 currently to \$75, effective October 1, 2007. Increase the annual registration fee for light trucks, as follows: (a) an increase of \$26.50, from \$48.50 currently to \$75, for trucks that are 4,500 pounds or less; (b) an increase of \$22.50, from \$61.50 currently to \$84, for trucks that are more than 4,500 pounds but not more than 6,000 pounds; and (c) an increase of \$28.50, from \$77.50 currently to \$106, for trucks that are more than 6,000 pounds but not more than 8,000 pounds.</p>	\$71,054,800	\$96,894,500	SEG
<p>Driver License and Identification Card Security Verification Mandate Fee [Page 531, Item 5]. Create a \$10 federal security verification mandate fee, payable on the issuance, renewal, upgrading, or reinstatement of any license, endorsement, or instruction permit and upon the issuance, renewal, or reinstatement of any identification card. Specify that the fee would first apply to applications for licenses or cards received by the Department of Transportation on January 1, 2008.</p>	\$6,915,900	\$13,831,900	SEG
<p>Vehicle Supplemental Title Fee Increase [Page 531, Item 6]. Increase the supplemental vehicle title fee (paid upon the original issuance of a title and upon a title issued following a vehicle transfer) by \$2, from \$7.50 to \$9.50, effective on October 1, 2007.</p>	\$2,100,000	\$2,900,000	SEG
<p>UNIVERSITY OF WISCONSIN SYSTEM</p> <p>Application Fee Increase [Page 574, Item 12]. Increase statutorily set application fees from \$45 to \$60 for graduate, law, and professional students and from \$35 to \$50 for new freshman and out-of-system transfers. This increase would first apply to applications received on the effective date of the bill.</p>	\$1,814,100	\$1,814,100	PR

	2007-08	2008-09	Fund Source
System Tuition Increases [Page 568-573, Items 1, 2, 5 and 7]. Increase tuition to reflect costs associated with the following items: (a) pay plan and fringe benefits approved in previous biennia; (b) various campus and systemwide initiatives; (c) fuel and utilities reestimate; and (d) retention of high demand faculty. These figures do not include pay plan adjustments for UW faculty and staff for the 2007-09 biennium, which will be determined by the Joint Committee on Employment Relations under the state compensation plan. However, it is estimated that for each annual 1% increase in UW compensation, tuition would increase by 0.6%, if these increases were supported with the usual GPR/PR split, while each 1% increase in compensation that is funded entirely with tuition revenues would result in a 2.1% increase in tuition.	\$20,278,100	\$31,766,600	PR
UW-La Crosse Tuition Increase [Page 572, Item 3]. Increase annual undergraduate resident tuition by \$440 in 2008-09 as part of a campus initiative. The amount shown is an estimate of the additional expenditure authority that is attributable solely to the tuition increase.	\$0	\$1,000,000	PR
WORKFORCE DEVELOPMENT			
Child Support Centralized Receipt and Disbursement Fee [Page 621, Item 3]. Increase the annual centralized receipt and disbursement fee imposed on child support obligors from \$35 to \$65, effective January 1, 2008. The fee is used to help fund the costs of the automated centralized receipt and disbursement system for child support.	\$2,094,900	\$3,491,500	PR
New Fee on Recipients of Child Support [Page 621, Item 4]. Impose an annual fee of \$25 on each family that never received temporary assistance for needy families (TANF) benefits and for which the child support program collects at least \$500 in a year. Revenue from the fee would be used for state operations of the child support enforcement program. The new fee, which is required by the federal Deficit Reduction Act of 2005, would take effect on January 1, 2008.	\$1,375,000	\$2,750,000	PR
SUBTOTAL -- FEES -- INCREASES	\$2,800,000 \$38,291,500 \$113,662,300	\$2,800,000 \$54,908,800 \$163,779,400	GPR PR SEG

	2007-08	2008-09	Fund Source
ENHANCED COLLECTION MEASURES			
GENERAL FUND TAXES/REVENUE			
<p>Income Tax Pass-Through Entity Withholding [Page 156, Item 6]. Modify the pass-through entity withholding requirements enacted under 2005 Act 25 to make certain clarifications and technical corrections and to provide an additional exemption from the requirements.</p> <p>As provided under Act 25, pass-through entities (including partnerships, limited liability companies, tax-option corporations, and estates or trusts treated as pass-through entities for federal income tax purposes) are generally required to withhold income or franchise tax on behalf of their nonresident shareholders, partners, members, or beneficiaries (referred to below as "nonresidents"). However, withholding is not required for nonresidents who have no other source of Wisconsin income and whose share of income from the pass-through entity is less than \$1,000. The bill would eliminate the requirement under this exemption that the nonresident have no other source of Wisconsin income, as the pass-through entity would not necessarily know whether the nonresident had another source of Wisconsin income. The bill would also provide a new exemption for a nonresident who presents an affidavit, in the form and manner prescribed by DOR, whereby the nonresident agrees to be subject to the personal jurisdiction of the Department, the Tax Appeals Commission, and the courts of Wisconsin for the purpose of determining and collecting Wisconsin income and franchise taxes, estimated payments, and any related interest and penalties.</p> <p>The bill would also make a number of technical corrections to the pass-through withholding requirements and would clarify certain current provisions related to interest and penalties.</p>	Minimal	Minimal	GPR
<p>Streamlined Sales and Use Tax [Page 176, Item 3]. Modify Wisconsin's sales and use tax laws to conform to the provisions of the multi-state Streamlined Sales and Use Tax Agreement. The administration estimates that changes to the sales tax base under these provisions would reduce state sales tax revenues by \$1.9 million in 2007-08 and \$3.5 million in 2008-09, primarily due to expanded exemptions relating to food and durable medical equipment [shown under "Tax Decreases"]. The administration expects these revenue losses to be offset by increased revenues of \$3.2 million in 2007-08 and \$7.0 million in 2008-09 from an out-of-state sellers that voluntarily agree to collect the use tax on sales to Wisconsin residents if these provisions are adopted [shown in the adjacent columns]. Based on these figures, the net fiscal effect is estimated to be a revenue increase of \$1.3 million in 2007-08 and \$3.5 million in 2008-09.</p> <p>In addition, one component of these provisions would allow a higher rate of retailer compensation to certain sellers, which would result in a state revenue decrease. At this time, it is not possible to reliably estimate the cost of the higher retailer's compensation because the number and sales volume of retailers that would qualify are not known. However, it is possible that the cost of this provision could be significant. It is also possible that the passage of the bill, along with similar laws in other states, could result in a significant increase in sales and use tax collections from remote sales in future years. This could occur if the provisions resulted in additional retailers voluntarily agreeing to collect and remit use taxes to Wisconsin or if Congress were persuaded to pass federal legislation allowing states to require out-of-state sellers to collect and remit the tax.</p>	\$3,200,000	\$7,000,000	GPR

	2007-08	2008-09	Fund Source
<p>Direct Marketing of Cigarettes and Tobacco Products [Page 192, Item 2]. Authorize the Department of Revenue (DOR) to issue permits allowing the direct marketing of cigarettes and tobacco products to Wisconsin residents. No fiscal effect is estimated for this provision.</p> <p>Under current law, as enacted in 2005 Act 25 (the 2005-07 biennial budget act), direct marketing of cigarettes is allowed if the seller registers with DOR, provides certain information, and agrees to sell only cigarettes on which the state excise tax has been paid and to collect and remit the sales tax on cigarette sales. Direct marketers also must obtain a municipal retail permit for each location in which they sell cigarettes. To date, no direct marketers of cigarettes have registered with DOR. Direct marketing of other tobacco products is not permitted under current state law.</p>	Unknown	Unknown	GPR
<p>Tax Avoidance Voluntary Compliance Program [Page 210, Item 1]. Create a tax avoidance transaction voluntary compliance program to be administered by DOR. The program would include a tax amnesty component under which DOR would be required to waive penalties, including criminal prosecution, applicable to the underreporting or underpayment of income and franchise taxes if, during the period beginning on October 1, 2007, and ending on December 31, 2007, the taxpayer:</p> <p>a. Files an amended Wisconsin tax return for each taxable year for which the taxpayer has previously filed a Wisconsin tax return that uses a tax avoidance transaction to underreport the taxpayer's Wisconsin income or franchise tax liability and the amended return reports the total Wisconsin net income and tax for the taxable year, computed without regard to any tax avoidance transaction and without regard to any other adjustment that is unrelated to any tax avoidance transaction; and.</p> <p>b. Pays, in full, for each taxable year for which an amended return is filed, the entire amount of Wisconsin income or franchise tax and interest due that is attributable to using a tax avoidance transaction.</p> <p>The bill would also impose additional reporting requirements and penalties related to the use, sale, and promotion of tax shelters.</p>	\$9,400,000	\$800,000	GPR
<p>Delinquent Tax Collection Pilot [Page 489, Item 4]. Create 7.0 revenue agent positions and create a delinquent tax collection pilot project under which responsibility for collection actions against certain targeted delinquent tax accounts would be transferred from private collection agencies to DOR.</p>	\$6,100,000	\$6,100,000	GPR
SUBTOTAL -- ENHANCED COLLECTION MEASURES	\$18,700,000	\$13,900,000	GPR

ATTACHMENT

Boat Registration Fees (Valid for Three Years)

<u>Registration Type</u>		<u>Current Fee</u>	<u>Bill</u>	<u>Increase</u>	<u>Percent Increase</u>
Non-Motorized	Voluntary*	\$9.75	\$13.00	\$3.25	33%
	Sailboat Over 12'	15.00	20.00	5.00	33
Motorized	Under 16'	16.50	22.00	5.50	33
	16' to 26'	24.00	31.00	7.00	29
	26' to 40'	45.00	59.00	14.00	31
	Over 40'	75.00	98.00	23.00	31

*Voluntary registered non-motorized boats could include canoes, kayaks, other human-powered boats, or sailboats under 12 feet in length.