

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-4059/3	Introduction Number SB-590
Description Sales and use tax exemption for commercial radio and television station property	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local:	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <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	
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Baseball District</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
DOR/ Travis Arthur (608) 266-8565	Robert Schmidt (608) 266-5773
Date	
1/25/2016	

Fiscal Estimate Narratives

DOR 1/25/2016

LRB Number	15-4059/3	Introduction Number	SB-590	Estimate Type	Original
Description Sales and use tax exemption for commercial radio and television station property					

Assumptions Used in Arriving at Fiscal Estimate

Current law provides an exemption for the sale of tangible personal property to a person with a license to operate a commercial television or radio station in Wisconsin, if the tangible personal property, including fuel and electricity, is used in the origination or integration of various sources of program material for commercial radio or television transmissions that are free to receive.

This bill expands the current law sales and use tax exemption for commercial radio and television stations to include property used primarily for transmitting or receiving commercial radio or television program material, including communication towers and the material to build the towers.

Radio Broadcast Equipment:

Based on industry information from the National Telecommunications and Information Administration (NTIA), radio towers are separated by classes, which correspond to a typical height: Class A <350 feet, Class B 350 feet-500 feet, and Class C >500 feet. For each classification the NTIA provides cost data for radio transmission systems, including transmitters, towers, antennas, and other broadcast equipment. Using data from the Federal Communications Commission (FCC) and excluding non-profit organizations and public institutions, the department estimates that commercial radio and television stations operate 207 Class A towers, 104 Class B towers, and 16 Class C towers in Wisconsin. Based on data from the Wisconsin Broadcasters Association (WBA), stations generally depreciate towers over 30 years and transmitters over 20 years. The department assumes remaining equipment depreciates over 10 years. Using the cost data provided by the NTIA and the depreciation schedule from the WBA, the department estimates annualized expenditures of \$9.8 million (Class A \$5.8 million, Class B \$3.4 million, and Class C \$634,000) for commercial radio towers and related equipment.

TV Broadcast Equipment:

According to the FCC there are 35 TV towers registered in Wisconsin with an average height of 805 feet. Based on data from the WBA, a TV station depreciates towers over 30 years, transmitters over 10 years, antennas over 15 years, and all other equipment over 10 years. Using cost data from the NTIA, the department estimates a depreciated cost per foot of \$144. Under these assumptions, the annual cost for all towers totals \$4.1 million ($\$144 \text{ per foot} \times 805 \text{ feet} \times 35 \text{ towers}$).

The department estimates that state sales and use tax collections will decrease under the bill by \$695,000 annually ($\$9.8 \text{ million} + \$4.1 \text{ million} \times .05$). County and stadium sales taxes were 7.2% of state sales tax revenues in FY15. Assuming this percentage does not change, county and stadium district sales taxes will decrease by approximately \$50,000.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Sales and use tax exemption for commercial radio and television station property		
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	\$	\$-695,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	-\$695,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-695,000	-\$50,000
Agency/Prepared By		
Authorized Signature		Date
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		1/25/2016