



Legislative Fiscal Bureau

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March 3, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 424: Sales Tax on Temporary Help Companies

Senate Bill 424, which would exclude certain services provided by temporary help companies from the sales tax, was introduced on February 3, 2004, and referred to the Joint Survey Committee on Tax Exemptions.

CURRENT LAW

Under current law, the state and local sales and use taxes apply to the following services, regardless of the type of entity performing the service:

- hotel, motel, and other lodgings
- admissions to amusement, athletic, and entertainment events (admissions to county fairs are exempt)
- certain telecommunications services and telephone answering services
- laundry and dry cleaning services, except for coin-operated and diaper services
- photographic services
- parking and docking of motor vehicles, aircraft, and boats
- installation, repair, maintenance, and related services to personal property, other than real property improvements (unless the property being installed or repaired is exempt when sold)

- producing, fabricating, processing, printing, and imprinting services for consumers who furnish the materials, except for printed advertising services that will be transported and used solely outside the state
- cable television services, including installation
- landscaping and lawn maintenance services

SUMMARY OF BILL

Under the bill, the sales tax would not apply to charges for services provided by a temporary help company if the client for whom the services are provided controls the means of performing the services and is responsible for the satisfactory completion of the services.

"Temporary help company" would mean an entity which contracts with a client to supply individuals to perform services for the client on a temporary basis to support or supplement the workforce of the client in situations such as personnel absences, temporary personnel shortages, and workload changes resulting from seasonal demands or special assignments or projects, and which, both under contract and in fact:

- a. Negotiates with clients for such matters as time, place, type of work, working conditions, quality, and price of the services;
- b. Determines assignments or reassignments of individuals to its clients, even if the individuals retain the right to refuse specific assignments;
- c. Sets the rate of pay of the individuals, whether or not through negotiation;
- d. Pays the individuals from its account or accounts; and
- e. Hires and terminates individuals who perform services for the clients.

These provisions would take effect on the day after publication of the bill.

FISCAL EFFECT

Based on information from the Department of Workforce Development, the U.S. Census Bureau, and the American Staffing Association, the Department of Revenue estimates that the bill would reduce state sales tax collections by \$4,500,000 in 2004-05 (the first full year of implementation). Assuming an effective date of April 1, 2004, state tax collections would be

reduced by \$1,100,000 in 2003-04. County and stadium district sales tax revenues would be decreased by an estimated \$75,000 in 2003-04 and \$300,000.

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