

**ADMINISTRATIVE RULES
FISCAL ESTIMATE
AND ECONOMIC IMPACT ANALYSIS**

Type of Estimate and Analysis

Original Updated Corrected

Administrative Rule Chapter, Title and Number

Section Tax 2.495 – Apportionment of apportionable income of interstate brokers-dealers, investment advisers, investment companies, and underwriters

Subject

Apportionment of apportionable income of interstate brokers-dealers, investment advisers, investment companies, and underwriters

Fund Sources Affected

Chapter 20 , Stats. Appropriations Affected

GPR FED PRO PRS SEG SEG-S

Fiscal Effect of Implementing the Rule

No Fiscal Effect
 Indeterminate

Increase Existing Revenues
 Decrease Existing Revenues

Increase Costs
 Could Absorb Within Agency's Budget
 Decrease Costs

The Rule Will Impact the Following (Check All That Apply)

State's Economy
 Local Government Units

Specific Businesses/Sectors
 Public Utility Rate Payers

Would Implementation and Compliance Costs Be Greater Than \$20 million?

Yes No

Policy Problem Addressed by the Rule

Based on evaluation by the department, the rule revises the method of assigning gross receipts from the sale of trading assets to Wisconsin in s. Tax 2.495 for purposes of computing the amount of income apportioned to Wisconsin for interstate brokers-dealers, investment advisers, investment companies, and underwriters.

Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

As indicated in the attached fiscal estimate, the fiscal effect of the proposed rule is indeterminate.

Two comments concerning the economic effect of the rule were submitted in response to the department's solicitation. Robert W. Baird & Co. submitted a comment concerning the general positive economic effect of the proposed rule on interstate brokers-dealers domiciled in Wisconsin. The Wisconsin Bankers Association's comment suggested there was a general negative economic effect, of unknown quantity, of the rule on unspecified financial institutions. The department consulted with both commenters on December 29, 2014. Both were in agreement that the economic impact of the rule is indeterminate and the assumptions used in arriving at the attached fiscal estimate are consistent with their comments.

Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

Generally, clarifications and guidance provided by administrative rules may lower the compliance costs for businesses, local governmental units, and individuals.

The rule is the only alternative for implementing the revision described above.

Long Range Implications of Implementing the Rule

No long-range implications are anticipated.

Compare With Approaches Being Used by Federal Government

N/A

Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Illinois (86 ILL. Adm. Code 100.3405) and Iowa (Rule 701-54.6(3)) address the method of assigning gross receipts of financial institutions in their rules. Illinois uses a method based on the commercial domicile of the financial institution. Iowa uses a method based on the billing address of the customer. Michigan (sec. 206.659, Mich. Stats.) and Minnesota (sec. 290.191(3), Minn. Stats.) address the method of assigning gross receipts of financial institutions in their statutes. Both Michigan and Minnesota use a method based on the billing address of the customer.

FISCAL ESTIMATE FORM

2015 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 15-

INTRODUCTION #

Admin. Rule # Tax 2.495(4)(d)

Subject

Apportionment of Interstate Broker-Dealers, Investment Companies, and Underwriters

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

Under current administrative rules, interstate broker-dealers must apportion income from the sale of trading assets to the financial institution's domicile. This apportionment from the sale of trading assets is included in the gross receipts in the receipts factor. Under the proposed rule, broker-dealers would instead apportion income from these transactions to the billing address of the customer.

The fiscal effect of the rule is indeterminate. For broker-dealers domiciled in Wisconsin, gross receipts for sales of trading assets to customers in other states that previously were assigned to Wisconsin would instead be assigned to the state where the customer resides, lowering the receipts factor and therefore lowering gross tax relative to current administrative rules. Conversely, broker-dealers domiciled in other states that have customers in Wisconsin would assign the gross receipts from the sale of trading assets to Wisconsin instead of the state of their domicile, raising the receipts factor and therefore raising gross tax relative to current rules. The extent to which these two effects would offset is unknown.

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by:

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Date

FISCAL ESTIMATE FORM

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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2015 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 15

Admin. Rule #
Tax 2.495(4)(d)

INTRODUCTION #

Subject

Apportionment of Interstate Broker-Dealers, Investment Companies, and Underwriters

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 State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ -

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ _____	\$ _____

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue	Authorized Signature/Telephone No. Type in Team Name	Date
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