

ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

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|--|----------------------------|
| 1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original <input type="checkbox"/> Updated <input type="checkbox"/> Corrected | 2. Date August 20, 2018 |
|--|----------------------------|

3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable)
Chapter Tax 11 - Statistical Sampling

4. Subject
Statistical Sampling

| | |
|---|---|
| 5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S | 6. Chapter 20, Stats. Appropriations Affected |
|---|---|

7. Fiscal Effect of Implementing the Rule
 No Fiscal Effect Increase Existing Revenues Increase Costs Decrease Costs
 Indeterminate Decrease Existing Revenues Could Absorb Within Agency's Budget

8. The Rule Will Impact the Following (Check All That Apply)
 State's Economy Specific Businesses/Sectors
 Local Government Units Public Utility Rate Payers
 Small Businesses **(if checked, complete Attachment A)**

9. Estimate of Implementation and Compliance to Businesses, Local Governmental Units and Individuals, per s. 227.137(3)(b)(1).
\$

10. Would Implementation and Compliance Costs Businesses, Local Governmental Units and Individuals Be \$10 Million or more Over Any 2-year Period, per s. 227.137(3)(b)(2)?
 Yes No

11. Policy Problem Addressed by the Rule
The rule order makes changes to reflect current law and current department audit practices.

12. Summary of the Businesses, Business Sectors, Associations Representing Business, Local Governmental Units, and Individuals that may be Affected by the Proposed Rule that were Contacted for Comments.
Wisconsin Taxation Committee (WICPA), Wisconsin Manufacturers and Commerce (WMC), Wisconsin Association of Accountants (WAA), Tax Executives Institute (TEI), Independent Business Association of Wisconsin (IBAW), Wisconsin Independent Businesses (WIB), National Federal of Independent Businesses (NFIB), Council on State Taxation (COST), and Wisconsin Grocers Association (WGA).

13. Identify the Local Governmental Units that Participated in the Development of this EIA.

14. 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)
The rule codifies current Department of Revenue audit practices and is not expected to have an impact on audit collections or administrative costs. However, the limits to sample size may negatively impact precision in some cases. This may result in higher or lower individual assessment amounts than under current practices.

15. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule
The rule provides that for businesses under audit with less than \$10,000,000 in annual sales, the business may request its audit be conducted using the statistical sampling method. The maximum number of sample units selected for review for each sample population from which a statistical sample is drawn may not exceed 10 percent of the sample population or 15,000

ADMINISTRATIVE RULES
Fiscal Estimate & Economic Impact Analysis

transactions, whichever is less. This limitation does not apply if the relative precision of the sample is greater than 20 percent.

16. Long Range Implications of Implementing the Rule

No long-range implications are anticipated.

17. Compare With Approaches Being Used by Federal Government

N/A

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

N/A

19. Contact Name

Jen Chadwick

20. Contact Phone Number

608-266-8253

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ADMINISTRATIVE RULES
Fiscal Estimate & Economic Impact Analysis

ATTACHMENT A

1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

2. Summary of the data sources used to measure the Rule's impact on Small Businesses

3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

5. Describe the Rule's Enforcement Provisions

6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes No
-

FISCAL ESTIMATE FORM

2017 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB #

INTRODUCTION #

Admin. Rule # SS 129-17, TAX 11.905

Subject

This rule creates Tax 11.905 defining criteria applicable to field audits for which an auditor uses a statistical sampling method.

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

- | | |
|---|---|
| <p>1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> |
|---|---|

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:

2017 Wisconsin Act 59 provided that the Department of Revenue shall promulgate rules to establish criteria for field audit statistical sampling.

This rule order makes changes to reflect current law and current department audit practices as provided in Department of Revenue Publication 516, *Statistical Sampling*.

The rule provides that for businesses under audit with less than \$10,000,000 in annual sales, the business may request its audit be conducted using the statistical sampling method. The maximum number of sample units selected for review for each sample population from which a statistical sample is drawn may not exceed 10 percent of the sample population or 15,000 transactions, whichever is less. This limitation does not apply if the relative precision of the sample is greater than 20 percent.

The rule codifies current Department of Revenue audit practices and is not expected to have an impact on audit collections or administrative costs. However, the limits to sample size may negatively impact precision in some cases. This may result in higher or lower individual assessment amounts than under current practices.

Long-Range Fiscal Implications:

| | | |
|---|--|---|
| <p>Agency/Prepared by: Wisconsin Department of Revenue Travis Arthur (608) 266-8565</p> | <p>Authorized Signature/Telephone No. Wisconsin Department of Revenue Jamie Adams (608) 266-6785</p> | <p>Date 6-13-2018</p> |
|---|--|---|

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

2017 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

| | |
|-----------------------|------------|
| LRB # | SS 129-17, |
| INTRODUCTION # | TAX 11.905 |

Subject

This rule creates Tax 11.905 defining criteria applicable to field audits for which an auditor uses a statistical sampling method.

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 | \$ 0 | \$ 0 |
| NET CHANGE IN REVENUES | \$ 0 | \$ 0 |

| | | |
|--|---|--------------------------|
| Agency/Prepared by: Wisconsin Department of Revenue Travis Arthur (608) 266-8565 | Authorized Signature/Telephone No. Wisconsin Department of Revenue Jamie Adams (608) 266-6785 | Date 6-13-2018 |
|--|---|--------------------------|