



WYOMING LEGISLATIVE SERVICE OFFICE

Memorandum

DATE May 16, 2024

TO Members, Joint Revenue Interim Committee

FROM Dean Temte, Senior Fiscal Analyst

SUBJECT Broadening of Sales Tax: Repeal of Exemptions and Taxation of Services

This memorandum provides the estimated revenue increases of broadening the Wyoming sales tax with the following two options: 1) the potential repeal of selected current Wyoming sales and use tax exemptions and 2) the potential imposition of Wyoming sales and use tax on specified services not currently subject to sales tax. Table 1 below summarizes the estimated revenue increases to the General Fund and to local governments. Please see Attachment A for additional detail of the estimates.

Table 1. Est. Revenue Increases from Selected Exemption Repeals and Taxation of Specified Services.

	General Fund	Local Governments	Total
Repeal of Selected Exemptions	\$64,800,000	\$62,200,000	\$127,000,000
Taxation of Specified Services	\$72,330,000	\$69,620,000	\$141,950,000
Total	\$137,130,000	\$131,820,000	\$268,950,000

The estimated revenue increases are based on South Dakota taxable sales in fiscal year 2023 taken from a South Dakota Sales and Use Tax Report by Standard Industrial Classification (SIC) compiled by the South Dakota Department of Revenue. South Dakota taxable sales are adjusted based on July 1, 2023 census population estimates for Wyoming and South Dakota. For this analysis, the estimated revenue increase from the repeal of the current manufacturing machinery exemption, the current data processing service center exemption, and the current broadband internet equipment exemption are based on Wyoming Department of Revenue exemption reports dated November 1, 2023. The list of selected exemptions for this analysis and fiscal impact of each is shown in Table 1 of Attachment A. Similarly, the list of specified service categories, with a fiscal estimate of each are shown in Table 2 of Attachment A. Not all Wyoming services are included in this analysis. As noted in the Attachment, health services, veterinary services and funeral services are excluded, consistent with prior legislative discussions. A combined state and local sales tax rate of 5.48 percent is assumed, based on FY 2023 Wyoming sales and use taxes by county and July 1, 2024 published sales tax rates by county.

ATTACHMENT A

Table 1: Estimate of Selected Current Wyoming Sales and Use Tax Exemptions

Exemption	South Dakota Reported Taxable Sales	Population Adjusted Taxable Sales @63.5%	Total Tax @5.48%	General Fund @51%	Local Share @49%
Livestock and Feed	50,188,911	32,000,000	1,800,000	900,000	900,000
Food for domestic home consumption	1,915,650,759	1,216,000,000	66,600,000	34,000,000	32,600,000
Farm implements	67,695,409	43,000,000	2,400,000	1,200,000	1,200,000
Aircraft sales & maintenance and repair	10,916,846	7,000,000	400,000	200,000	200,000
Manufacturing machinery*		160,000,000	8,800,000	4,500,000	4,300,000
Data processing service centers*		841,000,000	46,100,000	23,500,000	22,600,000
Broadband internet equipment*		16,000,000	900,000	500,000	400,000
Exemption Total		2,315,000,000	\$127,000,000	\$64,800,000	\$62,200,000

* Exemption estimates for manufacturing, data processing service centers and broadband internet equipment based on Dept. of Revenue Reports dated Nov. 1, 2023.

Table 2: Estimate of Specified Wyoming Services Not Currently Taxable (Heath services, veterinary services and funeral services are excluded.)

Service Category	South Dakota Reported Taxable Sales	Population Adjusted Taxable Sales @63.5%	Total Tax @5.48%	General Fund @51%	Local Share @49%
Agricultural services (except veterinary)	266,835,384	169,000,000	9,300,000	4,700,000	4,600,000
Forestry services	1,234,012	1,000,000	50,000	30,000	20,000
Transport. switching & terminal services	3,753,656	2,000,000	100,000	50,000	50,000
Courier services, except by air	3,012,139	2,000,000	100,000	50,000	50,000
Water transportation services	6,927,726	4,000,000	200,000	100,000	100,000
Air transportation services	10,780,016	7,000,000	400,000	200,000	200,000
Transportation services	22,741,038	14,000,000	800,000	400,000	400,000
Communications services	367,759,994	234,000,000	12,800,000	6,500,000	6,300,000
Refuse and sanitary services	40,695,841	26,000,000	1,400,000	700,000	700,000
Sec. & commodity services, Invest. advice	12,414,535	8,000,000	400,000	200,000	200,000
Insurance agents, brokers & service	26,314,636	17,000,000	900,000	500,000	400,000
Real estate agents & managers	360,423,144	229,000,000	12,500,000	6,400,000	6,100,000
Personal services (excluding funeral serv.)	268,759,620	171,000,000	9,400,000	4,800,000	4,600,000
Business services	902,650,201	573,000,000	31,400,000	16,000,000	15,400,000
Auto parking, car washes other auto services	107,156,611	68,000,000	3,700,000	1,900,000	1,800,000
Misc. repair services	23,507,935	15,000,000	800,000	400,000	400,000
Amusement & recreation services	443,535,296	282,000,000	15,500,000	7,900,000	7,600,000
Legal services	298,538,699	190,000,000	10,400,000	5,300,000	5,100,000
Engineering & management services	812,646,788	516,000,000	28,300,000	14,400,000	13,900,000
Services not elsewhere classified	98,815,417	63,000,000	3,500,000	1,800,000	1,700,000
Taxation of Services Total		2,591,000,000	141,950,000	72,330,000	69,620,000

Exemption and Taxation of Services Total \$268,950,000 \$137,130,000 \$131,820,000

Estimates based on South Dakota taxable sales in FY 2023 from South Dakota Sales and Use Tax Report, unless otherwise specified

Population adjustments based on July 1, 2023 Wyoming and South Dakota population estimates.

Combined state and local sales tax rate of 5.48%, based on July 1, 2024 sales tax rates and FY 2023 Wyoming sales and use tax by county