



State of Wisconsin

Notice of Material Information

Dated May 9, 1997

Some bonds listed in this notice are not subject to the requirements of SEC Rule 15c2-12(b)(5) regarding an agreement to provide continuing disclosure.

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Material Information: The following document contains new information about revenue collections for the State of Wisconsin.

- A letter dated May 5, 1997 from the Director of the Legislative Fiscal Bureau to the co-chairs of the Joint Committee on Finance of the Wisconsin Legislature containing revenue projections for the Legislature as it continues to consider the state's budget and other legislation.

This letter increases the estimate of revenue available for appropriation in the general fund budget for 1997-99 by \$230 million.

This document provides information which may be material to financial evaluation of the State of Wisconsin, however neither the preparation nor submission of this document constitutes a Listed Material Event pursuant to the State's Master Agreement on Continuing Disclosure.

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing Annual Reports and giving notice of Listed Material Events when notice is required by the State's Master Agreement on Continuing Disclosure.

/S/ Frank R. Hoadley

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[Letterhead of Legislative Fiscal Bureau]

May 5, 1997

Senator Brian Burke, Senate Chair
Representative Scott Jensen, Assembly Chair
119 Martin Luther King Blvd.
Madison, WI 53703

Dear Senator Burke and Representative Jensen:

On April 24, 1997, I prepared a memorandum to you which estimated the preliminary status of the state's general fund for 1997-99 under the Governor's budget recommendations in 1997 Senate Bill 77. In that memorandum, I indicated that this office would review April tax collections data to determine whether an adjustment to the tax revenue estimates prepared last January was necessary.

Based on our analysis of preliminary collections data through April and more recent forecasts of the U.S. economy, we believe that the January estimates should be increased by \$95 million in 1996-97, \$75 million in 1997-98 and \$60 million in 1998-99. These revisions, which total \$230 million through the end of the next biennium, reflect modifications to the individual income tax, corporate income and franchise tax and the estate tax.

The April data was important to our analysis for several reasons. First, individual income tax returns are due on April 15 of each year. Therefore, a large share of income tax payments with tax returns are received in April and a considerable portion of income tax refunds are paid in April. In addition, a large quarterly estimated tax payment is due in April. As a result of these factors, it would not have been judicious to adjust the income tax estimates prior to reviewing the April collections data. In addition, March sales tax collections were very weak and year-to-date collections were lower than we had projected. As noted in the April 24 memorandum, the monthly sales tax figures have been erratic due to timing changes by the Department of Revenue in processing tax collections. The April figures provided assurance that the January sales tax estimates are still reasonable.

Individual Income Tax

Most of the increase is in the individual income tax, which is expected to exceed the January projections by \$80 million in 1996-97, \$70 million in 1997-98 and \$60 million in 1998-99. The revised figures are \$4,545 million in 1996-97, \$4,810 million in 1997-98 and \$5,070 million in 1998-99.

In January, we estimated that income tax collections would grow by 6.7% in 1996-97 over the 1995-96 amount. However, as of April, year-to-date growth was significantly greater. Two components of the income tax have been particularly strong. First, income tax payments filed with tax returns have increased by approximately 12% over the same period last year. In addition, quarterly estimated tax payments by self-employed taxpayers and individuals with significant nonwage income have increased by 17.1%. The largest component of income tax collections, withholding payments, has increased by 7.1%, which is generally consistent with the January estimate.

To date, income tax refunds are 5.2% lower than last year's total as of April. The Department of Revenue indicates that, compared to last year, it is somewhat behind in processing and issuing income tax refunds. Therefore, it is anticipated that additional refunds will be paid during the remainder of the fiscal year, which should reduce overall growth somewhat.

In addition to the strong collections this year, officials from Data Resources Incorporated indicate that their May forecast of the U.S. economy has improved somewhat compared to the forecast that was used for the January estimates. Therefore, we believe that the income tax estimates for the 1997-99 biennium should also be adjusted upward. However, it is expected that growth in income tax collections will continue to moderate in 1997-98 and in 1998-99.

Corporate Income and Franchise Taxes

Estimates of corporate income and franchise tax collections have been increased by \$10 million in 1996-97 and by \$5 million in 1997-98. As a result, corporate income and franchise tax collections are projected to be \$650 million in 1996-97, \$642 million in 1997-98 and \$655 million in 1998-99. These revisions reflect stronger than anticipated collections through April and an increase in the forecast of corporate profits for 1997. Current estimates of corporate income and franchise tax collections are \$640 million for 1996-97, \$637 million for 1997-98 and \$655 million for 1998-99. Corporate income and franchise tax estimates in 1997-98 and 1998-

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99 are net of refunds totalling \$9 million and \$10.1 million, respectively, to reflect settlement of the NCR case.

Estate Tax

We have increased our estimate for the estate tax by \$5 million in 1996-97, primarily due to unexpected receipts in April and May. We believe these revenues are one-time in nature; therefore, we have not adjusted the 1997-99 estimates.

Sales Tax

Through February, total sales tax collections had grown over the previous year amount by 6.1%, which was slightly greater than our estimate of 5.8%. However, monthly collections for March declined from the previous year, which reduced year-to-date growth to 5.5%. As noted, the monthly sales tax figures have been erratic. Preliminary April collections increased by 8.8%, and the year-to-date growth rate increased to 5.7%, which is consistent with the January estimate. At this time, we believe that the year-to-date increase through April is an accurate indicator of sales tax collections. Therefore, we do not believe an adjustment is necessary to the January projections.

Other Taxes

The revised estimates outlined above are based primarily on collections data for the current fiscal year. Collections for the other state taxes are generally consistent with the January projections. Therefore, at this time we do not believe an adjustment is warranted.

This office prepares general fund tax estimates each January. We will continue to monitor national economic forecasts and tax collections data and keep you informed of any further modifications that may be necessary prior to the January, 1998, estimates.

Sincerely,

/s/ Robert Wm. Lang
Robert Wm. Lang
Director

cc: Members, Wisconsin Legislature