

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

| |
|------------------------------|
| LRB # 99-4382/1 |
| INTRODUCTION # AB 914 |
| Admin. Rule # |

Subject
Complete Sales Tax Exemption for Residential Energy

Fiscal Effect

- State:** No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|--|--|--|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues | <input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Decrease Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | |
| <input type="checkbox"/> Create New Appropriation | <input type="checkbox"/> Decrease Costs | |

Local: No Local Government Costs

- | | | |
|--|---|---|
| 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities |
| 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory | <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>SWPBD</u> <input type="checkbox"/> School Districts <input type="checkbox"/> 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 law, residential electricity and natural gas sold from November through April is exempt from sales and use tax; this bill would extend the exemption to electricity and natural gas sold for residential use during the remaining months of the year.

Total residential sales of electricity in 1998 were \$1,252.4 million, based on data in *Wisconsin Energy Statistics 1999* published by the Department of Administration's Division of Energy and Intergovernmental Relations. Based on Standard & Poor's Data Resources Inc.'s (DRI) forecasted growth in the consumer price index for electricity from 1998 to 2000 and historical consumption patterns of electricity in Wisconsin, sales of electricity to households from May through October are estimated at \$673.1 million for 2000.

Residential sales of natural gas in 1998 were \$718.0 million, based on data from *Wisconsin Energy Statistics 1999*. Base on DRI's forecasted growth in the consumer price index for natural gas, and historical May through October residential consumption of natural gas in Wisconsin, sales of natural gas to households that would become exempt from the sales tax under this bill are an estimated \$252.7 million for 2000.

Residential electricity sales would generate \$33.7 million (\$673.1 million x .05), and residential natural gas sales would generate \$12.6 million (\$252.7 million x .05) in sales tax revenue from May through October. The combined annual sales tax revenue loss for the state due to the electricity and natural gas exemption proposed in this bill would be \$46.3 million (\$33.7 million + \$12.6 million) annually. Weather and events affecting the economy can cause residential natural gas and electricity use to fluctuate from year to year; therefore, the actual fiscal effect may vary from year to year.

County and stadium sales tax revenues were 6.24% of state sales tax revenues in 1998. Assuming this percentage applies, county and stadium sales tax revenues would decline by \$2.9 million (\$46.3 million x .0624) annually.

Long-Range Fiscal Implications:

| | | |
|---|--|-----------------------|
| Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue John T. Stott, (608) 266-9706 | Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i> | Date 4/3/00 |
|---|--|-----------------------|

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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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) | \$ | \$ - |
| State Operations-Other Costs | (FTE) | (- FTE) |
| 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 | \$ | \$ - 46.3 million |
| GPR Earned | | - |
| FED | | - |
| PRO/PRS | | - |
| SEG/SEG-S | | - |
| TOTAL State Revenues | \$ | \$ - 46.3 million |

NET ANNUALIZED FISCAL IMPACT

| | <u>STATE</u> | <u>LOCAL</u> |
|------------------------|------------------|-----------------|
| NET CHANGE IN COSTS | \$ | \$ |
| NET CHANGE IN REVENUES | \$ -46.3 million | \$ -2.9 million |

| Agency/Prepared by: (Name & Phone No.) | Authorized Signature/Telephone No. | Date |
|--|---|--------|
| Wisconsin Department of Revenue John T. Stott, (608) 266-9706 | Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700 | 4/3/00 |