

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL     UPDATED
- CORRECTED     SUPPLEMENTAL

LRB # 99-2535/2
INTRODUCTION # SB 463
Admin. Rule #

**Subject**  
Income and Franchise Tax: Credit for Purchasing and Installing Solar Energy Equipment

**Fiscal Effect**

State: <input type="checkbox"/> No State Fiscal Effect Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <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 <input type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

**Fund Sources Affected**

- GPR    FED    PRO    PRS    SEG    SEG-S

**Affected Ch. 20 Appropriations**

20.566 (1)(a)

**Assumptions Used in Arriving at Fiscal Estimate:**

The bill would provide a nonrefundable credit for 15% of the amount paid or incurred for the purchase and installation of the following solar energy equipment:

- Up to \$1,000 for a solar energy system to heat water if it is installed after December 31, 1999, and before January 1, 2005.
- Up to \$2,000 for a rooftop photovoltaic solar energy system if it is installed after December 31, 1999, and before January 1, 2007.

The credit applies to individuals and businesses. Partnerships, limited liability companies and tax option corporations compute the credit and pass it on to their partners, members and shareholders in proportion to their ownership interests. Unused credits may be carried forward for 15 years to offset future tax liability.

This estimate is based on projections by the Bureau of Energy in the Department of Administration of purchases by Wisconsin individuals and businesses of solar water heaters and photovoltaic energy systems. Based on data from the Department of Revenue, it is estimated that 75% of credits claimed are used in a year.

It is estimated that the average cost of a solar water heater purchased by an individual is \$3,500 and that 75 individuals would purchase them annually, for an annual fiscal effect of \$30,000 (\$3,500 x 15% x 75 x 75%). It is estimated that 75 individuals would also purchase photovoltaic energy systems annually at an average cost of \$8,000, making the annual fiscal effect \$68,000 (\$8,000 x 15% x 75 x 75%). Therefore, the total fiscal effect of this credit for individuals is estimated at \$98,000 annually.

(continued on page two)

**Long-Range Fiscal Implications:**

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Authorized Signature/Telephone No. Dennis Collier <i>Dennis Collier</i> (608) 266-5773	Date 4/27/00
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The average cost of a commercial solar water heating system is estimated at \$10,000 and 25 Wisconsin businesses are expected to purchase them. The maximum credit per item is limited to \$1,000, for an annual fiscal effect of \$19,000 ( $\$1,000 \times 25 \times 75\%$ ). Twenty-five businesses are also expected to purchase rooftop photovoltaic energy systems at an average estimated cost of \$22,000. With a maximum credit per item of \$2,000, the resulting annual decrease in revenues is estimated at \$38,000 ( $\$2,000 \times 25 \times 75\%$ ). The total estimated fiscal effect of this credit for commercial applications is \$57,000 annually.

The combined annual fiscal effect for individuals and businesses is an estimated \$155,000.

The bill does not provide funding for administrative costs. The Department estimates \$144,600 in one-time costs and \$8,000 in annual costs to implement and administer the credit.

DL  
4/21/00

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

**1999 Session**

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**Subject**

**Income and Franchise Tax: Credit for Purchasing and Installing Solar Energy Equipment**

**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

One-time costs of \$144,600 in FY 2001

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)	\$ 8,000  (     FTE)	\$ - minimal  ( -     FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 8,000</b>	<b>\$ - minimal</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 8,000	\$ -
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	\$	\$ - 155,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 155,000</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ +8,000	\$
NET CHANGE IN REVENUES	\$ -155,000	\$

<b>Agency/Prepared by: (Name &amp; Phone No.)</b>	<b>Authorized Signature/Telephone No.</b>	<b>Date</b>
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Dennis Collier <i>Dennis Collier</i> (608) 266-5773	4/24/00