

### Fiscal Estimate - 2003 Session

Original    
  Updated    
  Corrected    
  Supplemental

<b>LRB Number</b> <b>03-0684/3</b>	<b>Introduction Number</b> <b>AB-762</b>
<b>Subject</b>	
Sales and use tax exemption for certain solar or wind powered products	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations	
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs     3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs     4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <input type="checkbox"/> Stadium districts <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.835 (4) (g), (gb) and (ge)	
<b>Affected Ch. 20 Appropriations</b>	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
DOR/ Blair Kruger (608) 266-1310	Dennis Collier (608) 266-5773
	<b>Date</b>
	2/11/2004

## Fiscal Estimate Narratives

DOR 2/11/2004

LRB Number	03-0684/3	Introduction Number	AB-762	Estimate Type	Original
<b>Subject</b>					
Sales and use tax exemption for certain solar or wind powered products					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, production of electricity is classified manufacturing and, therefore, machinery and equipment used exclusively and directly in generating electricity is exempt from sales and use tax. However, a sale of property, such as a solar panel, that is a real property improvement when installed is taxable to the contractor. Also under current law, purchases of electricity for residential use from November through April, agricultural use, and manufacturing use are exempt from sales and use tax.

Under the bill, purchases of electric generating equipment whose power source is wind, the sun or gas generated from anaerobic digestion of animal manure and other agricultural waste would be exempt from sales and use tax. Such equipment must produce at least 200 watts of alternating current or 600 British thermal units per day. The exemption under the bill does not apply to an uninterruptible power source that is designed primarily for computers.

Also under the bill, except for sales of electricity that are exempt from tax, sales of electricity produced by electric generating equipment whose power source is wind, the sun or gas generated from anaerobic digestion of animal manure and other agricultural waste would be exempt from sales and use tax.

#### Exempting Sales of Electricity.

Wisconsin sales of electricity to end-users were about \$4.2 billion in 2002. According to the 2003 Wisconsin Energy Statistics, wind and solar generation accounted for 0.53% of electricity produced in 2002. Thus, sales of wind and solar-produced electricity were about \$22.6 million in 2002. Assuming this amount increases by 4.2% annually, the rate at which electric expenditures increased from 1993-2002, and assuming a 95% compliance rate, state sales taxes would decrease by about \$1.2 million in FY05 under the bill.

County and stadium district sales and use taxes were about 7.52% of state sales and use taxes in 2003. Assuming this percentage does not change, county and stadium district sales and use taxes would decrease by about \$0.1 million in FY05 under the bill.

The amount of electricity produced using gas generated from anaerobic digestion of agricultural waste and the decrease in sales taxes due to such production under the bill is miniscule.

#### Exempting Sales of Generating Equipment.

According to Focus on Energy, a public-private partnership providing energy information and services to Wisconsin, the average cost of equipment for the 140 solar electric systems installed in 2003 was about \$14,500. Since these systems are real property improvements when installed, the contractor pays sales tax on the equipment purchases. Assuming expenditures on such systems increase by 20% per year and a 90% compliance rate, state sales and use taxes would decrease by about \$120,000 in FY05.

County and stadium district sales and use taxes were about 7.52% of state sales and use taxes in 2003. Assuming this percentage does not change, county and stadium district sales and use taxes would decrease by about \$10,000 in FY05 under the bill.

Electric generating equipment that uses gas generated from anaerobic digestion of animal manure or other agricultural waste would likely be exempt as pollution control equipment.

Administrative costs of the bill would be minimal and absorbed by the department.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 03-0684/3		<b>Introduction Number</b> AB-762	
<b>Subject</b>			
Sales and use tax exemption for certain solar or wind powered products			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$-1,320,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-1,320,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-1,320,000		\$-110,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Blair Kruger (608) 266-1310		Dennis Collier (608) 266-5773	
		<b>Date</b>	
		2/11/2004	