

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-3127/1		Introduction Number SB-252
Subject Sales and use tax exemption for fuel efficient hybrid motor vehicles		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<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"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Costs	
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		
Local:		
<input type="checkbox"/> No Local Government Costs	3. <input type="checkbox"/> Increase Revenue	5.Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Stadium districts</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenue	
2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
Fund Sources Affected		Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DOR/ Blair Kruger (608) 266-1310	Authorized Signature Rebecca Boldt (608) 266-6785	Date 7/22/2005

Fiscal Estimate Narratives

DOR 7/25/2005

LRB Number	05-3127/1	Introduction Number	SB-252	Estimate Type	Original
Subject					
Sales and use tax exemption for fuel efficient hybrid motor vehicles					

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from sales and use taxes, for the five years beginning with the date of enactment of the exemption, sales of hybrid motor vehicles that have a federal Environmental Protection Agency combined city-highway mileage rating of no less than 40 miles per gallon. The amount of state taxes that can be claimed as an exemption under the bill may not exceed \$1,000.

Forecasts of nationwide sales of hybrid vehicles in 2005 range from about 185,000 to 220,000 units, up from about 88,000 units in 2004. Based on data reported by hybridcars.com, Wisconsin sales of hybrids accounted for 1.7% of nationwide sales in 2003. Assuming this percentage does not change, and nationwide sales of 200,000 units, about 3,500 hybrids will be sold in Wisconsin in 2005. Although sales of hybrids by gas mileage are not available, higher gas mileage is a major selling point of the cars. Therefore, it is assumed that two-thirds of the vehicles have a combined EPA rating of no less than 40 miles per gallon. In addition, it is assumed that 20% of hybrids are sold to governments, non-profits and other exempt buyers. Under the foregoing assumptions, about 1,865 hybrids would meet the requirements for exemption under the bill in 2005.

A cap of \$1,000 means prices greater than \$20,000 (\$1,000/5%) would be subject to state sales tax. Since hybrids typically sell for more than \$20,000, all sales are assumed to qualify for the \$1,000 state sales tax exemption under the bill. Assuming the bill takes effect October 1, 2005, and that sales of hybrids increase 50% per year, 1,523 vehicles in FY06 and 3,426 vehicles in FY07 would qualify for the \$1,000 exemption under the bill. Under these assumptions, state sales taxes would decrease by about \$1.5 million in FY06 and \$3.4 million in FY07 under the bill.

County and stadium district sales and use taxes were about 7.724% of state sales taxes in FY04. Assuming this percentage does not change, and that hybrid vehicles sell for \$27,500 on average, county and stadium sales taxes would decrease by about \$200,000 in FY06 and \$400,000 in FY07.

Administrative costs of the bill would be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Sales and use tax exemption for fuel efficient hybrid motor vehicles			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
-\$1,500,000 state sales and use taxes in FY06; -\$200,000 county and stadium sales and use taxes in FY06			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	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	\$	\$-3,400,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-3,400,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-3,400,000	\$-400,000
Agency/Prepared By		Authorized Signature	Date
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