

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3968/1	Introduction Number SB-422
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Description
 The annual adjustment of the motor vehicle fuel tax rate and depositing sales and use tax revenues from the sale or use of motor vehicle parts into the transportation fund

Fiscal Effect

State:

- | | | |
|---|--|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input type="checkbox"/> Create New Appropriations | <input checked="" type="checkbox"/> Increase Existing Revenues
<input checked="" type="checkbox"/> Decrease Existing Revenues | <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"/> Decrease Costs |
|---|--|---|

Local:

- | | | |
|--|--|---|
| <input type="checkbox"/> No Local Government Costs
<input type="checkbox"/> Indeterminate
1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
4. <input type="checkbox"/> Decrease Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Government Units Affected
<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
|--|--|---|

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By DOR/ Jacek Cianciara (608) 266-8133	Authorized Signature Paul Ziegler (608) 266-5773	Date 11/30/2005
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Fiscal Estimate Narratives

DOR 11/30/2005

LRB Number	05-3968/1	Introduction Number	SB-422	Estimate Type	Original
Description The annual adjustment of the motor vehicle fuel tax rate and depositing sales and use tax revenues from the sale or use of motor vehicle parts into the transportation fund					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the rate of the motor vehicle fuel tax is annually adjusted on April 1 by increasing the tax rate by the percentage change in the annual average U.S. Consumer Price Index.

Under this bill, beginning in 2007, if the motor vehicle fuel tax is no longer annually adjusted, then an amount from the sales and use taxes imposed on the sale or use of motor vehicle parts will be deposited into the transportation fund. That amount will be calculated as the difference between the amount of motor vehicle fuel taxes that would have been generated in the current fiscal year if the annual adjustment of the motor vehicle fuel tax was in effect and the amount of the motor vehicle fuel taxes actually collected in the current fiscal year. The amount of the transfer may not, however, exceed the amount of sales taxes collected on motor vehicle parts during the fiscal year.

Sales Tax Collections on Motor Vehicle Parts

Motor vehicle parts are sold by new and used car dealers, service stations, automotive repair shops, department stores (e.g., windshield wiper blades and motor oil) and other sellers. Since specific data on sales of motor vehicle parts are not available, two estimates of the sales and use taxes on motor vehicles are developed to provide a range.

1. According to the Wisconsin Department of Transportation, 5,160,673 motor vehicles were registered in 2003. The number of registered vehicles has increased 3% per year over the past 5 years. According to the AAA Wisconsin, the average maintenance cost of a motor vehicle was \$915 in 2004. It is assumed that 15% of vehicles are government or other exempt entities, and 33% of maintenance costs are for parts. Under these assumptions, sales of motor vehicle parts would produce about \$73 million in sales tax in FY07.
2. According to the US Census, sales of tires, tubes and automotive accessories totaled \$45.8 billion in 2001. These sales have increased about 3.6% per year over the previous 5 years. Assuming 2% of those sales were in Wisconsin (Wisconsin's share of motor vehicle registrations), sales increase 3.6% per year, and that 15% of sales were to governments or other exempt entities, sales taxes on tires, tubes and automotive accessories in Wisconsin would be about \$45 million in FY07.

Also according to the US Census, sales of motor vehicle repairs, greasing, washing, parking, leasing and rentals totaled \$181.6 billion in 2001. These sales have increased at about 7.2% per year over the previous 5 years. It is assumed that 10% of these sales were for motor vehicle parts and 15% of sales were to governments or other exempt entities. Under these assumptions, and further assuming 2% of those sales were in Wisconsin (Wisconsin's share of motor vehicle registrations), sales taxes on motor vehicle parts related repairs, greasing, washing, parking, leasing and rentals in Wisconsin would be about \$21 million in FY07. Thus, based on US Census data, sales of tires, tubes and automotive accessories, and sales of motor vehicle parts related repairs, greasing, washing, parking, leasing and rentals produced sales taxes of about \$66 million in FY07.

Based on the above estimates, sales taxes on motor vehicle parts would range from about \$66 to \$73 million in FY07.

Suspension of Motor Fuel Tax Indexing

Suspension of motor fuel tax indexing is not included in this bill. If indexing of the motor fuel tax is suspended beginning in 2007, however, the estimated reduction in motor fuel tax revenues is estimated to be \$5.1 million

SEG in FY07, \$26.0 million SEG in FY08 and \$41.9 million SEG in FY09. The reduction would be expected to further increase in subsequent years as the gap between the actual motor fuel tax and the tax that would have occurred if indexing had continued grows each year.

Deposit to Transportation Fund

Assuming other legislation is enacted to suspend motor fuel tax indexing, in the first several years after this bill is effective, the amounts deposited to the transportation fund are expected to be the estimated revenue losses due to the suspension of indexing. Consequently, the deposit of sales tax revenues to the transportation fund is anticipated to be \$5.1 million in FY07, \$26.0 million in FY08 and \$41.9 million in FY09.

The limitation to the amount deposited to the transportation fund to the amount of sales tax collected from the sale of motor vehicle parts is expected to become binding, however, in some subsequent year. Depending on the accuracy of the assumptions above and inflation trends, this limitation may become effective beginning in FY10 or FY11.

The state's general fund balance would decrease each year by the amount deposited to the transportation fund.

Administrative Costs

Under the bill, the department would incur one time costs of \$134,200 for computer programming and testing.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Description The annual adjustment of the motor vehicle fuel tax rate and depositing sales and use tax revenues from the sale or use of motor vehicle parts into the transportation fund			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The Department of Revenue would incur one time costs of \$134,200 for computer programming and testing.			
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, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-26,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S		26,000,000	
TOTAL State Revenues		\$26,000,000	\$-26,000,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$0	\$
Agency/Prepared By		Authorized Signature	Date

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