

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-2174/1		Introduction Number SB-81
Subject Renewable resources; tax exemptions and grants		
Fiscal Effect State: <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 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 Costs		
Local: <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 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		
Fund Sources Affected <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		Affected Ch. 20 Appropriations
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Fiscal Estimate Narratives

DOR 3/11/2005

LRB Number	05-2174/1	Introduction Number	SB-81	Estimate Type	Original
Subject					
Renewable resources; tax exemptions and grants					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a "resource" is a source of energy used to generate electric power. A "renewable resource" is a resource [source of energy] that derives electricity from a fuel cell that uses a renewable fuel, tidal or wave action, solar thermal electric or photovoltaic energy, wind power, geothermal technology or biomass. "Renewable resource" also includes a resource with a capacity of less than 60 megawatts that derives electricity from hydroelectric power. Also under current law, the production of electricity is manufacturing and, therefore, sales of machinery and equipment exclusively and directly used to produce electricity are exempt from sales and use tax.

The bill creates two exemptions from sales and use tax. Under the bill, the sale, storage, use or other consumption of a renewable resource [source of energy] would be exempt from sales and use tax. In addition, the bill exempts from sales and use tax the sale, storage, use or other consumption of any item of tangible personal property that uses a renewable resource as a power source.

The bill would also require the Development Finance Board attached to the Department of Commerce to award technology development grants and loans up to a total of \$400,000 in each biennium for research, development, or commercialization projects related to renewable resources.

EXEMPTION OF RENEWABLE RESOURCES.

Most electric generating equipment, including generating equipment powered by renewable resources, is exempt manufacturing machinery and equipment under current law. In addition, fuel cells and photovoltaic batteries are typically components of products and, hence, exempt purchases of manufacturing inputs. To the extent taxable sales of fuel cells and other renewable resources occur, the decrease in sales taxes is likely to be minimal.

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

EXEMPTION OF TANGIBLE PERSONAL PROPERTY POWERED BY RENEWABLE RESOURCES.

Wisconsin's electric supply is produced using a mix of technologies and fuels, including renewable resources such as wind power. Since the exemption under the bill does not require direct or exclusive use of power generated using a renewable resource, sales of most, if not all, items of tangible personal property that use electricity would be exempt under the bill. Thus, for example, sales of computers and other office equipment, home electronics, air conditioners, and lighting fixtures would be exempt under the bill. An accurate estimate of the decrease in sales taxes from such broad exemption is not feasible but it would be very substantial. Moreover, based on discussions with the author's staff, it is not the author's intent to create such a broad exemption.

County and stadium district sales and use taxes were about 7.72% of state sales and use taxes in FY04.

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

Long-Range Fiscal Implications