

## Fiscal Estimate - 2009 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>09-3316/1</b>	<b>Introduction Number</b> <b>AB-0408</b>	
<b>Description</b> Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties		
<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 checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" 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 type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others      lake, sanitary, metro sewer <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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## Fiscal Estimate Narratives

DOR 9/21/2009

LRB Number	<b>09-3316/1</b>	Introduction Number	<b>AB-0408</b>	Estimate Type	<b>Original</b>
<b>Description</b> Financial assistance related to bioenergy feedstocks, biorefineries, and conversion to biomass energy; the definition of the term agricultural use for the purpose of determining the assessed value of a parcel of land; requiring a strategic bioenergy feedstock assessment; creation of a bioenergy council; the agricultural and forestry diversification programs; biofuels training assessment; a study of regulatory burdens relating to biofuel production facilities; marketing orders and agreements for bioenergy feedstocks; exempting personal renewable fuel production and use from the motor vehicle fuel tax, the petroleum inspection fee, and business tax registration requirements; an income and franchise tax credit for installing or retrofitting pumps that mix motor vehicle fuels from separate storage tanks; offering gasoline that is not blended with ethanol to motor fuel dealers; state renewable motor vehicle fuels sales goals; required sales of renewable motor vehicle fuels; use of petroleum-based transportation fuels by state vehicles; use of alternative fuels in flex fuel vehicles owned by the state; use of public alternative fuel refueling facilities; duties of the Office of Energy Independence; granting rule-making authority; requiring the exercise of rule-making authority; making appropriations; and providing penalties					

### Assumptions Used in Arriving at Fiscal Estimate

#### PROPERTY TAXES

Under current law, Department of Revenue (DOR) defines, by rule, what constitutes "agricultural use" for determining which land can be valued at agricultural use value under the agricultural use value statute. The DOR rule specifically excludes growing short rotation (a growing and harvesting cycle of 10 years or less) woody trees from the definition of agricultural use. As a result, land used to grow short rotation woody trees is generally classified as either forest land (subject to assessment at full market value) or agricultural forest land (subject to assessment at 50% of market value).

Under the bill, beginning with the January 1, 2011 assessment, the definition of "agricultural use" would be amended to include the growing of woody trees under "agronomic practices" (practices generally associated with crop production).

The law change could increase the number of acres qualifying for agricultural use value assessment. The statewide average taxable value per acre and net property tax per acre for the 2008/09 property tax year were as follows: for agricultural land, \$187 and \$3.13; for agricultural forest land, \$1,327 and \$18.56; and for forest land, \$2,247 and \$29.04. Thus, if land is reclassified to agricultural from agricultural forest or forest, property taxes will be shifted from the reclassified property to all other property owners. The DOR does not have data to reasonably estimate the acreage that could be reclassified under the bill, and therefore is unable to reasonably estimate the shift in property taxes the bill could engender. In addition, the state forestation property tax, currently imposed at a rate of about \$0.17 per \$1,000 of full taxable value, would also decline by an unknown amount.

The DOR would incur one-time costs to revise its assessment manual and to change the administrative rule (Tax 18) on agricultural use value. These costs can be absorbed within current resources.

#### INCOME TAXES

The bill affects individual income taxes, corporate income taxes and insurance company taxes.

Under current law, an "ethanol and biodiesel fuel pump" income tax credit is available for persons or entities that have installed or retrofitted equipment for dispensing motor vehicle fuel to end-users that dispense fuel consisting of at least 85 percent ethanol or at least 20 percent biodiesel fuel. The credit is 25 percent of the cost to installing or retrofitting such equipment, with a maximum credit of \$5,000 per service station at which such equipment was installed or retrofitted. The credit is available for taxable years beginning after December 31, 2007, and before January 1, 2018.

Under the bill, the definition of fuel pumps that would be eligible for the ethanol and biodiesel fuel pump credit is expanded to include equipment that blends fuels at the pump. It is not anticipated that this

modification will result in a significant increase in the number of eligible pumps being installed relative to current law. Therefore, the fiscal effect resulting from the change is expected to be minimal.

## FUEL TAXES

Under current law, the state imposes an excise tax on motor fuel of \$0.309 per gallon and a petroleum inspection fee of \$0.020 per gallon. Fuel dealers are required to obtain a business tax registration with the DOR for which there is an initial fee of \$20 and a renewal fee (due every 2 years) of \$10.

Under the bill, the first 1,000 gallons of renewable fuel produced by a person each year and used in his or her personal motor vehicle is exempt from the motor vehicle fuel excise tax, the petroleum inspection fee, and any petroleum inspection requirements not required by federal law, as long as that person does not sell any of the fuel. Such person would also be permitted to operate without obtaining a business tax registration certificate.

The DOR is unable to reasonably estimate the number of people who will choose to produce their own renewable fuels or the amount of fuel such people will produce. As a result, it is not possible to reasonably estimate the decrease in motor fuel taxes, petroleum inspection fees, or business tax registration fees that this bill would engender. Given the 1,000 gallon cap on the exemptions, the maximum motor fuel tax and petroleum inspection fee reductions for any one person would be \$329 per year (1,000 X (\$0.309 + \$0.020)).

With an effective date of the first day of the third month beginning after publication, the DOR would need to hire systems programmers to get the fuel tax systems converted in time. It will take about 1,100 hours to make these changes, two-thirds of which would be contractor time. Total costs would be \$55,000. If the effective date were moved to six months from the date of enactment, the work could be done internally and the costs absorbed.

## Long-Range Fiscal Implications