



## Fiscal Estimate Narratives

DOR 4/14/2014

LRB Number	<b>13-3924/1</b>	Introduction Number	<b>AB-0902</b>	Estimate Type	<b>Original</b>
<b>Description</b> Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The bill would create a Wisconsin Renewable Energy Development Authority (WREDA). WREDA is authorized to have a maximum of \$500 million in outstanding debt. Under the bill, interest from bonds issued by WREDA would be exempt from tax under the individual and corporate income tax. In addition, under the bill WREDA's purchases would exempt from the sales and use tax.

#### Fiscal Estimate

This estimate pertains only to the provisions of the bill that provide exemptions from the individual and corporate income tax and the sales and use tax.

**Income Tax Exemption** - The bill creates an exemption under both the individual and corporate income tax for interest on bonds issued by WREDA. However, virtually all corporations pay the franchise tax, not the corporate income tax, and therefore the fiscal effect of this provision would solely be under the individual income tax.

The authority is authorized under the bill to have a maximum of \$500 million in outstanding bonds at a time. In addition, Global Insight estimates a bond rate for municipal bonds for 2015 of 4.97%. Finally, a review of individual tax returns that claimed exemptions for interest from tax exempt bonds showed an average marginal tax rate for these taxpayers of 6.66%. Based on this, assuming WREDA issues the maximum of \$500 million in bonds, the exemption would result in a reduction in individual income tax revenue of an estimated \$1.7 million annually (\$500 million in bonds x 4.97% interest rate x 6.66% marginal tax rate). The fiscal effect would be lower to the extent that WREDA issues less than the maximum amount of debt authorized under the bill. The fiscal effect would be higher (lower) to the extent that the interest rate for debt issued by WREDA is higher (lower) than estimated by Global Insight. The fiscal effect would be lower to the extent that the bonds are bought by residents of other states with no Wisconsin tax liability.

**Sales Tax Exemption** - The exemption is expected to reduce sales and use tax collections by a minimal amount.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

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<b>Description</b> Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation			
<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, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-1,700,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-1,700,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-1,700,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
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		<b>Date</b>	
		4/14/2014	