

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-2948/1	Introduction Number AB-0468
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Description
 Annual adjustment of the motor vehicle fuel tax rate

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<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		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected
<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	
		<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 Robert Schmidt (608) 266-5773	Date 11/9/2015
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Fiscal Estimate Narratives

DOR 11/9/2015

LRB Number 15-2948/1	Introduction Number AB-0468	Estimate Type Original
Description Annual adjustment of the motor vehicle fuel tax rate		

Assumptions Used in Arriving at Fiscal Estimate

The motor fuel tax is an excise tax levied on a per gallon basis on motor vehicle fuel (gasoline, including gasoline blended with ethanol, and diesel). The 1983-85 biennial budget established annual indexing of the motor fuel tax rate based on the change in the U.S. Consumer Price Index (CPI). 2005 Act 85 repealed indexing after April 1, 2006 when the tax was set at 30.9¢ or \$0.309 per gallon.

The bill reinstates indexing of the motor fuel tax for inflation beginning with the tax imposed on May 1, 2017. The bill requires the Department of Revenue (DOR) to recalculate the tax rate by March 1 each year to reflect the annual average change in the CPI and submit the new rate to the Joint Committee on Finance (JFC). The annual increase takes effect only if it is approved by the JFC by March 31 of each year or if the committee takes no action regarding the rate increase before April 1 of each year.

As of October 2015, IHS Global Insight projects inflation rates of 2.4% in FY17, increasing to 2.8% in FY18, then declining to 2.4% in FY19. The Wisconsin Department of Transportation expects motor fuel consumption to increase by 0.75% in FY17, followed by a decline of 0.12% in FY18, and an additional decline of 0.09% in FY19. The estimate assumes that JFC will approve the motor fuel tax rate increases.

The motor vehicle fuel tax rate which reflects projected inflation levels is estimated at 31.6 cents per gallon in March, 2017, 32.5 cents per gallon in 2018, and 33.3 cents per gallon in 2019. The fiscal effect represents the change in fuel tax revenue resulting from the tax rate increase, not the change in fuel consumption.

The estimated fiscal impact of adjusting the motor fuel tax for inflation creates a revenue gain of \$31.1 million in FY18 and \$61 million in FY19. In addition, motor vehicle fuel floor tax is imposed on inventory of fuel held by the distributors prior to the tax rate change, which on average during the 2000 - 2005 time period was equal to 0.03% of annual motor fuel tax collections. Based on this number, DOR expects motor fuel floor tax collections to reach \$319,000 in FY18 and \$327,000 in FY19. As a result of the imposition of motor fuel indexing, additional motor fuel tax revenues amount to \$31.4 million in FY18 and \$61.2 million in FY19. The revenue increase grows as the indexed fuel tax rates in future years exceed the current law rate.

DOR would incur additional costs, some of which could be absorbed in the department's budget. However, DOR's computer system will need to be programmed to accommodate fuel tax indexing, inventory floor tax returns, accounting, and auditing screens with one-time programming costs estimated to be \$300,000. Moreover, one additional position will be required to implement a continuing indexing requirement, notify fuel tax registrants of the tax rate changes, respond to questions, and process inventory tax returns. The department estimates the ongoing annual costs to be \$68,000.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Annual adjustment of the motor vehicle fuel tax rate		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): DOR would incur computer programming costs to accommodate fuel tax indexing, inventory floor tax returns, accounting, and auditing screens with one-time programming costs estimated to be \$300,000.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$68,000	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$68,000	\$
B. State Costs by Source of Funds		
GPR	68,000	
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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S	31,400,000	
TOTAL State Revenues	\$31,400,000	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$68,000	\$
NET CHANGE IN REVENUE	\$31,400,000	\$

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