

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL     UPDATED
- CORRECTED     SUPPLEMENTAL

LRB # 99-2534/1
INTRODUCTION # SB 462
Admin. Rule #

**Subject**  
**Income and Franchise Tax: Create a Credit for Purchasing Energy Efficient Equipment**

**Fiscal Effect**

State:  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

<input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation	<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
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Local:  No Local Government Costs

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 Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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<b>Fund Sources Affected</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	<b>Affected Ch. 20 Appropriations</b> 20.566 (1)(a)
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**Assumptions Used in Arriving at Fiscal Estimate:**

The bill would create an income and franchise tax credit for purchasing energy efficient equipment. The credit would equal 10% of the costs paid or incurred by the claimant to purchase equipment with a seasonal energy efficiency ratio (SEER) of at least 12.0, up to \$250 for each piece of equipment. The credit would equal 20% of the cost for equipment with a seasonal efficiency ratio of at least 15.0, up to \$500 per piece purchased.

The credit applies to individuals and businesses. Partnerships, limited liability companies and tax option corporations compute the credit and pass it on to their partners, members and shareholders in proportion to their ownership interests. Unused credits may be carried forward for 15 years to offset future tax liability.

According to the draft, eligible equipment includes central air conditioners, furnaces, boilers, programmable thermostats, natural gas refrigeration pumps, ground source and air source heat pumps, natural gas water heaters, electric heat pump water heaters and fuel cells. However, of the listed equipment, only central air conditioners receive a SEER rating and would qualify for the credit. As such, the estimate is limited to purchases of central air conditioners.

Data are not available to estimate the number of individuals and businesses in Wisconsin that would purchase central air conditioners and the cost of those purchases annually. However, based on information from the Bureau of Energy in the Department of Administration and the Energy Center of Wisconsin, it is estimated that 5,000 individuals and businesses annually would purchase central air conditioners with a SEER rating of at least 12.0 for a total cost of \$2,500 or more. Thus, it is assumed that each purchaser would receive the maximum \$250 credit (\$2,500 x 10%).

(continued on page two)

**Long-Range Fiscal Implications:**

<b>Agency/Prepared by: (Name &amp; Phone No.)</b> Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	<b>Authorized Signature/Telephone No.</b> Yeang-Eng Braun (608) 266-2700 	<b>Date</b> 4/26/00
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The Department of Revenue estimates that 75% of credits claimed in a year are used to offset tax liability. Based on those assumptions, it is estimated that the credit would reduce revenues by \$937,500 per year ( $5,000 \times 250 \times 75\%$ ).

It is believed that there are very few purchases of central air conditioners with a SEER rating of 15.0. Accordingly, the fiscal impact of those purchases is assumed to be minimal.

The bill does not provide for funding of administrative expenses. The Department estimates \$144,600 in one-time costs and \$8,000 in annual costs to implement and administer the credit.

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

One-time costs of \$144,600 in FY 2001

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringe	\$ 8,000	\$ - minimal
(FTE Position Changes)	( FTE)	( - FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 8,000</b>	<b>\$ - minimal</b>
<b>B. State Costs by Source of Funds</b>	<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR	\$ 8,000	\$ -
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, etc.)</b>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$	\$ - 937,500
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 937,500</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ +8,000	\$
NET CHANGE IN REVENUES	\$ -937,500	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Pamela Walgren, (608) 266-7817	Yeang-Eng Braun (608) 266-2700 <i>Yeang Eng Braun</i>	4/26/00