

Fiscal Estimate Narratives

DOR 2/12/02

LRB Number	01-4629/1	Introduction Number	AB-767	Estimate Type	Original
Subject					
Tax credit for sales and use taxes paid on fuel and electricity used in manufacturing					

Assumptions Used in Arriving at Fiscal Estimate

The bill would replace the current law income and franchise tax credit for sales tax paid on fuel and electricity used in manufacturing with a sales tax exemption for the sales tax on those purchases.

Based on Department data, this provision would reduce tax revenues by \$9 million annually, absent consideration of the unused credit that is carried forward to offset tax liabilities in future years. Income and franchise tax revenues would increase by an estimated \$22 million and sales tax revenues would decrease by an estimated \$31 million annually.

Approximately, \$125 million of unused credit from prior years would continue to be used to offset future tax liability for an estimated five years at the current rate of usage (up to \$29 million per year).

Local sales taxes would decline as a result of the exemption for fuel and electricity used in manufacturing. Assuming county, ballpark and stadium taxes are 7.064% of state sales taxes, the percentage they were estimated to be in 2001, the local revenue loss would be \$2.2 million (\$31 million x 7.064%).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Tax credit for sales and use taxes paid on fuel and electricity used in manufacturing			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One-time revenue losses of \$125 million over an estimated five years (up to \$29 million per year) as existing unused credit is used up.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
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		\$	\$-9,000,000
GPR Earnod			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-9,000,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-9,000,000	\$-2,200,000
Agency/Prepared By		Authorized Signature	Date
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