



## Fiscal Estimate Narratives

DOR 2/19/2004

LRB Number	<b>03-3825/1</b>	Introduction Number	<b>SB-432</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Exemption for energy efficient motor vehicles					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, sales of motor vehicles are subject to sales and use tax unless otherwise exempted by law.

Under the bill, sales of motor vehicles licensed for highway use would be exempt from sales and use tax if those vehicles used as a fuel any of the following:

- A mixture consisting of 85% ethanol and 15% gasoline (E85 fuel).
- A mixture consisting of 95% ethanol and 5% gasoline (E95 fuel).
- A mixture consisting of 85% methanol and 15% gasoline (M85 fuel).
- Electricity, compressed natural gas, or propane.

According to the Department of Administration, there were 43,973 privately owned flexible fuel vehicles (vehicles capable of using on E85 fuel or conventional gasoline) registered in Wisconsin as of December 2003. Model years of the vehicles ranged from 1996 through 2004.

The average number of vehicles per model year from 2001 through 2003 is 4,055 (1999 and 2000 appear anomalous with over 10,000 and 14,000 vehicles, respectively). The average price of a new 2003 or 2004 vehicle is \$20,588. It is assumed that 4,055 new flexible fuel vehicles are sold per year at \$20,588 each. Thus, estimated total sales of new flexible fuel vehicles are \$83.5 million (\$20,588 x 4,055).

Data on sales of used flexible fuel vehicles are not available. However, in general, the number of used vehicles sold exceeds the number of new vehicles sold by at least 50%. In addition, the price of a used vehicle is typically about 30% of the price a new vehicle. Assuming the number of used flexible fuel vehicles sold is 50% greater than the number of new vehicles sold, and the price is 30% of that of a new vehicle, estimated total sales of used flexible fuel vehicles are about \$37.6 million (\$6,177 x 6,083). Thus, total sales of flexible fuel vehicles are estimated at \$121.1 million per year. Assuming a 99% compliance rate, state sales and use taxes would decrease by about \$6.0 million per year under the bill.

In addition to flexible fuel vehicles, the bill would exempt sales of other alternative fuel vehicles, such as those using electricity, compressed natural gas, or propane. Many of these vehicles are owned by state or local governments or common or contract carriers and, therefore, are exempt from sales tax under current law. However, data on taxable sales of these other alternative fuel vehicles are not available and, therefore, the decrease is not estimated.

In 2003, county and stadium district sales and use taxes were about 7.5% of state sales and use taxes. Assuming this percentage does not change, county and stadium district sales and use taxes would decrease by about \$0.5 million under the bill.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 03-3825/1		<b>Introduction Number</b> SB-432	
<b>Subject</b>			
Exemption for energy efficient motor vehicles			
<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, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-6,000,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-6,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-6,000,000	\$-500,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Blair Kruger (608) 266-1310		Dennis Collier (608) 266-5773	2/19/2004