

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-3896/2 **Introduction Number** AB-873

Subject
 Renewable energy development

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes
 - No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
 - 1. Increase Costs
 - Permissive Mandatory
 - 2. Decrease Costs
 - Permissive Mandatory
 - 3. Increase Revenue
 - Permissive Mandatory
 - 4. Decrease Revenue
 - Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns Village Cities
 - Counties Others Stadium districts
 - School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**
 GPR FED PRO PRS SEG SEGS 20.835 (4) (g), (gb) and (ge)

Agency/Prepared By	Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310	Dennis Collier (608) 266-5773	3/8/2004

Fiscal Estimate Narratives

DOR 3/8/2004

LRB Number	03-3896/2	Introduction Number	AB-873	Estimate Type	Original
Subject					
Renewable energy development					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a "resource" is a source of energy used to generate electric power. A "renewable resource" is a resource [source of energy] that derives electricity from tidal or wave action, solar thermal electric or photovoltaic energy, wind power, geothermal technology, wood or plant material, biological waste, crops grown for use as a resource, landfill gases, or a fuel cell that uses a renewable fuel. Also under current law, the production of electricity is manufacturing and, therefore, machinery and equipment exclusively and directly used to produce electricity is exempt from sales and use tax.

The bill creates two exemptions from sales and use tax. Under the bill, the sale, storage, use or other consumption of a renewable resource [source of energy] would be exempt. In addition, the sale, storage, use or other consumption of any item of tangible personal property that uses a renewable resource as a power source would be exempt under the bill.

The bill also creates a technology development grant and loan program under which the Development Finance Board attached to the Department Of Commerce would award no more than a total of \$400,000 in each biennium for research, development, or commercialization projects related to renewable resources. The bill does not provide an appropriation to fund the program.

EXEMPTION OF RENEWABLE RESOURCES.

Most electric generating equipment, including generating equipment powered by renewable resources, is exempt manufacturing machinery and equipment under current law. In addition, fuel cells and photovoltaic batteries are typically components of products and, hence, exempt purchases for resale or manufacturing inputs. To the extent taxable sales of fuel cells and other renewable resources occur, the decrease in sales taxes is likely to be minimal.

EXEMPTION OF TANGIBLE PERSONAL PROPERTY POWERED BY RENEWABLE RESOURCES.

Wisconsin's electric supply is produced using a mix of technologies and fuels, including renewable resources such as wind power. Since the exemption under the bill does not require direct or exclusive use of power generated using a renewable resource, sales of most, if not all, items of tangible personal property that use electricity would be exempt under the bill. Thus, for example, sales of computers and other office equipment, home electronics, air conditioners, and lighting fixtures would be exempt under the bill. An accurate estimate of the decrease in sales taxes from such broad exemption is not feasible but it would be very substantial. Moreover, based on discussions with the author's staff, it is not the author's intent to create such a broad exemption.

County and stadium district sales taxes were about 7.5% of state sales and use taxes in 2003.

Administrative costs of the bill are minimal and would be absorbed by the department.

Long-Range Fiscal Implications