

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3545/1	Introduction Number AB-744
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Description
 An income and franchise tax credit for the sales and use taxes paid on the purchase of energy efficient equipment

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
 - School Districts 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 type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 10/31/2005

LRB Number	05-3545/1	Introduction Number	AB-744	Estimate Type	Original
Description An income and franchise tax credit for the sales and use taxes paid on the purchase of energy efficient equipment					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates an income and franchise tax credit for the amount of sales and use taxes paid in the taxable year on the purchase of energy efficient equipment that satisfies the energy efficiency guidelines established by the US Environmental Protection Agency and the US Department of Energy under the Energy Star program. The credit under the bill applies to energy efficient equipment including air conditioners, dehumidifiers, furnaces, boilers, refrigerators, freezers, and clothes washers but not including televisions, audio equipment, and other consumer electronics. The amount of taxes that may be claimed as a credit may not exceed \$1,000 per item.

The \$1,000 limit on the credit means that a taxpayer who paid sales taxes on items that cost up to \$20,000 (\$1,000/5%) would be eligible for the proposed credit, a taxpayer who paid county and football stadium taxes on items that cost up to \$200,000 (\$1,000/0.5%) would be eligible for the credit, and a taxpayer who paid baseball park taxes on items that cost up to \$1,000,000 (\$1,000/0.1%) would be eligible for the credit. Although the cost of boilers and furnaces for certain buildings may exceed \$20,000, much of such equipment would be exempt manufacturing or electric utility equipment under current law. Other items are typically well below the \$20,000 threshold. For these reasons, it is assumed that all sales tax paid on eligible equipment would be claimed.

Based on Association of Home Appliance Manufacturers historical and forecast numbers of units sold of room air conditioners, dehumidifiers, refrigerators, freezers, and clothes washers, and prices of such items obtained from the Internet, total sales of these products were estimated. The attachment shows numbers of units sold, prices, and other data for 2006 and assumptions regarding these products and the fiscal estimate. Sales of boilers and furnaces were estimated from 2002 Economic Census data on heating and HVAC units. Sales taxes paid on furnaces and HVAC units are estimated to be \$0.7 million in FY07.

The Wisconsin Department of Administration reported that about 42% of clothes washers sold in this state were Energy Star qualified and it is assumed that 25% of the other products eligible for the credit under the bill would be Energy Star qualified. Based on these data and assumptions, sales tax paid on these items are \$6.5 million in FY07. Adding \$0.7 million, \$7.2 million can be claimed under the proposed credit. However, based on Department data, about 75% of all credits claimed in a tax year are actually used. Therefore, revenue losses associated with the proposed credit are estimated to be approximately \$5.4 million (\$7.2 million x 75%) beginning in FY07.

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

Long-Range Fiscal Implications

Appliance Sales and Price Estimates as of December 2006

Product	Room Air Conditioners	Dehumidifiers	Refrigerators	Freezers	Clothes Washers	TOTAL
US Annual Sales (units)	7,400,000	1,326,000	11,246,000	2,514,000	9,111,000	31,597,000
Energy Star Price	\$240	\$200	\$1,200	\$800	\$750	
Energy Star % of US Sales	25%	25%	25%	25%	42%	
Total US Sales for Energy Star Products	\$444,000,000	\$66,300,000	\$3,373,800,000	\$502,800,000	\$2,869,965,000	\$7,256,865,000
WI Sales	\$7,992,000	\$1,193,400	\$60,728,400	\$9,050,400	\$51,659,370	\$130,623,570
Sales Tax Paid at 5%	\$399,600	\$59,670	\$3,036,420	\$452,520	\$2,582,969	\$6,531,179

Assumptions:

Wisconsin accounts for 1.8% of US sales.

Economic Census data regarding furnaces and HVAC not shown.

Fiscal Estimate Worksheet - 2005 Session

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):			
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, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-5,400,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-5,400,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-5,400,000	\$	
Agency/Prepared By		Authorized Signature	Date
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