

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3546/1	Introduction Number AB-745
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Description
 An income and franchise tax credit for the sales and use taxes paid on the purchase of fuel efficient hybrid motor vehicles

Fiscal Effect

State:

- | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input type="checkbox"/> Create New Appropriations | <input type="checkbox"/> Increase Existing Revenues
<input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Decrease Costs |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Local:

- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> No Local Government Costs
<input type="checkbox"/> Indeterminate
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 Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
4. <input type="checkbox"/> Decrease Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Government Units Affected
<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Fund Sources Affected

Affected Ch. 20 Appropriations

GPR FED PRO PRS SEG SEGS

Agency/Prepared By

Authorized Signature

Date

DOR/ Kirstin Nelson (608) 261-8984

Rebecca Boldt (608) 266-6785

10/31/2005

Fiscal Estimate Narratives

DOR 10/31/2005

LRB Number	05-3546/1	Introduction Number	AB-745	Estimate Type	Original
Description An income and franchise tax credit for the sales and use taxes paid on the purchase of fuel efficient hybrid motor vehicles					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates an income and franchise tax credit for sales and use taxes paid in the taxable year on the purchase of fuel efficient hybrid motor vehicles. These are sales of hybrid motor vehicles that have a federal Environmental Protection Agency combined city-highway mileage rating of no less than 40 miles per gallon. The amount of state taxes that can be claimed as a credit under the bill may not exceed \$1,000. The credit applies to sales taxes paid in tax years 2006 through 2010.

Forecasts of nationwide sales of hybrid vehicles in 2005 range from about 185,000 to 220,000 units, up from about 88,000 units in 2004. Based on data reported by hybridcars.com, Wisconsin sales of hybrids accounted for 1.7% of nationwide sales in 2003. Assuming this percentage does not change, and nationwide sales of 200,000 units, about 3,500 hybrids were sold in Wisconsin in 2005. Although sales of hybrids by gas mileage are not available, higher gas mileage is a major selling point of the cars. Therefore, it is assumed that two-thirds of the vehicles have a combined EPA rating of no less than 40 miles per gallon. In addition, it is assumed that 20% of hybrids are sold to governments, non-profits and other exempt buyers. Under the foregoing assumptions, about 1,865 hybrids would meet the requirements for the credit under the bill in 2005.

A cap of \$1,000 means prices greater than \$20,000 (\$1,000/5%) would be subject to state sales tax. Since hybrids typically sell for more than \$20,000, all sales taxes are assumed to qualify for the \$1,000 state credit under the bill. Assuming that sales of hybrids increase 50% per year, 2,800 vehicles in 2006 and 4,200 vehicles in 2007 would qualify for the \$1,000 credit under the bill. State tax revenues would decrease by about \$2.8 million in FY07 and \$4.2 million in FY08 under the bill.

Administrative costs of the bill would be absorbed.

Long-Range Fiscal Implications

Continued growth in sales of hybrid cars will increase the annual revenue loss for the state for the FY08-FY11 period. However, sales are not expected to grow at 50% much beyond the current biennium, according to industry sources.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Description An income and franchise tax credit for the sales and use taxes paid on the purchase of fuel efficient hybrid motor vehicles			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$2.8 million revenue loss in FY07. \$4.2 million revenue loss in FY08.			
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	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$SeeText	\$
Agency/Prepared By Authorized Signature Date			
DOR/ Kirstin Nelson (608) 261-8984		Rebecca Boldt (608) 266-6785	10/31/2005