

Fiscal Estimate Narratives
DOR 7/7/2005

LRB Number 05-2547/1	Introduction Number AB-554	Estimate Type Original
Subject Sales and use tax exemption for electricity consumed in research and development		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, electricity is tangible personal property and subject to sales tax unless a specific exemption applies. Current law exempts sales of electricity for farming and residential use from November through April and, beginning January 1, 2006, electricity used in manufacturing.

Under the bill, beginning July 1, 2007 (FY08), electricity consumed in product research or product development would be exempt from sales tax.

Every industry and most companies engage in product research and development to some degree. Therefore, the exemption under the bill would be widely applicable. However, data are not available to estimate the decrease in sales and use taxes that would occur under the bill.

County and stadium sales and use taxes were about 7.72% of state sales and taxes in FY04. The local taxes would also decrease under the bill.

Long-Range Fiscal Implications