

Fiscal Estimate Narratives

DOR 10/10/2005

LRB Number	05-3644/1	Introduction Number	SB-337	Estimate Type	Original
Subject					
Natural gas and electricity sold for residential use					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, electricity and natural gas sold during the months of November, December, January, February, March, and April for residential use is exempt from the sales tax and the use tax.

Under the bill, electricity and natural gas sold during the months of October 2005 and May 2006 for residential use would also be exempt from the sales tax and the use tax. Thus, the bill would have a fiscal effect in FY06 only.

According to the 2004 Wisconsin Energy Statistics, sales of electricity and natural gas for residential use were \$1,681 million and \$1,317 million, respectively, in 2003. Since sales by month are not reported, sales for October and May were estimated based on the amounts of electricity (MWh) and natural gas (BTUs) used in those months. For the two months affected by the bill, residential sales of electricity were estimated to be \$267 million and residential sales of natural gas were an estimated \$164 million. Expenditures for electricity and natural gas have increased on average 6% and 14% per year, respectively, over the past 5 years. Assuming expenditures continue to increase at those rates and a 100% compliance rate, sales and use taxes would decrease by about \$27 million in FY06 under the bill.

County and stadium sales and use tax distributions were 7.634% of state sales and use taxes in FY05. Assuming this percentage does not change, county and stadium sales and use taxes would decrease \$2.1 million in FY06 under the bill.

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

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Natural gas and electricity sold for residential use			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
State sales and use taxes: -\$27 million in FY06. County and stadium sales and use taxes: -\$2.1 million in FY06.			
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			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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