

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number **07-1390/2** **Introduction Number** **AB-0174**

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

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

Fund Sources Affected **Affected Ch. 20 Appropriations**
 GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310	Paul Ziegler (608) 266-5773	3/29/2007

Fiscal Estimate Narratives

DOR 3/30/2007

LRB Number	07-1390/2	Introduction Number	AB-0174	Estimate Type	Original
Description Relating to: 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

Under the bill, a person may claim an income or franchise tax credit for the state sales or use tax paid on the purchase or lease of a hybrid motor vehicle that has a US Environmental Protection Agency (EPA) rating of no less than 40 miles per gallon or an EPA rating that is at least 15% greater than the same model of motor vehicle that is not a hybrid. The amount of the credit may not exceed \$1,000 per motor vehicle. The credit may be claimed for sales and use tax paid in the five taxable years from 2007 through 2011. The credit is nonrefundable but any unused balance may be carried forward for up to 15 years.

According to hybridcars.com, nationwide sales of hybrids totaled 254,545 in 2006, up 18.4% from 215,000 in 2005. Also according to hybridcars.com, Wisconsin sales of hybrids accounted for 1.7% of nationwide sales in 2003. Assuming 20% annual growth in hybrid sales and that Wisconsin continues to account for 1.7% of sales, about 5,300 hybrids will be sold in Wisconsin in 2007. 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 90% hybrids have an EPA rating of no less than 40 miles per gallon or an EPA that is at least 15% greater than the same models of motor vehicles that are not hybrids. In addition, it is assumed that 20% of hybrids are sold to governments, non-profits and other exempt buyers. Under the foregoing assumptions, about 3,800 (=5,300 x 90% x 80%) hybrids eligible for the new credit would be sold in 2007. Since prices of new hybrids generally exceed \$20,000, it is assumed that each vehicle sold would be eligible for a \$1,000 credit under the bill. Under the foregoing assumptions, and assuming the credits under the bill are taken in FY08, FY08 taxes would be reduced by \$3.8 million (\$1,000 x 3,800). About 4,600 eligible hybrids would be sold in 2008 and FY09 taxes would be reduced by \$4.6 million under the bill.

Administrative costs are minimal and would be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
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Description Relating to: 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):			
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	\$		\$-3,800,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-3,800,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-3,800,000		\$
Agency/Prepared By		Authorized Signature	Date
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