

Fiscal Estimate Narratives

DOT 6/19/2007

LRB Number	07-2456/1	Introduction Number	AB-0378	Estimate Type	Original
Description The motor vehicle fuel tax imposed on fuel from a renewable resource, income and franchise tax credits related to renewable energy, and requiring the exercise of rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates income and franchise tax credits for the amount that a person pays in the taxable year for certain items related to renewable energy. In addition, the bill provides that the state motor vehicle fuel tax does not apply to ethanol contained in motor vehicle fuel that contains at least 85 percent ethanol (E85) or to biomass or any other renewable resource contained in bio-diesel fuel that contains at least 20 percent biomass (B20) or other renewable resources.

According to the Wisconsin Office of Energy Independence, 2.7 million gallons of the ethanol portion of E85 were sold in Wisconsin in 2006, compared to 2005, when 723,000 gallons were sold. That represents an annual growth rate of 273%. In addition, an estimated 600,000 gallons of the biomass portion of bio-diesel will be consumed in Wisconsin in 2006-07, compared to 2005-06, when an estimated 275,000 gallons were sold. That represents an annual growth rate of 118%. Motor fuel excise staff at the Department of Revenue have indicated that it is their belief that most of the biomass blended bio-diesel is used primarily for off-road uses such as agriculture. If that is the case then there would be little or no lost revenue from exempting the biomass portion of bio-diesel because fuel sold for nonhighway use is generally tax exempt.

Based solely on the latest known or estimated annual consumption of these fuel types, the estimated annual lost revenues from exempting these two motor fuel types is \$1,019,700. The annual lost revenues should grow and could grow significantly, if the noted annual growth rates were to continue into the foreseeable future.

If it is assumed that the gallons noted above for the ethanol portion of E85 double over the course of the next two fiscal years (FY 2008 and FY 2009) then the taxable consumption of ethanol in E85 would increase to an estimated 4,050,000 gallons in FY 2008 and 5,400,000 gallons in FY 2009. Applying the current motor fuel tax rate of 30.9 cpg (Transportation Fund portion only) to these two estimates of ethanol consumption would create lost revenues of approximately \$1,251,500 in FY 2008 (assumed full year) and \$1,668,600 in FY 2009. Also, assuming that the biomass portion of bio-diesel would continue to be used primarily for off road uses, then the just noted figures would represent the annual lost revenues to the Transportation Fund.

Long-Range Fiscal Implications

As noted above in discussions of the annual consumption of the ethanol portion of E85 and the biomass portion of B20, the annual percentage increases in both have been significant. Over time, the number of flex fuel vehicles that are offered by manufacturers will continue to grow. One potential limiting factor for growth in the use of E85 or B20 is the available infrastructure to provide these fuel types for retail sale. As of June 6, 2007, the National Ethanol Vehicle Association lists 72 refueling stations in Wisconsin that provide E85, and 1,219 in the entire country. There are nine states that have no E85 refueling stations.

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description The motor vehicle fuel tax imposed on fuel from a renewable resource, income and franchise tax credits related to renewable energy, and requiring the exercise of rule-making authority			
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		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			-1,668,600
TOTAL State Revenues		\$	\$-1,668,600
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-1,668,600	\$
Agency/Prepared By		Authorized Signature	Date
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