

Fiscal Estimate Narratives
DOR 2/5/2008

LRB Number	07-3699/2	Introduction Number	AB-0725	Estimate Type	Original
Description Relating to: sales and use tax exemption for energy-efficient products purchased in conjunction with Earth Day.					

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from sales and use taxes certain sales of items of tangible personal property that meet the energy efficiency guidelines of the federal Energy Star program. The exemption would apply to sales of items for residential use purchased during the seven-day period beginning on the Saturday immediately preceding April 21 (Earth Day) and for which the price is less than \$1,500. The exemption does not apply to items purchased by a contractor or subcontractor or to items purchased primarily for entertainment purposes. The exemption would take effect on the first day of the twelfth month beginning after publication.

The attachment shows the groups of residential products certified under the Energy Star program. The product groups include appliances, computers and other office equipment, light bulbs, furnaces, central air conditioning units, and certain building and insulating materials (such as qualifying doors, windows, and roofing).

Data are not available to make a reliable estimate of the full scope of the one-week sales tax exemption provided by the bill. The fiscal effect is also expected to vary year by year since the market share of products attaining Energy Star qualifications varies over time. For instance, prior to a rebenchmarking of Energy Star criteria for computers, 98% of computers on the market were estimated by the Environmental Protection Agency to be meeting the standard. As occurred with computers in 2007, however, Energy Star standards are periodically adjusted with a general effort to initially place approximately 25% of market share within newly established qualifications.

A partial estimate of the fiscal impact may be estimated. Based on Association of Home Appliance Manufacturers historical and forecast numbers of units sold of room air conditioners, dehumidifiers, refrigerators, freezers, and clothes washers; plus estimated sales of computers and peripheral equipment, compact fluorescent lighting, and heating and HVAC units, annual sales estimates of many of the products exempt during the bill's one-week sales tax holiday were estimated.

Assuming 60% of these sales are of products that are Energy Star qualified (95% for lighting), and assuming that the one-week exemption created by the bill draws three weeks of annual sales, the bill is estimated to decrease state sales tax collections by \$2.1 million annually.

County and stadium taxes were 7.7% of state sales taxes in FY07. Assuming this percentage does not change, county and stadium sales and use taxes would decrease by \$160,000 annually.

These estimates may be overstated since the figures do not exclude sales to contractors or sales for products over \$1,500. The estimates may be understated, however, since no amount is included for sales of windows, doors, insulating materials, and other products that qualify for the exemption under the bill.

Assuming the bill is passed and published before March 31, 2008, state and local sales and use taxes would be expected to decrease in FY09 due to the temporary exemption provided under the bill.

Department of Revenue administrative costs under the bill are expected to be absorbed within existing budget authority.

Long-Range Fiscal Implications

ATTACHMENT: 2007 AB 725

PRODUCTS WITH ENERGY STAR CERTIFICATION FOR RESIDENTIAL USE

Appliances

Battery Chargers
Clothes Washers
Dehumidifiers
Dishwashers
Refrigerators & Freezers
Room AC
Room Air Cleaners
Water Coolers

Heating & Cooling

Air-source Heat Pumps
Boilers
Central AC
Ceiling Fans
Dehumidifiers
Furnaces
Geothermal Heat Pumps
Home Sealing (Insulation)
Light Commercial
Programmable Thermostats
Room AC
Ventilating Fans

Home Envelope

Home Sealing (Insulation and Air Sealing)
Roof Products
Windows, Doors, & Skylights

Home Electronics

Battery Charging Systems
Cordless Phones
Combination Units
Digital-to-Analog Converter Boxes (DTAs) (ineligible for exemption)
DVD Products (ineligible for exemption)
External Power Adapters
Home Audio (ineligible for exemption)
Televisions (ineligible for exemption)
VCRs (ineligible for exemption)

Office Equipment

Computers
Copiers and Fax Machines
Digital Duplicators
Notebook Computers/Tablet PCs
Mailing Machines
External Power Adapters
Monitors
Printers, Scanners, and All-in-Ones

Lighting

Compact Fluorescent Light Bulbs (CFLs)
Residential Light Fixtures
Ceiling Fans
Exit Signs

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Relating to: sales and use tax exemption for energy-efficient products purchased in conjunction with Earth Day.			
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	\$		\$-2,100,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-2,100,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-2,100,000		\$-160,000
Agency/Prepared By		Authorized Signature	Date
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