

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-1207/1	Introduction Number SB-090
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Description
 Creating an income and franchise tax credit for motor vehicles that use gasoline and ethanol mixtures as fuel and for fuel efficient hybrid motor vehicles

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5.Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
	2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310	Paul Ziegler (608) 266-5773	4/9/2007

Fiscal Estimate Narratives
DOR 4/9/2007

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Assumptions Used in Arriving at Fiscal Estimate

Under current law, sales of motor vehicles are generally subject to sales and use taxes.

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 new motor vehicle that:

- Is capable of using both gasoline and a mixture consisting of gasoline and at least 85% ethanol (E85) as fuel, or
- Is a hybrid motor vehicle that has a US Environmental Protection Agency (EPA) rating of no less than 40 miles per gallon.

The amount of the credit may not exceed \$1,000 per motor vehicle. The credit first applies to taxable years beginning January 1 of the year the act takes effect except, if the act takes effect after July 31, the credit first applies to the next taxable year beginning January 1. The credit is nonrefundable but any unused balance may be carried forward for up to 15 years.

FLEXIBLE FUEL MOTOR VEHICLES

According to Department of Administration data, the average number of flexible fuel vehicles (FFVs -- vehicles capable of using either E85 or conventional gasoline) in Wisconsin for each model year from 2000 through 2004 was 13,435. In addition, according to the Department of Agriculture, Trade and Consumer Protection, the number of FFVs registered in Wisconsin increased from 104,462 as of June 30, 2005 to 117,703 as of June 30, 2006, an increase of 13,241 vehicles (12.7%). Based on these two data sources, it is assumed that about 13,500 new FFVs were sold in FY06. If new FFV sales increase 12.7% per year, about 18,200 (13,500 x 1.127^{2.5}) new FFVs will be sold in 2008.

Since the credit is limited to \$1,000 of state sales tax paid and since the prices of new 2007 FFVs generally exceed \$20,000, the new credit will apply only to the first \$20,000 (\$1,000/5%) of the price of the FFV. Assuming the credit first applies to taxable year 2008 and that 18,200 FFVs are sold that year, and that all eligible credits are claimed, FY09 income taxes would decrease by \$18.2 million.

HYBRID MOTOR VEHICLES

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 6,400 hybrids will be sold in Wisconsin in 2008. Based on 2006 hybrid sales, about 67% of hybrids have an EPA rating of greater than 40 miles per gallon. In addition, it is assumed that 20% of hybrids are sold to governments, non-profits and other exempt buyers. Under the foregoing assumptions, about 3,400 (=6,400 x 67% x 80%) hybrids eligible for the new credit would be sold 2008. 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. Assuming all eligible credits are claimed, FY09 income taxes would be reduced by \$3.4 million (\$1,000 x 3,400).

SUMMARY

Under the assumptions described above, income taxes would decrease by an estimated total of \$21.6 million (\$18.2 mil. + \$3.4 mil.) in FY09 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

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Description Creating an income and franchise tax credit for motor vehicles that use gasoline and ethanol mixtures as fuel and for 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): The bill has no fiscal effect in FY08. The annualized estimate below refers to FY09.			
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	\$		\$-21,600,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-21,600,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-21,600,000		\$
Agency/Prepared By		Authorized Signature	Date
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