



**Fiscal Estimate Narratives**  
**DOR 11/9/2009**

LRB Number	<b>09-3352/1</b>	Introduction Number	<b>AB-0523</b>	Estimate Type	<b>Original</b>
<b>Description</b> The sales and use tax exemption for electricity and natural gas					

**Assumptions Used in Arriving at Fiscal Estimate**

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

Under the bill, electricity and natural gas sold for residential use will be exempt from the sales and use tax year-round. The bill is effective the first day of the 2nd month beginning after publication.

Based on data compiled in "Wisconsin Energy Statistics 2008", published by the Wisconsin Office of Energy Independence, residential expenditures in 2007 for electricity were \$2.26 billion and for natural gas were \$1.62 billion. Based on projected growth in Wisconsin utility revenues, residential expenditures on electricity are expected to increase to \$2.50 billion in 2010 and \$2.58 billion in 2011. Residential expenditures on natural gas are expected to increase to \$1.65 billion in 2010 and to \$1.66 billion in 2011.

Based on Wisconsin seasonal data for residential energy consumption, it is estimated that approximately 51% of annual residential electricity expenditures and approximately 30% of residential natural gas expenditures are incurred during the May-October period newly exempted by the bill.

Assuming the bill is effective January 1, 2010, newly exempt electricity and natural gas expenditures under the bill are estimated to be \$581.3 million in FY10 and \$1,800.9 million in FY11, corresponding to two months of expenditures for FY10 (May and June) and six months of expenditures for FY11 (July-October and May-June). Given the state's 5.0% sales and use tax rate and the assumed January 1, 2010 effective date, the bill is estimated to reduce state sales tax revenues by \$29.1 million in FY10 and \$90.0 million in FY11.

County and stadium district sales tax collections were approximately 8.0% of state sales tax collections in FY09. Assuming that this percentage remains unchanged, county and stadium taxes are expected to decline under the bill by \$2.3 million in FY10 and \$7.2 million in FY11.

The Department of Revenue's administrative costs under the bill can be absorbed within existing expenditure authority.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 09-3352/1	<b>Introduction Number</b> AB-0523	
<b>Description</b> The sales and use tax exemption for electricity and natural gas		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		
	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes (FTE Position Changes)	\$	\$
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-90,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-90,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-90,000,000	-\$7,200,000
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
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