

Fiscal Estimate Narratives

DOR 10/21/2011

LRB Number	11-0385/5	Introduction Number	AB-0278	Estimate Type	Original
Description Relating to: a sales and use tax exemption for extended-range electric vehicles; a property tax exemption for tangible personal property used to recharge electric vehicles; the motor vehicle emission inspection and maintenance program and payments to the Wisconsin Economic Development Corporation related to extended-range electric vehicles; a property and sales and use tax exemption for certain machinery and tangible personal property used to conduct research; and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill includes both tax and vehicle emission provisions. This fiscal note only addresses the tax components of the bill.

SALES AND USE TAX EXEMPTION FOR SILVICULTURE RESEARCH

The bill expands the existing sales and use tax exemption for machinery and equipment and consumables used exclusively and directly in qualified research in manufacturing and biotechnology to include these items sold to persons engaged primarily in silviculture in Wisconsin. Under a separate exemption under current law, the purchase of machinery, equipment, and consumables used directly and exclusively in farming is exempt from sales and use tax, and silviculture is explicitly included in farming for the purpose of this current exemption. Given the scope of the existing exemptions, the expansion of the qualified research sales and use tax exemption to include silviculture is not expected to have a significant fiscal effect.

SALES & USE TAX EXEMPTION FOR CERTAIN ELECTRIC VEHICLES

Under current law, sales of electric vehicles are subject to sales or use tax. This bill provides a sales tax exemption for sales of certain electric and hybrid vehicles until December 31, 2022. It also exempts sales of batteries for such vehicles until December 31, 2025. After these temporary exemptions expire, the sales and use taxes on the types of vehicles, accessories, and parts that were previously exempt will be deposited into the transportation fund.

The temporary sales tax exemptions would apply to extended-range electric vehicles, defined to be vehicles with an electric motor and energy storage device capable of propelling the vehicle, without other methods of propulsion, for at least 30 miles on a single energy charge. The exemption would include accessories and parts and apply to both new and used qualifying vehicles. Currently, only a few select vehicles meet the requirements established under the bill. The Nissan Leaf, Ford Focus Electric, and Chevy Volt all meet the proposed criteria and will be available nationwide in 2012.

The Center for Automotive Research (CAR) estimates that US electric vehicles sales (mainly the Leaf, Focus Electric, and Volt) will reach 77,000 units in 2012 and 116,000 in 2013. CAR estimates 1,256 electric vehicles will be sold in WI in 2012 and 1,892 in 2013. The estimate is consistent with Wisconsin's share of US hybrid vehicle registrations. Also, it is assumed that 20% of hybrids and electric vehicles will be sold to governments, non-profits, and other exempt buyers.

The Chevy Volt and Nissan Leaf retail for approximately \$40,000 and \$33,000, respectively. Pricing for the 2012 Ford Focus electric is not currently available, but may be close to the retail price of the Nissan Leaf. While the exemption would cover both new and used vehicles, very few used vehicle sales are expected in the first year of nationwide production. It is assumed that the average sales price for the vehicles covered by the exemption is \$35,000.

Based on these price and quantity assumptions, it is estimated that the receipts from Wisconsin sales of electric vehicles (net of purchases by governments or exempt entities) would total \$35.2 million in 2012 and \$53.0 million in 2013, with a corresponding state sales tax loss of \$1.8 million and \$2.7 million. The 2012 revenue loss of \$1.8 million is calculated as follows: 1,256 new electric vehicles x \$35,000 average price X 80% to exclude exempt sales X 5% state sales tax rate.

County and stadium sales tax collections were about 8.0% of state sales tax collections in FY10. Assuming

this percentage remains unchanged, county and stadium sales tax collections would decrease by an estimated \$140,000 in 2012 and approximately \$220,000 in 2013.

PROPERTY TAXES

The bill creates the following property tax exemptions: (1) an exemption from both real property taxes and personal property taxes for machinery and equipment used exclusively and directly in qualified research by persons who are primarily engaged in manufacturing, biotechnology, or silviculture and (2) a personal property tax exemption for charging stations, defined as property used exclusively to recharge electric vehicles licensed for highway use.

The Department of Revenue does not have information which would permit a reasonable estimate of the amount of existing property that would be exempt from property taxation under the bill. Based on National Science Foundation data on research and development expenditures and anticipated depreciation, however, the exemption for machinery and equipment used exclusively and directly in qualified research in manufacturing, biotechnology, or silviculture is expected to exempt approximately \$660 million of property from taxation.

Under the bill, the state forestation property tax, currently imposed at a rate of about \$0.17 per \$1,000 full value, would decline by about \$112,000. Based on the statewide average net property tax rate (excluding the state rate) for 2010/11 of about \$19.22 per \$1,000 full value, about \$12.8 million in property taxes would be shifted from owners of the affected research property to all remaining taxable property.

Since few charging stations for electric vehicles currently exist, it is expected that this provision of the bill would have, in the short run, only a minor impact on the distribution of the property tax burden. Over time, however, this shift could grow.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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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	\$	\$-2,700,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		-112,000
	TOTAL State Revenues	\$	\$-2,812,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$shift property tax burden
	NET CHANGE IN REVENUE	\$-2,812,000	-\$220,000
Agency/Prepared By		Authorized Signature	Date
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