

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-4840/1	Introduction Number AB-0862
Description Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
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	
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Date 1/29/2018	

Fiscal Estimate Narratives

DOR 1/29/2018

LRB Number	17-4840/1	Introduction Number	AB-0862	Estimate Type	Original
Description Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a Wisconsin Renewable Energy Development Authority (WREDA). WREDA is authorized to have up to \$500 million in outstanding bonds at any time and the bill creates an individual and corporate income tax exemption for interest from bonds issued by WREDA. In addition, under the bill WREDA's purchases are exempt from the sales and use tax.

This estimate pertains only to the provisions of the bill that provide exemptions from the individual and corporate income tax, the sales and use tax, and the property tax.

Income Tax Exemption - The bill creates an exemption under both the individual and corporate income tax for interest on bonds issued by WREDA. Because virtually all corporations pay the franchise tax rather than the corporate income tax, the fiscal effect of this provision would only relate to the individual income tax.

The authority is authorized to have a maximum of \$500 million in outstanding bonds at a time. IHS Markit estimates a bond rate for municipal bonds for 2018 of 3.75%, implying that WREDA could pay approximately \$18.75 million annually in interest on \$500 million of bonds. Based on a review of individual income tax returns with state and municipal interest income, the average marginal tax rate is 6.4%, implying a tax reduction of \$1.2 million annually associated with \$18.75 million of eligible interest income.

The fiscal effect will be lower to the extent that the bonds are bought by residents of other states. There is likely to be some home-state bias, in which bond purchasers prefer to buy bonds from their state of residence, but the size of that bias is unknown. Based on data from the the Bureau of Economic Analysis, Wisconsin personal interest income accounts for about 1.4% of national interest income. If national bond purchasers exhibit no home-state bias, the annual fiscal effect could be reduced to \$17,000 (1.4% x \$1.2 million). As an example of a national bond market with some home-state bias, if Wisconsin residents purchase 10% of WREDA bonds, the fiscal effect would be approximately \$120,000 annually (10% x \$1.2 million).

The fiscal effect of the exemption will be lower to the extent that WREDA issues less than the maximum amount of debt authorized under the bill. The fiscal effect will also be higher (lower) to the extent that the interest rate for debt issued by WREDA is higher (lower) than the rate estimated by IHS Global Insight.

Sales Tax Exemption - The exemption is expected to reduce sales and use tax collections by a minimal amount.

Property Tax Exemption – The exemption is expected to result in a minimal property tax shift. The impact on tax incremental districts (TIDs) is dependent upon location. Any property purchased or leased by WREDA that is located in a TID may reduce the tax increment generated by the TID.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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Description Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation			
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		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		Authorized Signature	Date
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