

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-1678/1	Introduction Number AB-0020	
Description the sales and use tax exemption for electricity and natural gas sold for residential use		
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 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 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 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <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		
Agency/Prepared By DOR/ Travis Arthur (608) 266-8565	Authorized Signature Robert Schmidt (608) 266-5773	Date 2/9/2023

Fiscal Estimate Narratives

DOR 2/9/2023

LRB Number	23-1678/1	Introduction Number	AB-0020	Estimate Type	Original
Description the sales and use tax exemption for electricity and natural gas sold for residential use					

Assumptions Used in Arriving at Fiscal Estimate

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

Under the bill, electricity and natural gas sold for residential use would be exempt, regardless of the month in which the sale took place. The bill would be effective on the first day of the 2nd month after publication.

Based on FY 2022 data from the Wisconsin Public Service Commission and information from electric cooperatives and municipal electric utilities, newly exempt sales of residential electricity and natural gas would increase by \$1.9 billion under the bill. Department data suggests utility sales tax collections will increase by about 8.0% to \$2.1 billion in FY 2023. The department estimates state sales and use tax collections would decrease by about \$105.0 million ($\$2.1 \text{ billion} * 5\%$) on an annual basis.

In FY22, Wisconsin's county tax distributions were approximately 8.1% of state sales tax collections. Assuming this percentage will remain unchanged in FY23, Wisconsin local sales taxes would be reduced by \$8.5 million annually.

The fiscal effect could be higher or lower to the extent 1) utility rates change and 2) seasonal temperature changes affect energy use; higher temperatures during the summer will increase energy usage.

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

Because this bill reduces tax revenue, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose to provide further clarity on the matter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 23-1678/1	Introduction Number AB-0020	
Description the sales and use tax exemption for electricity and natural gas sold for residential use		
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	\$	\$-105,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-105,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-105,000,000	-\$8,500,000
Agency/Prepared By		
Authorized Signature		Date
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		2/9/2023