

Fiscal Estimate Narratives

DOR 3/10/2025

LRB Number	25-1318/1	Introduction Number	SB-0090	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 data from the US Energy Information Agency and DOR records, the department expects the exempt portion of residential electricity and natural gas sales to increase by \$2.12 billion on an annualized basis under the bill. The department estimates state sales and use tax collections would decrease by about \$105.9 million ($\$2.12 \text{ billion} \times 5\%$) on an annual basis.

Local sales and use taxes were 12% of state sales taxes in 2024. Assuming this percentage does not change, county and city sales and use taxes would decrease by \$12.7 million on a statewide annualized basis.

The fiscal effect could be higher or lower in any given year to the extent 1) utility rates change and 2) net energy consumption (volume) for residential use changes.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2025 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 25-1318/1	Introduction Number SB-0090	
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	\$	\$-105,900,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-105,900,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-105,900,000	-\$12,700,000
Agency/Prepared By	Authorized Signature	Date
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