

Fiscal Estimate Narratives

DOR 8/4/2005

LRB Number	05-2688/3	Introduction Number	AB-585	Estimate Type	Original
Subject					
Sales tax rebate on energy efficient equipment					

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from sales and use tax the sale, storage or use of equipment that satisfies the energy efficiency guidelines established by the US Environmental Protection Agency and the US Department of Energy under the Energy Star program. The exemption under the bill applies to energy efficient equipment including air conditioners, dehumidifiers, furnaces, boilers, refrigerators, freezers, and clothes washers but not including televisions, audio equipment, and other consumer electronics. The amount of taxes that may be claimed as an exemption may not exceed \$1,000 per item.

The \$1,000 limit on the exemption means that items costing up to \$20,000 (\$1,000/5%) would be exempt from state sales and use taxes, items costing up to \$200,000 (\$1,000/0.5%) would be exempt from county and football stadium taxes, and items costing up to \$1,000,000 (\$1,000/0.1%) would be exempt from baseball park taxes. Although the cost of boilers and furnaces for certain buildings may exceed \$20,000, much of such equipment would be exempt manufacturing or electric utility equipment under current law. Other items exempted by the bill are typically well below the \$20,000 threshold. For these reasons, the \$1,000 limit does not affect the fiscal estimate of the decrease in sales taxes under the bill.

Based on Association of Home Appliance Manufacturers historical and forecast numbers of units sold of room air conditioners, dehumidifiers, refrigerators, freezers, and clothes washers, and prices of such items obtained from the Internet, total sales of these products were estimated. The attachment shows numbers of units sold, prices, and other data for 2006 and assumptions regarding these products and the fiscal estimate. Sales of boilers and furnaces were estimated from 2002 Economic Census data on heating and HVAC units.

The Wisconsin Department of Administration reported that about 42% of clothes washers sold in this state were Energy Star qualified and it is assumed that 25% of the other products exempted under the bill would be Energy Star qualified. Based on these data and assumptions, state sales and use taxes would decrease \$4.4 million in FY06 and \$4.6 million in FY07.

County and stadium taxes were 7.75% of state sales taxes in 2004. Assuming this percentage does not change, county and stadium sales and use taxes would decrease by \$400,000 in FY06 and FY07.

Administrative costs of the bill are minimal and would be absorbed by the Department.

Long-Range Fiscal Implications

ATTACHMENT: 2005 AB 585

Appliance Sales and Price Estimates, 2006

Product	Room Air Conditioners	Dehumidifiers	Refrigerators	Freezers	Clothes Washers
US Annual Sales (units)	7,400,000	1,326,000	11,246,000	2,514,000	9,111,000
Energy Star % of US Sales	25%	25%	25%	25%	42%
Energy Star Price	\$240	\$200	\$1,200	\$800	\$750
State Sales Taxes (FY06)	\$393,000	\$60,000	\$298,000	\$446,000	\$2,533,000

Assumptions:

Wisconsin accounts for 1.8% of US sales.

95% compliance rate.

Economic Census data regarding furnaces and HVAC not shown. Exempting furnaces and HVACs would decrease sales taxes by \$0.7 million in FY06.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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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		\$	\$-4,400,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-4,400,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-4,400,000	\$-400,000
Agency/Prepared By		Authorized Signature	Date
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