

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3470/2	Introduction Number AB-767
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Description
 An income and franchise tax credit for using alternative energy sources to generate electricity and heat water

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Increase Existing Appropriations	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Costs	
<input type="checkbox"/> Create New Appropriations			

Local:

<input type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate	5. Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties	<input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		

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/ Pamela Walgren (608) 266-7817	Authorized Signature Rebecca Boldt (608) 266-6785	Date 10/31/2005
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Fiscal Estimate Narratives

DOR 10/31/2005

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Description An income and franchise tax credit for using alternative energy sources to generate electricity and heat water					

Assumptions Used in Arriving at Fiscal Estimate

The draft creates two nonrefundable income and franchise tax credits that would first be applicable to taxable years beginning on January 1, 2006. One credit would equal the amount of sales tax paid in the taxable year on certain equipment and services related to generating electricity and heating water by using solar or wind energy, or gas from agricultural waste. The other credit would equal ten cents per kilowatt hour (kwh) for energy generated from wind, the sun, or gas from agricultural waste that is used exclusively by the taxpayer or returned to a utility as surplus energy. Unused credits may be carried over and offset against tax for up to 15 years.

Partnerships, limited liability companies, and tax-option corporations may not claim the credit but the eligibility for and the amount of the credit passed through to their owners is based on the entity's payments. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

Credit for Sales Tax Paid on Qualifying Generating Equipment and Services.

Based on information from the Division of Energy in the Department of Administration, approximately \$1.8 million of expenditures could be eligible for the credit in 2006. As such, the fiscal effect of providing a credit for the amount of sales tax paid on the purchases would be to reduce revenues by \$90,000 (\$1.8 million x 5%).

Credit for Kilowatt Hours of Electricity Generated and Used by Claimant

Based on information from the 2004 Wisconsin Energy Statistics published by the Department of Administration, approximately 103.8 million kwhs of electricity are generated by wind turbines, including small scale and utility-scale producers. Data is not available on other large scale renewable energy producers. The fiscal effect of providing credit of ten cents per kwh for wind turbines would be to reduce revenues by \$10.38 million (103.8 million kwhs x 10 cents).

The total fiscal effect of both credits would be to reduce revenues by \$11.28 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Description An income and franchise tax credit for using alternative energy sources to generate electricity and heat water			
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		\$	\$-11,280,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-11,280,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-11,280,000	\$
Agency/Prepared By		Authorized Signature	Date
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