

Fiscal Estimate - 2023 Session

Original Updated Corrected Supplemental

LRB Number **23-0755/1** Introduction Number **SB-0022**

Description
The sales and use tax exemption for electricity and natural gas sold for residential use.

Fiscal Effect

State:

No State Fiscal Effect
 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:

No Local Government Costs
 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 checked="" type="checkbox"/> Decrease Revenue		<input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives
DOR 2/7/2023

LRB Number	23-0755/1	Introduction Number	SB-0022	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

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-0755/1	Introduction Number SB-0022
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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		
	Increased Costs	Decreased Costs
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		
	Increased Costs	Decreased Costs
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

	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-105,000,000	-\$8,500,000

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