

Fiscal Estimate Narratives

DOR 5/22/2006

LRB Number	05-4696/2	Introduction Number	SB-723	Estimate Type	Original
Description					
The motor vehicle fuel tax imposed on gasoline that contains at least 85 percent ethanol, prohibiting charging an excessive price for gasoline that contains at least 85 percent ethanol, prohibiting discrimination against a retailer of gasoline that contains at least 85 percent ethanol, granting rule-making authority, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, effective April 1, 2006, the excise tax on motor vehicle fuel is 30.9 cents per gallon. Under this bill, the motor vehicle fuel tax rate imposed on the sale of gasoline consisting of at least 85 percent ethanol (E85) will be 10.0 cents per gallon. The E85 tax rate will increase by 5 cents per gallon on April 1 following each 12 -month period in which the E85 market penetration reaches 1.5 percent, 2 percent, 2.5 percent, 3 percent and 3.5 percent, respectively. E85 market penetration is defined as the percentage of total monthly sales of E85 to the total monthly sales of all motor vehicle fuel, calculated for any 7 months during a 12-month period. However, the tax rate imposed on E85 may not exceed the tax rate imposed on other motor vehicle fuel. Furthermore, under this bill, the tax rate imposed on non-E85 motor vehicle fuel will increase by two-tenths of one cent per gallon.

Under the bill, the Department of Agriculture, Trade and Consumer Protection may bring an action against a person who charges an excessive price for E85 fuel under the Unfair Sales Act or "minimum markup" law. The bill defines excessive price for E85 fuel as a price in excess of 150% of the minimum required retail price. Penalties for charging an excessive price are also established.

The number of E85 fueling stations has been increasing in Wisconsin. According to information from the Department of Administration, there were 10 E85 fueling stations at the end of April 2005 and about 29 at the end of April 2006. Also in 2005, drivers in Wisconsin purchased 786,754 gallons of E85 fuel. Assuming there were on average 10 stations selling E85 fuel in 2005, each station sold on average 78,675 gallons of E85 fuel.

Under current law for FY07, an estimated \$1.03 billion is expected to be collected from the gas tax of 30.9 cents per gallon, assuming 3.35 billion gallons of gasoline and diesel fuel are sold. Assuming a July 1, 2006 effective date and also assuming there will be 40 E85 stations in FY07, then under the bill:

1. Approximately 3.1 million gallons of E85 fuel would be taxed at 10 cents per gallon rather than 30.9 cents per gallon in FY07-- creating a net loss of approximately \$700,000 SEG revenue. Since E85 fuel would be estimated to have 0.09% of the fuel market, the tax rate on E85 fuel would be expected to remain at 10 cents per gallon during this period.
2. The gas tax on all non-E85 gas would increase by 0.2 cent per gallon -- creating a revenue increase of \$6.7 million SEG revenue.
3. The net impact of the bill for FY07 is estimated at \$6.0 million in additional SEG revenues.

The Department estimates one time costs of \$189,500 for programming and keying returns and ongoing costs of \$17,300.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-4696/2	Introduction Number SB-723							
Description The motor vehicle fuel tax imposed on gasoline that contains at least 85 percent ethanol, prohibiting charging an excessive price for gasoline that contains at least 85 percent ethanol, prohibiting discrimination against a retailer of gasoline that contains at least 85 percent ethanol, granting rule-making authority, and providing a penalty								
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The department estimates one time costs of \$189,500 for programming and keying returns.								
II. Annualized Costs:								
Annualized Fiscal Impact on funds from:								
	Increased Costs	Decreased Costs						
A. State Costs by Category								
State Operations - Salaries and Fringes	\$17,300							
(FTE Position Changes)								
State Operations - Other Costs								
Local Assistance								
Aids to Individuals or Organizations								
TOTAL State Costs by Category	\$17,300	\$						
B. State Costs by Source of Funds								
GPR								
FED								
PRO/PRS								
SEG/SEG-S	17,300							
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	\$	\$						
GPR Earned								
FED								
PRO/PRS								
SEG/SEG-S	6,000,000							
TOTAL State Revenues	\$6,000,000	\$						
NET ANNUALIZED FISCAL IMPACT								
	State	Local						
NET CHANGE IN COSTS	\$17,300	\$						
NET CHANGE IN REVENUE	\$6,000,000	\$						
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Agency/Prepared By</td> <td style="width: 40%;">Authorized Signature</td> <td style="width: 20%;">Date</td> </tr> <tr> <td>DOR/ Jacek Cianciara (608) 266-8133</td> <td>Paul Ziegler (608) 266-5773</td> <td>5/22/2006</td> </tr> </table>			Agency/Prepared By	Authorized Signature	Date	DOR/ Jacek Cianciara (608) 266-8133	Paul Ziegler (608) 266-5773	5/22/2006
Agency/Prepared By	Authorized Signature	Date						
DOR/ Jacek Cianciara (608) 266-8133	Paul Ziegler (608) 266-5773	5/22/2006						