

### Fiscal Estimate - 2007 Session

Original       Updated       Corrected       Supplemental

**LRB Number 07-0021/1**      **Introduction Number AB-0085**

**Description**  
 Creating an income and franchise tax credit for motor vehicles that use gasoline and ethanol mixtures as fuel

**Fiscal Effect**

**State:**

- No State Fiscal Effect
- Indeterminate
- Increase Existing Appropriations       Increase Existing Revenues
- Decrease Existing Appropriations       Decrease Existing Revenues
- Create New Appropriations
- Increase Costs - May be possible to absorb within agency's budget
  - Yes       No
- Decrease Costs

**Local:**

- No Local Government Costs
- Indeterminate
- 1.  Increase Costs      3.  Increase Revenue
- Permissive  Mandatory       Permissive  Mandatory
- 2.  Decrease Costs      4.  Decrease Revenue
- Permissive  Mandatory       Permissive  Mandatory
- 5. Types of Local Government Units Affected
  - Towns       Village       Cities
  - Counties       Others
  - School Districts       WTCS Districts

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

GPR     FED     PRO     PRS     SEG     SEGS

<b>Agency/Prepared By</b> DOR/ Blair Kruger (608) 266-1310	<b>Authorized Signature</b> Paul Ziegler (608) 266-5773	<b>Date</b> 3/7/2007
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**Fiscal Estimate Narratives**  
**DOR 3/7/2007**

LRB Number	<b>07-0021/1</b>	Introduction Number	<b>AB-0085</b>	Estimate Type	<b>Original</b>
<b>Description</b> Creating an income and franchise tax credit for motor vehicles that use gasoline and ethanol mixtures as fuel					

**Assumptions Used in Arriving at Fiscal Estimate**

Under the bill, a person may claim an income or franchise tax credit for the state sales or use tax paid on the purchase or lease of a new motor vehicle that is licensed for highway use and is capable of using both gasoline and a mixture consisting of gasoline and at least 85% ethanol (E85) as fuel. The amount of the credit may not exceed \$1,000 per motor vehicle. The credit may be claimed for sales and use tax paid in the five taxable years from 2008 through 2012. The credit is nonrefundable but any unused balance may be carried forward for up to 15 years.

According to Department of Administration data, the average number of flexible fuel vehicles (FFVs -- vehicles capable of using either E85 or conventional gasoline) in Wisconsin for each model year from 2000 through 2004 was 13,435. In addition, according to the Department of Agriculture, Trade and Consumer Protection, the number of FFVs registered in Wisconsin increased from 104,462 as of June 30, 2005 to 117,703 as of June 30, 2006, an increase of 13,241 vehicles (12.7%). Based on these two data sources, it is assumed that about 13,500 new FFVs were sold in FY06. If new FFV sales increase 12.7% per year, about 18,000 new FFVs will be sold in 2008, the first year the credit may be claimed.

Since the credit is limited to \$1,000 of 5% state sales tax paid, it will apply only to the first \$20,000 (\$1,000/5%) of the price of the FFV. Since the prices of new 2007 FFVs generally exceed \$20,000, the credit would apply to the estimated 18,000 FFVs sold in 2008. Assuming all eligible credits for 2008 are claimed, FY09 income taxes would decrease by \$18,000,000.

The Department of Revenue's administrative costs would be absorbed.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 07-0021/1		<b>Introduction Number</b> AB-0085	
<b>Description</b> Creating an income and franchise tax credit for motor vehicles that use gasoline and ethanol mixtures as fuel			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$-18,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-18,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-18,000,000		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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