

**Fiscal Estimate - 2007 Session**

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>07-3851/1</b>		<b>Introduction Number</b> <b>SB-421</b>	
<b>Description</b> Relating to: sales and use tax exemption for energy-efficient products purchased in conjunction with Earth Day.			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> Decrease Costs			
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <input type="checkbox"/> Stadium Districts <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts			
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Paul Ziegler (608) 266-5773		Paul Ziegler (608) 266-5773	2/5/2008

## Fiscal Estimate Narratives

DOR 2/5/2008

LRB Number	07-3851/1	Introduction Number	SB-421	Estimate Type	Original
<b>Description</b> Relating to: sales and use tax exemption for energy-efficient products purchased in conjunction with Earth Day.					

### Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from sales and use taxes certain sales of items of tangible personal property that meet the energy efficiency guidelines of the federal Energy Star program. The exemption would apply to sales of items for residential use purchased during the seven-day period beginning on the Saturday immediately preceding April 21 (Earth Day) and for which the price is less than \$1,500. The exemption does not apply to items purchased by a contractor or subcontractor or to items purchased primarily for entertainment purposes. The exemption would take effect on the first day of the twelfth month beginning after publication.

The attachment shows the groups of residential products certified under the Energy Star program. The product groups include appliances, computers and other office equipment, light bulbs, furnaces, central air conditioning units, and certain building and insulating materials (such as qualifying doors, windows, and roofing).

Data are not available to make a reliable estimate of the full scope of the one-week sales tax exemption provided by the bill. The fiscal effect is also expected to vary year by year since the market share of products attaining Energy Star qualifications varies over time. For instance, prior to a rebenchmarking of Energy Star criteria for computers, 98% of computers on the market were estimated by the Environmental Protection Agency to be meeting the standard. As occurred with computers in 2007, however, Energy Star standards are periodically adjusted with a general effort to initially place approximately 25% of market share within newly established qualifications.

A partial estimate of the fiscal impact may be estimated. Based on Association of Home Appliance Manufacturers historical and forecast numbers of units sold of room air conditioners, dehumidifiers, refrigerators, freezers, and clothes washers; plus estimated sales of computers and peripheral equipment, compact fluorescent lighting, and heating and HVAC units, annual sales estimates of many of the products exempt during the bill's one-week sales tax holiday were estimated.

Assuming 60% of these sales are of products that are Energy Star qualified (95% for lighting), and assuming that the one-week exemption created by the bill draws three weeks of annual sales, the bill is estimated to decrease state sales tax collections by \$2.1 million annually.

County and stadium taxes were 7.7% of state sales taxes in FY07. Assuming this percentage does not change, county and stadium sales and use taxes would decrease by \$160,000 annually.

These estimates may be overstated since the figures do not exclude sales to contractors or sales for products over \$1,500. The estimates may be understated, however, since no amount is included for sales of windows, doors, insulating materials, and other products that qualify for the exemption under the bill.

Assuming the bill is passed and published before March 31, 2008, state and local sales and use taxes would be expected to decrease in FY09 due to the temporary exemption provided under the bill.

Department of Revenue administrative costs under the bill are expected to be absorbed within existing budget authority.

### Long-Range Fiscal Implications

**ATTACHMENT: 2007 SB 421**

**PRODUCTS WITH ENERGY STAR CERTIFICATION FOR RESIDENTIAL USE**

**Appliances**

- Battery Chargers
- Clothes Washers
- Dehumidifiers
- Dishwashers
- Refrigerators & Freezers
- Room AC
- Room Air Cleaners
- Water Coolers

**Heating & Cooling**

- Air-source Heat Pumps
- Boilers
- Central AC
- Ceiling Fans
- Dehumidifiers
- Furnaces
- Geothermal Heat Pumps
- Home Sealing (Insulation)
- Light Commercial
- Programmable Thermostats
- Room AC
- Ventilating Fans

**Home Envelope**

- Home Sealing (Insulation and Air Sealing)
- Roof Products
- Windows, Doors, & Skylights

**Home Electronics**

- Battery Charging Systems
- Cordless Phones
- Combination Units
- Digital-to-Analog Converter Boxes (DTAs) (ineligible for exemption)
- DVD Products (ineligible for exemption)
- External Power Adapters
- Home Audio (ineligible for exemption)
- Televisions (ineligible for exemption)
- VCRs (ineligible for exemption)

**Office Equipment**

- Computers
- Copiers and Fax Machines
- Digital Duplicators
- Notebook Computers/Tablet PCs
- Mailing Machines
- External Power Adapters
- Monitors
- Printers, Scanners, and All-in-Ones

**Lighting**

- Compact Fluorescent Light Bulbs (CFLs)
- Residential Light Fixtures
- Ceiling Fans
- Exit Signs

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
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<b>Description</b> Relating to: sales and use tax exemption for energy-efficient products purchased in conjunction with Earth Day.			
<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	\$	\$-2,100,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-2,100,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-2,100,000	\$-160,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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