



## Fiscal Estimate Narratives

DOR 10/14/2011

LRB Number	11-1390/2	Introduction Number	SB-227	Estimate Type	Original
<b>Description</b> Income and franchise tax credits for insulating concrete forms used to construct a building and energy efficient products					

### Assumptions Used in Arriving at Fiscal Estimate

The bill provides a nonrefundable credit equal to the amount that the taxpayer paid during the taxable year to purchase for use in this state or to manufacture in this state:

\*Insulating concrete forms for use in Wisconsin to construct the insulated exterior and interior walls of any building;

\* Any item of tangible personal property that is governed by and satisfies any of the following standards for energy efficiency:

- The 2001 supplement of the 2000 International Energy Conservation Code
- The 2004 supplement of the 2003 International Energy Conservation Code; and
- The 2007 energy efficiency guidelines established by the federal environmental protection agency and the federal department of energy under the Energy Star program.

Unused credit may be carried over and used for up to 15 years.

### Fiscal Estimate

Insulating Concrete Forms - Based on information from the Insulating Concrete Forms Association, sales of insulating concrete forms in Wisconsin in 2007 equaled approximately \$6 million. Additionally, based on information from ICF Builder Magazine (a trade publication for the insulating concrete forms industry), national sales of insulating concrete forms in 2012 are expected to be at approximately the same as in 2007. Assuming that Wisconsin sales of insulating concrete forms in 2012 the same as in 2007, the bill would result in credit claims of an estimated \$6.0 million for tax year 2012. The department estimates that approximately 75% of tax credits claimed in a year by corporations (which are assumed to be the primary claimant under this provision) are used to offset tax liability in that year. Assuming that sales of insulating concrete forms remain the same, the resulting revenue decreases are estimated to be \$1.1 million in FY 2012, \$4.8 million in FY 2013, \$5.7 million in FY 2014, and \$5.9 million in FY 2015. The fiscal effect would be greater to the extent that the credit provides an incentive to use insulating concrete form construction rather than other construction methods. The fiscal effect would be reduced to the extent that the overall downturn in the real estate market continues to depresses demand for new construction.

Data do not exist to estimate the fiscal effect of the credit for manufacture of insulating concrete forms in this state. The fiscal effect would be reduced to the extent that the tax liability of in-state manufacturers is reduced by other tax provisions in current law, including the qualified production activities credit enacted in 2011 Act 32.

International Energy Conservation Code (IECC) - Data do not exist to estimate this provision. These standards are not typically used to rate individual products. Instead, whole buildings or systems within a building are built to meet the IECC standards.

Energy Star Products - Data do not exist to definitively estimate the provisions of the bill that provide a 100% credit for the cost to purchase Energy Star products. Because of the wide range and popularity of products that would qualify for the credit, it is assumed that the fiscal effect would be extremely large. For context, there were approximately 2.83 million individual tax returns filed in tax year 2011. If half of these filers bought a single 3-pack of Energy Star-certified compact fluorescent lightbulbs at a retail price of \$8 plus 5.5% sales tax in a taxable year, it would result in credit claims of \$11.9 million. If 5% of these filers bought an Energy Star-certified refrigerator at a retail price of \$750 plus 5.5% sales tax in a taxable year, it would result in credit claims of \$112.0 million.

Data do not exist to estimate the fiscal effect of the credit for manufacture of eligible energy efficient

products in this state. The fiscal effect would be reduced to the extent that the tax liability of in-state manufacturers is reduced by other tax provisions in current law, including the qualified production activities credit enacted in 2011 Act 32.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 11-1390/2		<b>Introduction Number</b> SB-227	
<b>Description</b> Income and franchise tax credits for insulating concrete forms used to construct a building and energy efficient products			
<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	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$See text		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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