

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 339** SLS 05RS 881
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: May 31, 2005 7:16 AM	Author: THEUNISSEN
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Phase In Sales Tax Exempt. On Natural Gas and Electricity	

TAX/SALES OR -\$48,000,000 GF RV See Note Page 1 of 1
 Provides for the phase-in restoration of the sales tax exemption for natural gas and electricity. (7/1/05)

Current law imposes a 3.8% sales tax on electric power or energy and natural gas through June 30, 2009. After that date a 1% tax rate is imposed on these purchases.

Proposed law phases out the suspension of exemption applied to these energy sources by relieving them of 1% of tax in FY07, 2% of tax in FY08, and 3% of tax in FY09 and subsequent periods.

Effective for all tax periods beginning on or after July 1, 2005.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$48,000,000)	(\$96,000,000)	(\$144,000,000)	(\$48,000,000)	(\$336,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	(\$48,000,000)	(\$96,000,000)	(\$144,000,000)	(\$48,000,000)	(\$336,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The Department of Revenue provided gross sales reported on sales tax forms for the category nonresidential sales of electricity, natural gas, steam, and water. This data indicated that the current 3.8% sales tax on these sales generated some \$182 million in FY04. While the category includes some sales other than electricity and natural gas, the prices of the underlying fuels (oil and gas) necessary to generate electricity, and the market price of natural gas have risen through FY05 and are expected to stay elevated for the foreseeable future. It is likely that the sales tax revenue that would be associated with sales of electricity and natural gas during FY07 and subsequent periods would be greater than \$182 million. Phasing out this level of collections, as provided by the bill, generates the estimated revenue losses depicted in the table above.

Under current law, unless changed by subsequent legislation, only 1% of tax will be levied on these items in FY10 and subsequent periods. Thus, only the tax revenue associated with amount of taxation can be lost in FY10 as a result of this bill.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk
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Legislative Fiscal Officer