

Fiscal Note

BILL # HB 2213

TITLE: TPT; exemption; utilities; residential customers

SPONSOR: Griffin

STATUS: As Introduced

PREPARED BY: Hans Olofsson

Description

The bill, as introduced, would exempt from the Transaction Privilege Tax (TPT) the retail sale of natural gas, artificial gas, and electricity to residential customers. The bill would become effective on the first day of the month following the general effective date.

Estimated Impact

We estimate that HB 2213 would reduce General Fund revenue by \$(203.4) million annually, beginning in FY 2024. Since the bill would become effective on the first day of the month following the general effective date, the estimated FY 2024 impact ultimately depends on when the Legislature adjourns.

Analysis

Electricity Exemption

According to data provided by the federal Energy Information Administration (EIA), 52.9% of the total revenue generated from the sale of retail electricity in Arizona in FY 2022 was from the sale to residential customers. Data from the Arizona Department of Revenue (DOR) indicates that taxable sales of electricity totaled \$7.68 billion in FY 2022. Based on this information, we estimate that 52.9%, or \$4.06 billion of this total came from the sale to residential customers. Since this amount would be exempted from sales tax under the bill, state TPT would be reduced by \$(203.2) million. Under the statutory state TPT distribution formula, 86.9% of this revenue loss, or \$(176.6) million, would be incurred by the General Fund while the remaining 13.1% of the loss, or \$(26.6) million, would be incurred by counties and cities.

Natural Gas/Artificial Gas Exemption

Based on data provided by EIA, we estimate that 58.8% of the total revenue generated from the sale of retail natural gas in Arizona in FY 2022 was from the sale to residential customers. According to data from DOR, taxable sales of natural gas totaled \$1.05 billion in FY 2022. Based on this information, we estimate that 58.8%, or \$616.3 million of this total came from the sale to residential customers. Since this amount would be exempted from sales tax under the bill, state TPT would be reduced by \$(30.8) million. Under the statutory state TPT distribution formula, 86.9% of this revenue loss, or \$(26.8) million, would be incurred by the General Fund while the remaining 13.1% of the loss, or \$(4.0) million, would be incurred by counties and cities.

The combined General Fund revenue loss from both the bill's electricity exemption and natural/artificial gas exemption is estimated to be \$(203.4) million, beginning in FY 2024.

Local Government Impact

Under the bill, the amount of state TPT distributed to counties and cities would be reduced by an estimated \$(19.0) million and \$(11.6) million, respectively, beginning in FY 2024.

1/23/23

