BILL SUMMARY
1st Session of the 56th Legislature

Bill No.:	**HB 1300**
Version:	**INT**
Request Number:	**5207**
Author:	**Rep. Sears**
Date:	**2/8/2017**
Impact:	**Tax Commission:**

FY-17: Potential Unknown Income Tax Decrease
FY-18: Potential Unknown Income Tax Increase
FY-19: Potential Unknown Income Tax Increase

Research Analysis

HB1300, as introduced, sunsets a tax credit for electricity generated by a zero-emission facility on July 1, 2017. The measure also caps the total amount of credits which may be claimed at $15 million per fiscal year beginning fiscal year 2018.

Prepared By: Quyen Do

Fiscal Analysis

From the Tax Commission:

Under current law an income tax credit is allowed based on the amount of electricity generated by a qualified zero-emission facility. Credits earned prior to January 1, 2014, are transferable and any unused credit may be carried over for a period of ten (10) years. For credits earned on or after January 1, 2014, any credit earned but not used shall be refunded at an amount equal to eighty-five percent (85%) of the amount of the credit. The credit is fifty one-hundredths of one cent ($0.0050) for each kilowatt-hour of electricity generated by zero-emission facilities and is available for a period of ten years.

This measure proposes to amend 68 O.S. § 2357.32A by eliminating the ability to generate any credits on or after July 1, 2017[1]. This measure further limits the amount of credit that may be used to offset tax or refunded to not exceed $15 million per fiscal year beginning with the fiscal year beginning July 1, 2017[2].

The fiscal year cap of $15 million has the potential to create uncertainty as to the filing date patterns of income tax returns to claim the credit either as an offset to tax or a refund. Currently, tax year 2016 credits are due to be filed either before July 1, 2017 or can be filed after July 1, 2017 if the taxpayer elects an extension with the filing of the 2016 tax return. Because the proposal does not specify how the Tax Commission is to administer and enforce the fiscal year cap, it could be assumed a race to file tax year 2016 claims would occur which would have the potential to cause a decrease in income tax revenue for FY17. It is anticipated that the ability to not generate new credits will have a full tax year savings of approximately $54 million[3]. It is unclear which tax year is affected therefore there is an unknown potential positive in FY18 and FY19.

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Other Considerations

None.