

**BILL SUMMARY**  
1<sup>st</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 2272</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>5182</b>
<b>Author:</b>	<b>Rep. O'Donnell</b>
<b>Date:</b>	<b>2/21/2017</b>
<b>Impact:</b>	<b>Tax Commission:</b>
	<b>FY-17: Potential Unknown Revenue Decrease</b>
	<b>FY-18: Potential Unknown Revenue increase</b>
	<b>FY-19: Potential Unknown Revenue Increase</b>

**Research Analysis**

HB2272, 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 \$7 million per fiscal year beginning fiscal year 2018.

Prepared By: Quyen Do

**Fiscal Analysis**

From the Tax Commission:

This measure proposes to amend 68 O.S. § 2357.32A by eliminating the ability to generate any credits on or after July 1, 2017<sup>1</sup>. This measure further limits the amount of credit that may be used to offset tax or refunded to not exceed \$7 million per fiscal year beginning with the fiscal year beginning July 1, 2017<sup>2</sup>. Credits in excess of the \$7 million cap are nullified and may not be used in any succeeding taxable year<sup>3</sup>.

The fiscal year cap of \$7 million and nullification of credits in excess of the cap 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 and the fact that any credits in excess of the fiscal year cap shall be nullified and not used in any succeeding tax year, it could be assumed a race to file 2016 tax claims would occur which would have the potential to cause a decrease in income tax revenue in FY17. It is anticipated that the ability to not generate new credits will have a full tax year savings of approximately \$54 million. It is unclear which tax year is affected therefore there is an unknown potential positive in FY18 and FY19.

Prepared By: Mark Tygret

**Other Considerations**

None.

