BILL SUMMARY
2nd Session of the 56th Legislature

Bill No.:	**HB 3716**
Version:	**FULLPCS1**
Request Number:	**10488**
Author:	**Rep. Wallace**
Date:	**4/27/2018**
Impact:	**Provides for Elimination of Refundable Credits**

Extends Carryforward Provisions
Offers Election for Certain Credits

Tax Commission:
FY-19: $5.0 Million
FY-20: $11.9 Million
FY-21: $70.3 Million

Research Analysis

The proposed committee substitute for HB3716 relates to a tax credit for electricity produced by a zero-emission facility. The measure provides that credits generated, but not used, on or after January 1, 2019 may be carried forward as a credit against subsequent income tax liability for up to 20 years. For credits generated, but not used, on or after January 1, 2017 and prior to January 1, 2019, taxpayers can receive a refund of accrued credits at 85 percent of the credit value or also carry forward the credit for up to 20 years.

The measure also delete a provision that allows nontaxable entities, including state and local agencies, to generate transferable tax credits to encourage the expenditure of funds in the development, construction and utilization of electricity from zero-emission facilities.

Prepared By: Quyen Do

Fiscal Analysis

The measure provides for the elimination of the refund features for zero-emission tax credits on January 1, 2019, allows for the election of receiving refunds or using credits to offset taxable income for credits generated, but not used, on or after January 1, 2017 and prior to January 1, 2019. The measure also provides a carry forward period against income tax liability for up to twenty years.

From the Tax Commission:

Preliminary calendar year 2016 data for this credit shows $70.3 million was refunded and $3.7 million was used to offset tax. An analysis of the preliminary 2016 refunds shows that $6.9 million in refund claims were processed prior to July 1, 2017. Assuming similar refundable tax credit amounts and filing date patterns for tax year 2019 most of the impact for tax year 2019 will occur on or after July 1, 2020. Therefore, there is a projected increase in income tax collections of $5.0 million in FY19[1], $11.9 million in FY20 and the full impact of an estimated increase in income tax collections of $70.3 million should occur in FY21.

Prepared By: Mark Tygret

Other Considerations

None.

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[1] The impact of the discretionary refund would only affect FY19 - FY21.