BILL SUMMARY
2nd Session of the 56th Legislature

Bill No.:	**SB 888**
Version:	**CS**
Request Number:	**10350**
Author:	**Rep. Coody**
Date:	**4/18/2018**
Impact:	**Eliminates Refund Option on Credits** **FY-20 Estimated Increase of $6.9 Million** **FY-21 Estimated Increase of $70.3 Million**

Research Analysis

The committee substitute for SB888 ends a tax credit for ethanol sales on November 1, 2018. Currently, ethanol sold by retail dealer is eligible for a tax credit of $0.016 per gallon sold. The measure also ends the ability for tax credits generated by the zero-emission facilities electricity production tax credit to be refundable at 85 percent of the value on or after January 1, 2019.

Prepared By: Quyen Do

Fiscal Analysis

From the Tax Commission:

Engrossed SB 888 proposes to amend 68 O.S. §2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by eliminating the refundable aspect of the credit beginning with tax year 2019. The elimination of the refundable aspect applies only to the credit based on the production of electricity by wind.

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.

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 $6.9 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.