BILL SUMMARY
2nd Session of the 56th Legislature

Bill No.:	**SB 893**
Version:	**CS**
Request Number:	**10352**
Author:	**Rep. Thomsen**
Date:	**4/18/2018**
Impact:	**Tax Commission:**
	No Short-Term Impact

Research Analysis

The committee substitute for SB893 established an annual cap equal to $500,000 for the zero-emission facilities electricity production tax credit effective tax year 2019. The cap is only applicable to credits that are earned from electricity produced by means of water, sun or geothermal energy. The measure directs the Oklahoma Tax Commission to use a percentage adjustment formula to determine a percentage by which the credits authorized are to be reduced to satisfy the $500,000 annual cap. In the event that the total tax credits authorized exceed the annual cap, the commission will permit any excess, but must factor the excess into the percentage adjustment formula for subsequent years. Unused credits may be carried over until they are fully used.

The measure also directs the Oklahoma Tax Commission to submit an annual report to the Secretary of Energy and Environment, the Governor and Legislature summarizing the amount of credits allowed each year. Within 60 days of receiving the report from the OTC, the Secretary of Energy and Environment will then be required to submit recommendations for changes to the tax credit to the Governor, Speaker and Pro Tempore of the Senate.

Prepared By: Quyen Do

Fiscal Analysis

From the Tax Commission:

The Proposed Committee Substitute for Engrossed SB 893 proposes to amend 68 O.S. §2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by placing a $500,000 cap on the credit for electricity generated by non-wind sources beginning with tax year 2019, and extending the placed-in-operation date by one year, from December 31, 2020 to December 31, 2021, for facilities that generate electricity by non-wind sources.

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 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. With respect to electricity generated by wind, the facility must be placed in operation not later than July 1, 2017. With respect to electricity generated by moving water, sun, or geothermal energy, the facility must be placed in operation not later than December 31, 2020.

This measure proposes to extend the placed-in-operation date by one year, from December 31, 2020 to December 31, 2021, for facilities that generate electricity by moving water, sun or geothermal energy. This measure also caps the credit for electricity generated by non-wind at $500,000 beginning with tax year 2019. If the Tax Commission determines the total amount of credits allowed exceeds the cap, the Tax Commission will determine the percentage of the credit which may be claimed so that the $500,000 cap is not exceeded.

No claims for non-wind credits have been claimed so this measure has no short term impact.

[1] SB893 FULLPCS1 Earl Sears-MAH
[1] One of the eligibility requirements for this credit is that electricity must be generated by an eligible renewable resource. Eligible renewable resources are defined as: wind, moving water, sun, or geothermal energy.
[1] Subsection (B) provides that the amount of credit for electricity generated on or after January 1, 2007 by non-wind facilities placed in operation on or after January 1, 2007, *and before January 1, 2021*, shall be $0.0050 for each kilowatt-hour of electricity generated. This subsection does not provide a credit amount for facilities placed in operation between January 1, 2021 and January 1, 2022.
[1] The cap requires a two year look back to calculate.

Prepared By: Mark Tygret

Other Considerations

None.