

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-SIXTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: February 1, 2017

BILL NUMBER: SB 294 STATUS AND DATE OF BILL: Introduced 1/18/17

AUTHORS: House n/a Senate Dahm

TAX TYPE (S): Income Tax SUBJECT: Credit

PROPOSAL: Amendatory

SB 294 proposes to amend 68 O.S. §2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by changing the placed-in-service date for the facility and eliminating the refundability of the tax credit for credits generated on or after July 1, 2017.

EFFECTIVE DATE: July 1, 2017 - Emergency

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 18: Projected increase in income tax collections of \$1.9 million
FY 19: Projected increase in income tax collections of \$29.0 million.
FY 20: Projected increase in income tax collections of \$54.3 million.

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 18: No additional cost or savings to the Tax Commission anticipated due to this proposed legislation.

Feb. 1, 2017
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-1-17
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/3/17
DATE

Dan Cas
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 294 [Introduced] Prepared February 1, 2017

SB 294 proposes to amend 68 O.S. §2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by changing the placed-in-service date for the facility and eliminating the refundability of the tax credit for credits generated on or after July 1, 2017.

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. Facilities must be placed in service before January 1, 2021.

Preliminary calendar year 2015 data for this credit shows that \$54.3 million was refunded and \$10.9 million was used to offset tax. The data also shows that \$6.5 million in claims were filed prior to July 1, 2016. Assuming similar tax credit amounts and filing date patterns for tax years 2017 through 2019, the elimination of the refundability portion for credits generated on and after July 1, 2017, would indicate a potential savings of \$27.1 million for tax year 2017 and \$54.3 million for tax years 2018 and 2019 annually¹. The table below shows the estimated impact of this proposal by fiscal year.

FY Conversion - No Refunds for Credits Generated On or After 7/1/17				
	TOTAL	FY18	FY19	FY20
Estimated Tax Year 2017 Savings	\$27,144,000	\$1,900,000	\$25,244,000	\$0
Estimated Tax Year 2018 Savings	\$54,287,000	\$0	\$3,799,000	\$50,488,000
Estimated Tax Year 2019 Savings	\$54,287,000	\$0	\$0	\$3,799,000
	FY Total	\$1,900,000	\$29,043,000	\$54,287,000

The acceleration of the date to place the facility in service should have no short term fiscal impact.

¹ No growth factored into calculating tax years 2017-2019 estimated savings due to the credits being non-refundable. For tax year 2017 it is assumed that \$27.1 million will be claimed as refunds and no refunds for tax years 2018 and 2019 are expected as a result of this measure.