

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 304 **STATUS AND DATE OF BILL:** Introduced 1/18/17

AUTHORS: House n/a Senate Quinn

TAX TYPE (S): Income Tax **SUBJECT:** Credit

PROPOSAL: Amendatory

SB 304 proposes to amend 68 O.S. § 2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by moving up the date facilities must be placed in service to qualify for the credit from January 1, 2021 to January 1, 2017. This measure would further limit the amount of credits allowed in a taxable year to not exceed \$15 million beginning with tax year 2017. The cap is to be administered on a first-come first-served basis.

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: Potential decrease in income tax collections of \$8.5 million.

FY 19: Projected increase in income tax collections of \$50.2 million.

ADMINISTRATIVE IMPACT:

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

FY 18: -0-

Feb. 1, 2017
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-2-17
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2/4/17
DATE

Don Cas
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 304 [Introduced] Prepared February 1, 2017

SB 304 proposes to amend 68 O.S. § 2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by moving up the date facilities must be placed in service to qualify for the credit from January 1, 2021 to January 1, 2017. This measure would further limit the amount of credits allowed in a taxable year to not exceed \$15 million beginning with tax year 2017. The cap is to be administered on a first-come first-served basis¹.

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 shows a total of \$65.2 million was either used to offset tax or was claimed as a refund. A cap of \$15 million should result in a projected increase in income tax collections of \$50.2 million for tax year 2017.

The preliminary 2015 data also shows \$6.5 million in claims were filed prior to July 1, 2016. Assuming similar tax credit amounts and filing date patterns for tax year 2017, \$6.5 million in claims are expected to be filed prior to July 1, 2018, under current law. Because the proposal is structured as a first-come first-served credit, it is assumed a race to file tax year 2017 claims would occur. This would result in an additional \$8.5 million in claims to be paid during FY18. This creates a negative impact in FY18 of \$8.5 million and a positive impact in FY19 of \$50.2 million.

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

¹ The first-come first-served administration of the cap is problematic.