

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 14, 2018

BILL NUMBER: SB 994 **STATUS AND DATE OF BILL:** Introduced 1/11/18

AUTHORS: House n/a Senate Bergstrom

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

PROPOSAL: Amendatory

SB 994 proposes to amend 68 O.S. §2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities by placing a \$25 million cap on the refundable portion of this credit beginning with tax year 2018.

EFFECTIVE DATE: Emergency – Upon Passage and Approval

REVENUE IMPACT:

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

FY 19: Projected increase in income tax collections of \$6.9 million.

FY 20: Projected increase in income tax collections of \$45.3 million.

ADMINISTRATIVE IMPACT:

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

FY 19: None

Feb. 14, 2018
DATE

Rick Miller
DIVISION DIRECTOR

mck

2-14-18
DATE

Reece Womack
REECE WOMACK, ECONOMIST

2-15-18
DATE

Jon Whit
FOR THE COMMISSION

ATTACHMENT TO FISCAL IMPACT - SB 994 [Introduced] Prepared February 14, 2018

SB 994 proposes to amend 68 O.S. §2357.32A relating to the Credit for Electricity Generated by Zero-Emission Facilities¹ by placing a \$25 million cap on the refundable portion of this credit beginning with tax year 2018.

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. For credits generated by wind, the qualified zero-emission facility must have been placed in service prior to July 1, 2017.

This measure proposes to cap the refundable part of the credit beginning with tax year 2018. The total amount of all credits allowed shall be claimed before October 15 for electricity generated during the prior tax year, including any carryover from credits generated prior to January 1, 2014. If the Tax Commission determines the total amount of refundable credits allowed exceeds the cap, the Tax Commission will determine the percentage of the refundable credit which establishes the proportionate share which may be claimed so that the \$25 million cap is not exceeded. Credits earned but not allowed due to the application of the cap may be used in subsequent years, subject to the cap.

Preliminary calendar year 2016 data for this credit shows \$70.3 million was refunded and \$3.7 million was used to offset tax. Of the \$70.3 million refunded, \$6.9 million was refunded in FY17 and \$63.4 million refunded in FY18. Assuming similar refundable tax credit amounts and filing date patterns for tax year 2018, the \$6.9 million in claims likely to be filed in FY19, and which would be paid in FY19 under current law, will now not be refunded until after October 15, 2019, resulting in an estimated positive impact of \$6.9 million in FY19. The estimated increase in income tax collections for FY20 (\$70.3 million minus \$25 million) is expected to be \$45.3 million.

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.