

**Bill Summary**  
1<sup>st</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB 797</b>
<b>Version:</b>	<b>CS1</b>
<b>Request No.:</b>	<b>1914</b>
<b>Author:</b>	<b>Sen. Bice</b>
<b>Date:</b>	<b>02/25/2019</b>

**Committee Substitute (CS)**

The CS for SB 797 extends the sunset date for the income tax credit for investments in qualified clean-burning motor vehicle fuel property from January 1, 2020, to January 1, 2027. The measure removes investments in metered-for-fee, recharge stations from the credit and establishes the maximum amount of credit claimed per vehicle based on the weight of each vehicle. For investments in property for fueling and recharge stations, the measure lowers the claimable percentage from 75% to 45% of the cost of the qualified clean-burning motor vehicle fuel property. Beginning January 1, 2020, the total claimed credits will be capped at \$20 million. Credits claimed in excess of this amount will cause the Oklahoma Tax Commission (OTC) to award credits on a pro rata basis. The OTC shall notify the Office of the State Secretary of Energy and Environment whenever 80% of the authorized annual amount is claimed. The Secretary will then notify the Governor, President Pro Tempore, and Speaker.

Prepared by: Kalen Taylor

**Fiscal Analysis**

FY'20 Impact: None expected  
Full Year Impact: None expected

The proposed committee substitute extends the sunset date from tax year 2019 to tax year 2026, changes the credit calculation percentages for tax year 2020, imposes a state wide cap of \$20 million, and amends the credit amount of the motor vehicle component to now be based upon the weight of the vehicle instead of 45% of the cost. The expenditures for tax year 2016 for this credit were \$7.9 million and there is no expectation that this amount will increase significantly.

Prepared by: Oklahoma Tax Commission

## MEMORANDUM

OKLAHOMA TAX COMMISSION  
TAX POLICY AND RESEARCH

DATE: February 22, 2019

SUBJECT: SB 797 - Proposed Committee Substitute (57-1-1914)

TO: Rick Miller, Director *RAM*

FROM: Michael C. Kaufmann, Tax Policy Analyst

The Proposed Committee Substitute (57-1-1914) for SB 797 proposes to amend 68 O.S. § 2357.22, which relates to the Credit for Conversion of Motor Vehicles to Clean Burning Fuel. This measure proposes to 1) extend the sunset date; 2) change the credit calculation percentages for tax year 2020; 3) impose a state wide cap of \$20 million effective for tax year 2020 and subsequent years.<sup>1</sup>

Under current law a one-time income tax credit is allowed for investments in qualified clean-burning motor vehicle fuel property through tax year 2019. Depending on the type of property, the credit is either forty-five percent (45%) or seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property. In cases where no credit is previously claimed and a motor vehicle is purchased with “factory installed” clean-burning fuel equipment, and the taxpayer elects not to determine the exact investment cost, the credit is limited to ten percent (10%) of the motor vehicle purchase price up to One Thousand Five Hundred Dollars (\$1,500.00). Property directly related to the delivery of natural gas from a private home qualifies for a credit of the lesser of fifty percent (50%) of the cost of the property or Two Thousand Five Hundred Dollars (\$2,500.00). Any credit allowed but not used may be carried over for a period of five (5) years.

This measure proposes to:

- Extend the sunset date from tax year 2019 to tax year 2026.
- Impose a state wide cap of \$20 million effective for tax year 2020. If the amount of claims for credits allowed reaches eighty percent (80%) of the total annual limit, the Tax Commission will notify the Office of the State Secretary of Energy and Environment. If the total amount of credits exceeds \$20 million, the Tax Commission shall annually calculate and publish by the first day of the affected fiscal year a percentage by which the credits authorized shall be reduced so the total amount of credits used to offset tax does not exceed \$20 million per year.<sup>2</sup>

<sup>1</sup> Obsolete language relating to hydrogen fuel cells is also stricken.

<sup>2</sup> The Oklahoma Tax Commission is required to calculate the cap based on the previous two years. Although not specified it is assumed that the cap will be calculated based on the tax year the credits are used to offset tax.

- Reduce the infrastructure component (delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, for commercial purposes or for a fee or charge) from 75% to 45%.<sup>3</sup>
- Amend the credit amount of the motor vehicle component; it will no longer be 45% of the cost of the qualified clean-burning motor vehicle property, but will now be based on the weight of the vehicle as outlined below:

Vehicle Weight (lbs)	Maximum Credit Amount
Under 6,000	\$5,500
6,001 to 10,000	\$9,000
10,001 to 26,500	\$26,000
26,501 and above	\$50,000

The expenditure for tax year 2016 for this credit was \$7.9 million. There is no expectation that this amount will increase significantly. Therefore no impact to revenue is anticipated.

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<sup>3</sup> This measure does not specify when the decrease to 45% is to occur. The effective date for this measure is January 1, 2020; therefore it is assumed that the decrease to 45% is effective for tax year 2020.

**OKLAHOMA TAX COMMISSION**

**REVENUE IMPACT STATEMENT  
FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE**

**DATE OF IMPACT STATEMENT:** March 1, 2019

**BILL NUMBER:** SB 797 **STATUS AND DATE OF BILL:** Committee Substitute  
2/27/19

**AUTHORS:** House n/a Senate Bice

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

**PROPOSAL:** Amendatory

SB 797 proposes to amend 68 O.S. § 2357.22, which relates to the Credit for Conversion of Motor Vehicles to Clean Burning Fuel. This measure proposes to 1) extend the sunset date; 2) change the credit calculation percentages for tax year 2020; and 3) impose a state wide cap of \$20 million effective for tax year 2020 and subsequent years.

**EFFECTIVE DATE:** January 1, 2020

**REVENUE IMPACT:**

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

FY 20: No impact to revenue is anticipated

FY 21: No impact to revenue is anticipated

Mar. 4, 2018  
DATE

Rick Miller  
DIVISION DIRECTOR

mck

3-4-2019  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

3-5-19  
DATE

[Signature]  
FOR THE COMMISSION

*The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

**ATTACHMENT TO FISCAL IMPACT - SB 797[Comm. Sub.] Prepared: March 1, 2019**

SB 797 proposes to amend 68 O.S. § 2357.22, which relates to the Credit for Conversion of Motor Vehicles to Clean Burning Fuel. This measure proposes to 1) extend the sunset date; 2) change the credit calculation percentages for tax year 2020; and 3) impose a state wide cap of \$20 million effective for tax year 2020 and subsequent years.<sup>1</sup>

Under current law a one-time income tax credit is allowed for investments in qualified clean-burning motor vehicle fuel property through tax year 2019. Depending on the type of property, the credit is either forty-five percent (45%) or seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property. In cases where no credit is previously claimed and a motor vehicle is purchased with "factory installed" clean-burning fuel equipment, and the taxpayer elects not to determine the exact investment cost, the credit is limited to ten percent (10%) of the motor vehicle purchase price up to one thousand five hundred dollars (\$1,500). Property directly related to the delivery of natural gas from a private home qualifies for a credit of the lesser of fifty percent (50%) of the cost of the property or two thousand five hundred dollars (\$2,500). Any credit allowed but not used may be carried over for a period of five (5) years.

This measure proposes to:

- Extend the sunset date from tax year 2019 to tax year 2026.
- Impose a statewide cap of \$20 million effective for tax year 2020. If the amount of claims for credits allowed reaches eighty percent (80%) of the total annual limit, the Tax Commission will notify the Office of the State Secretary of Energy and Environment. If the total amount of credits exceeds \$20 million, the Tax Commission shall annually calculate and publish by the first day of the affected year a percentage by which the credits authorized shall be reduced so the total amount of credits used to offset tax does not exceed \$20 million per year<sup>2</sup>.
- Reduce the infrastructure component (delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, for commercial purposes or for a fee or charge) from 75% to 45%.
- Amend the credit amount of the motor vehicle component; it will no longer be 45% of the cost of the qualified clean-burning motor vehicle property, but will now be based on the weight of the vehicle as outlined below:

Vehicle Weight (lbs)	Maximum Credit Amount
Under 6,000	\$5,500
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10,001 to 26,500	\$26,000
26,501 and above	\$50,000

The expenditure for tax year 2016 for this credit was \$7.9 million. There is no expectation that this amount will increase significantly. Therefore no impact to revenue is anticipated as a result of this measure.

<sup>1</sup> Obsolete language relating to hydrogen fuel cells is also stricken.

<sup>2</sup> The Oklahoma Tax Commission is required to calculate the cap based on the previous two years.