

BILL SUMMARY
2nd Session of the 58th Legislature

Bill No.:	SB 1857
Version:	ENGR
Request Number:	NA
Author:	Mr. Chairman
Date:	4/7/2022
Impact:	Tax Commission:

Income Tax Revenue Decrease:
FY-23: (\$275,000)
FY-24: (\$550,000)

Research Analysis

SB 1857 modifies the one-time income tax credit for investments in qualified clean-burning motor fuel property to include, through tax year 2028, motor vehicles originally equipped so that the vehicle may be propelled by a hydrogen fuel cell electric fueling system. For tax years 2023 through 2028, the credits will be limited annually to \$30 million, split equally among three types of property. Additionally, the maximum credit for vehicles in excess of 26,501 pounds is increased from \$50,000 to \$100,000.

Prepared By: Emily McPherson

Fiscal Analysis

Analysis provided by the Tax Commission:

Engrossed SB 1857 proposes to amend 68 O.S. § 2357.22 to extend the credit for investments in qualified clean-burning motor vehicle fuel property to tax year 2028 and to expand the definition of “qualified clean-burning motor vehicle fuel property” to include a motor vehicle originally propelled by a hydrogen fuel cell electric fueling system, as well as related hydrogen fueling property. The maximum allowable credit amount for a qualifying natural gas, liquefied petroleum gas or hydrogen fuel cell vehicle in excess of 26,501 pounds is increased from \$50,000 to \$100,000, and total annual credit limits for tax years 2023 through 2028 are applied as follows:

- \$10 million for qualified clean burning fuel property propelled by compressed natural gas, liquefied natural gas, or liquefied petroleum gas, property related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, and property directly related to the compression and delivery of natural gas.
- \$10 million for property originally equipped so that the vehicle may be propelled by a hydrogen fuel cell electric fueling system and property directly related to the delivery of hydrogen.
- \$10 million for property which is metered -for-fee, public access recharging system for motor vehicles propelled in whole or in part by electricity.

If total credits exceed \$10 million in any calendar year for any applicable property, the Oklahoma Tax Commission (OTC) will permit the excess but will factor such excess into the percentage adjustment formula for subsequent years. The OTC will annually calculate and publish by the first day of the affected year the percentage by which the credits will be reduced so the total annual amount of credits used to offset tax does not exceed \$10 million for any applicable property. The formula used for the percentage adjustment is \$10 million divided by the credits claimed in the second preceding tax year.

U.S. Department of Energy Alternative Fuels Data Center records indicate all hydrogen fueling stations in the U.S. are currently located in California and Hawaii.¹ Additional internet research indicates that 11,016 hydrogen fuel cell vehicles existing in the U.S. as of August 1, 2021, were also located in California and Hawaii.² Based on this information, it is not expected that the proposed credit for hydrogen fuel cell property will have a significant impact on income tax revenue.

Per OTC records, credits used for the purchase or conversion of a qualifying natural gas or liquefied petroleum gas vehicle for tax year 2019 totaled approximately \$2.2 million. For this analysis, it is assumed that 25% of these credits were established for vehicles in excess of 26,501 pounds for a total credit amount used of approximately \$550,000. Assuming similar activity for tax year 2023, an estimated decrease in income tax revenue of \$550,000 is expected as a result of this proposal. This decrease may begin to occur in FY 23, due to a potential reduction of estimated tax payments, and the full impact is expected for FY 24 when the 2023 returns are filed.

¹ See https://afdc.energy.gov/fuels/hydrogen_locations.html#/find/nearest?fuel=HY.

² See <https://www.autoweek.com/news/technology/g32203425/10-things-about-hydrogen-fuel-cell-vehicles-in-america/#:~:text=Combined%20with%20additional%20research%2C%20here,cell%20vehicles%20in%20America%20today.&text=As%20of%20August%201%2C%202021,the%20California%20Fuel%20Cell%20Partnership>.

Prepared By: Mark Tygret

Other Considerations

Administrative Concern

Currently, credits for qualified clean burning fuel property propelled by compressed natural gas, liquefied natural gas, or liquefied petroleum gas are reported separately from credits for property related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, and property directly related to the compression and delivery of natural gas. For tax year 2019, credits used for investments in property directly related to the delivery and storage of a qualified fuel, public access recharging systems, and private residence natural gas refueling stations totaled approximately \$12.7 million. If credits for qualified clean burning fuel property propelled by compressed natural gas, liquefied natural gas, or liquefied petroleum gas, property related to the delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, and property directly related to the compression and delivery of natural gas exceed \$10 million for tax year 2023, corresponding information from tax year 2021 will not be available to calculate the proposed credit adjustment for tax year 2024.

Similarly, if credits for property that is metered-for-fee, public access recharging system for motor vehicles propelled in whole or in part by electricity exceed \$10 million for tax year 2023, corresponding information from tax year 2021 will not be available to calculate the proposed credit adjustment for tax year 2024.

