

**REVENUE:** Revenue statement issued

**FISCAL:** Fiscal statement issued

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**Action:** Do pass as amended and be printed engrossed  
**Vote:** 9-0-0  
**Yeas:** Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart  
**Nays:**  
**Exc.:**  
**Prepared By:** Chris Allanach, Economist  
**Meeting Dates:** 2/12, 2/19

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**WHAT THE BILL DOES:** Amends the Business Energy Tax Credit (BETC). Increases the amount of tax credit for renewable energy from 35 percent to 50 percent of eligible cost taken over five years. Provides a tax credit to homebuilders for installing renewable energy systems in homes and for designing and building high-performance low energy use homes. Allows use of the BETC and any federal energy tax credit for the same qualifying energy efficiency or renewable energy project. Provides that alternative fuels facilities, combined heat and power facilities, and renewable energy manufacturing facilities qualify for the 50 percent tax credit. Increases the size of hydro facility eligible for BETC from one megawatt to ten megawatts, provided the facility meets all statutory requirements for protection of fish and wildlife. Increases the maximum amount of cost eligible for the tax credit from \$10 million to \$20 million per project for renewable energy resources including alternative fuels renewable energy manufacturing facilities or combined heat and power projects. Places a sunset date of January 1, 2016 on the credit.

**ISSUES DISCUSSED:**

- Benefits of solar power and clean energy
- Energy efficiency and conservation projects
- Pass-through market for the tax credits
- Costs of renewable energy systems
- As per Committee rules, the following metrics were adopted for evaluating the credit:
  - Number of eligible energy efficient and renewable energy systems installed by businesses.
  - Amount of energy saved or produced (in million BTUs).
  - Annual dollar value of the energy saved or produced.
  - Tons of CO2 emissions avoided.
  - Capital invested in energy efficiency and renewable energy projects.
  - Total average payback period / return on investment.

**EFFECT OF COMMITTEE AMENDMENTS:**

- Creates a sunset date of January 1, 2016 for the credit.

**BACKGROUND:** Tax credits are currently available through the Oregon Department of Energy to businesses that invest in energy conservation, recycling, renewable energy resources, and less-polluting transportation fuels. The tax credit is 35 percent of eligible project costs - the incremental cost of the system or equipment that is beyond standard practice. Businesses are allowed to take the credit over five years: ten percent in the first and second years and five percent each year thereafter. Businesses can carry the unused credit forward up to eight years. Those with eligible project costs of \$20,000 or less may take the tax credit in one year.

In tax year 2004, 187 C-corporations claimed a total of \$12.2 million in credits and 134 of those corporations were able to reduce their liability by a total of \$7.1 million. Other businesses (pass-through entities and sole proprietors) were able to reduce their personal income tax liability by roughly \$8 million.

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*This summary has not been adopted or officially endorsed by action of the committee.*