

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action:	Do Pass the B-Engrossed Measure and Be Referred to the Committee on Finance and Revenue by prior reference
Vote:	5 - 0 - 0
Yeas:	Atkinson, Bates, Beyer, Prozanski, Avakian
Nays:	0
Exc.:	0
Prepared By:	Sue Marshall, Administrator
Meeting Dates:	4/5

WHAT THE MEASURE 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 hydroelectric facilities 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:

- Whether there is a need for a tax credit
- Definition of biomass

EFFECT OF COMMITTEE AMENDMENT: No amendment.

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.