

**REVENUE:** Revenue statement issued

**FISCAL:** May have fiscal impact; statement not yet issued

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**Action:** Without recommendation, with amendments and add subsequent referral to Committee on Ways and Means

**Vote:** 7-1-1

**Yeas:** Berger, Bruun, Butler, Gelser, Olson, Read, Witt

**Nays:** Barnhart

**Exc.:** Rosenbaum

**Prepared By:** Chris Allanach, Economist

**Meeting Dates:** 5/15, 6/21

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**WHAT THE BILL DOES:** Defines terms used in the bill; in particular, 'base pollution control' is defined as a control that uses an eligible method to meet a Department of Environmental Quality (DEQ) or regional air pollution authority requirement that exceeds a federal requirement. And 'environmental enhancement' is defined as a control that provides an environmental benefit that is not required by DEQ, Dept. of Agriculture, the Environmental Protection Agency (EPA), or a regional air pollution authority or is a base pollution control installed prior to such requirements. Also 'environmental management system' is a system that meets requirements while an 'environmental improvement process' is a process that exceeds requirements. Requires certain information be collected during the application process. Limits credit certifications to \$19.5 million per calendar year as long as the revenue impact does not exceed \$13 million in any year. Establishes a certification deadline of December 31, 2013. Establish credit percentages for base pollution controls and nonpoint source pollution controls as follows: 35% if the environmental investment is commenced before January 1, 2011 and 25% if after that date. Establishes a 50% credit for environmental enhancements. Establishes a 50% credit for environment management systems and environmental improvement processes up to \$25,000 for business with fewer than 50 employees, \$50,000 for businesses with between 50 and 500 employees, and \$100,000 for businesses with more than 500 employees. Allows taxpayers to transfer credits related to an environmental enhancement control. Establishes a program development fee and a groundwater protection surcharge. Creates the Ground Water Protection Account.

**ISSUES DISCUSSED:**

- Details of the application, certification, and credit process
- Rulemaking process for the Department of Environmental Quality
- Definitions of terms, such as 'base pollution control'
- Potential need for additional discussion on policies contained in the bill

**EFFECT OF COMMITTEE AMENDMENTS:** Replaces bill.

**BACKGROUND:** Under current law, personal and corporate taxpayers are allowed a credit of up to 35 percent of the certified cost of pollution control facilities. The Department of Environmental Quality must certify the credit, which is scheduled to sunset December 31, 2007.

In tax year 2004, roughly 100 corporations claimed a total of \$23.1 million in credits and reduced their tax liability by roughly \$11.3 million.

In tax year 2005, roughly 700 personal income tax filers claimed a total of \$4.4 million in credits and reduced their liability by \$2.5 million.

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

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