

REVENUE: Revenue Impact Issued

FISCAL: Minimal Fiscal Impact

Action: Do Pass as Amended and be Printed B-Engrossed

Vote: 10-0-0

Yeas: Bailey, Bentz, Berger, Bruun, Gelser, Kahl, Read, Riley, Sprenger, Barnhart

Nays: 0

Exc.: 0

Prepared By: Chris Allanach, Economist

Meeting Dates: 5/5, 5/6, 6/3, 6/5

WHAT THE BILL DOES: Eliminates the Residential Energy Tax Credit and the Business Energy Tax Credit for gasoline-electric vehicles as of January 1, 2010. Adds electric vehicle manufacturers to the definition of renewable manufacturing facilities for purpose of the Business Energy Tax Credit. Refines definitions related to the biomass tax credit. Requires the Department of Energy to provide written certification to taxpayers eligible for the credit and annually provide that list to the Department of Revenue, grants the department rule-making authority, and allows the department to collect a fee related to the certification process. Limits the transfer of the credit to on or before the due date of the corresponding tax return. Allows the department to establish by rule a minimum discounted value for the tax credit.

ISSUES DISCUSSED:

- Experience with the biomass credit
- Current market for gasoline-hybrid vehicles
- Future market for plug-in electric vehicles

EFFECT OF COMMITTEE AMENDMENTS: Replaces bill.

BACKGROUND: The RETC was created in 1977 to promote the use of solar, wind, or geothermal energy as a source for space heating, water heating, cooling, or electricity. The amount of the credit varies with the device and amount of energy-saving capability. Alternative fuel vehicles were added in 1999. In 2006, nearly 37,400 filers claimed a total of \$12 million in credits. Roughly \$3.2 million of this total was for alternative fuel vehicles, the vast majority of which were hybrids.

The BETC was created in 1979 for projects pertaining to recycling, energy conservation, and renewable energy. Generally, the credit is 35% of the certified cost taken over five years: 10 percent in the first two years, and 5 percent for the subsequent three years. In 2007, the credit was increased to 50% over five years for projects that use or produce renewable energy or is a renewable energy resource equipment manufacturing facility. For the first 20 years of the program, annual preliminary certifications totaled less than \$50 million. Since 2000, that total has climbed to nearly \$570 million in 2008. Historically, roughly \$250,000 in credits per year pertain to alternative fuel vehicles.

The biomass credit was created in 2007; the credit amount depends on the type of biomass. In 2007, roughly 100 personal income tax filers reduced their tax liability by just under \$1.1 million. In 2008, preliminary data indicate that total roughly doubled to \$2.2 million.