REVENUE IMPACT OF PROPOSED LEGISLATION

75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number:	HB 2472 B*
Revenue Area:	Income Taxes
Economist:	Chris Allanach
Date:	6-24-09

Measure Description: Establishes grounds for mandatory denial of preliminary certification for projects exceeding $5 million that fail to meet certain criteria. Allows the Department of Energy to consider multiple applications as a single application for certain purposes if the facilities are in such close proximity, or so closely related, that they constitute a single facility. Prohibits the Department of Revenue from paying interest on amounts due to a credit claimed by a credit transferee upon the filing of an amended tax return. Treats electric vehicle manufacturers as renewable manufacturing facilities for purpose of the credit. Eliminates the automatic 10% increase in the credit due to higher than estimated project costs. Reduces the cap from $20 million to $10 million for renewable projects with installed capacity greater than 10 megawatts; reduces the credit percentage for these projects from 50% to 35%.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
General Fund	**$4.1**	**$15.5**		**$19.6**	**$27.5**	**$20.1**

The estimated revenue impact in this statement is the net impact of all the policies contained in the bill. Generally, the provisions would reduce the amount of Business Energy Tax credits; however, the bill does expand one part of the credit by making electric vehicle manufacturers eligible for the credit as renewable manufacturing facilities. The largest share of the credit reduction is due to the reduction in the project cap from $20 million to $10 million and the reduction in the credit from 50% to 35% of eligible project costs. The second largest impact on reducing the amount of credits is due to the provisions related to the criteria for large projects. The revenue impact assumes that no new tax credits are issued after the sunset of January 1, 2012 (as per HB 2067).

This revenue impact is identical to the impact for HB 2472B due to two, offsetting factors. First, this policy is different in that it reduces the credit for larger projects to 35% (instead of 30%), treats wind projects the same as non-wind projects, and reduces the capacity requirement from 15 megawatts to 10; these changes reduce the revenue impact. Second, new information has come to light regarding electric vehicle manufacturers. The use of the credit by these entities is now expected to be less than previously assumed; this change increases the revenue impact. Taken together, these differences offset each other and result in the same revenue impact as in HB 2472B.

Creates, Extends, or Expands Tax Expenditure: Yes

The purpose of this bill is to increase the focus of the credit in areas related to economic development while reducing the overall cost of the credit.

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