REVENUE IMPACT OF PROPOSED LEGISLATION
75th Oregon Legislative Assembly
2010 Special Session
Legislative Revenue Office

Bill Number:	HB 3680 B
Revenue Area:	Income Taxes
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Date:	2-19-10

Measure Description: Creates a limit on the amount of preliminary certification credits the Department of Energy may issue for renewable projects and renewable manufacturing projects within the Business Energy Tax Credit (BETC) program. Generally, the limit is $300 million per biennium for renewable projects and $200 million per biennium for manufacturing projects; the amount is pro-rated for biennium where a sunset occurs. Makes electric vehicle manufacturers eligible for the manufacturing credit and limits maximum eligible project costs to $2.5 million. Requires the Department of Energy to consider such factors as phases of development, expansion of or addition to existing facilities or product lines, increased production, and number of jobs created or maintained when determining eligibility for a manufacturing BETC. Changes the existing 5-year credit to a 6-year credit for renewable projects that cost more than $10 million. The credit is still claimed over five years, but the first year it may be claimed is the year following final certification. Limits total credit costs on individual wind projects larger than 10 Megawatts to $3.5 million for projects pre-certified in 2010; reduces that limit to $2.5 million for projects pre-certified in 2011 and then to $1.5 million in 2012. Adds energy storage devices to both the BETC for renewable energy resources and the renewable energy resource equipment manufacturing facilities. Extends the manufacturing BETC sunset date to January 1, 2014 for pre-certification. Extends the sunset for all other portions of the BETC to July 1, 2012. Extends the sunset date for the reservation enterprise zone income tax credit from January 1, 2014 to January 1, 2018.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
General Fund Total	$0	$54.4		$54.4	$86.0	$4.7

Impact Explanation:
Certain policies contained in the bill increase revenue while others decrease revenue. The net impact, which reflects both increases and decreases, is a revenue increase for this biennium and the next two biennia. The estimated revenue increase is primarily due to the shift to the six-year credit for renewable projects greater than $10 million in project costs and the limit on pre-certifications for renewable projects. The revenue increase for the 2009-11 biennium is primarily due to the change from the current five-year credit to the six-year credit for large renewable projects. This change essentially shifts the revenue impact of these projects to subsequent biennia. The revenue increase in subsequent biennia is driven by the cap on pre-certifications. The cap is below the current law projection for the amount of pre-certification credits expected to be issue this biennium. Extending the sunset date six months for non-manufacturing projects attenuates the revenue gains in 2011-13 and 2013-15. Extending the

sunset date for manufacturing projects has the effect of spreading out the final certifications to later biennia – there is a revenue gain in the nearer biennia and a revenue loss in the outer biennia.

The policy that results in most of the revenue loss is the consideration of phases of development for the manufacturing BETC. This policy would allow applicants that have received an initial manufacturing BETC to receive subsequent credits for additional phases of their manufacturing process. The assumed impact is that, generally, each year there will be one applicant who receives an additional manufacturing credit worth $20 million claimed over five years. Expanding the manufacturing BETC to include electric vehicles would also result in a revenue loss, although the maximum credit is $1.25 million claimed over five years. Combined, these two policies reduce revenue by roughly $12 million in 2011-13 and $35 million in 2013-15. The changes made to the reservation enterprise zone credit are expected to have a minimal revenue impact. The limit on pre-certifications for manufacturing projects is not expected to have an impact because the level exceeds current expectations for the program.

Creates, Extends, or Expands Tax Expenditure: Yes

The purpose of expanding the manufacturing BETC is to increase the opportunities for Oregon businesses to create jobs. The purpose of extending the sunset on the reservation enterprise zone tax credit is to continue the policy of avoiding dual-taxation and to allow additional time for the tax credit to be used so that it may be evaluated.