



SB 583: Tax credit supported

Loans for vehicle conversion to alternative fuel vehicles

Written Testimony: Senate Business and Transportation Committee

Tuesday, April 2, 2013, Jody Wisner

This seems like an excellent idea. **And it was truly heartening to hear a businessman say that changing a vehicle to use propane is an effort that doesn't require mandates or incentives.** Public entities just need help with a loan for the cost of the conversion from gas to an alternative fuel.

However, our concern is with the use of this tax-credit-supported mechanism to generate money for the loan fund.

Selling tax credits and calling them donations (as though nothing of value is received) is not a new practice. The BETC, NMTC, and Low Income Housing Tax Credits and Cultural Trust all use it.

But this is actually a profit- making mechanism for the "donor" and a cost to the federal and state revenue streams that is greater than there would be with a direct allocation by the legislature.

Tax Credits will be sold for 95 cents, costing the state 5 cents for each dollar saved and called a donation which will create a cost of 25-39 cents per dollar for our federal budget. **A \$950 payment for a \$1000 tax credit would therefore cost the typical "donor" \$918, while it costs public budgets \$1082 dollars.**

Thus this mechanism to fund the loan program costs not \$3,000,000 but \$3,246,000, plus the cost to change tax forms and instructions, and to set up the program and find the tax credit buyers. Why not just convince your colleagues that this is worth a \$3 million allocation?