



HB 2472: Amend to auction RE Manufacturing Tax Credits?

Testimony for Tax Credits Committee 4.25.13

Two years ago, you chose to put some of the BETC tax credits up for auction, rather than give them to the businesses to sell. As a consequence, those recipients are getting 95% or more of the allocation.

The auction is not yet used for the Renewable Energy Manufacturing Tax Credit.

Here's an example: SolarWorld has been awarded \$40 million in RE Manufacturing Tax Credits, but the benefit they received after using the pass-through option is \$28 million, 70% of the funds. \$12 million of the \$40 million didn't get to the intended recipients.

Thus, should you choose to let this tax credit continue, we recommend that you amend the bill to place any tax credits that the recipient can't themselves use on sale at the state-run auction with a bid price limit of 95 cents or more on the dollar.

We would recommend, in addition, that future tax credits be at 40% of cost (rather than 50% of cost), with a cost cap of \$40 million, and thus a tax credit cap of \$16 million. Sold at auction, the recipient businesses would receive \$15.2 million. Thus, both the business and the state would be benefitted.

To spread the cost over several years, as is the current practice, you would segment an allocation over several years and sell each segment in the year that it can first be used to pay taxes.

Further, because manufacturing tax credits have been given out in multiples, as were wind farms which broke themselves into units, we would recommend that the interval between applications must be at least six years.