Renewable Energy Manufacturing Tax Credit
HB 2224 Manufacturing BETC

Testimony for Energy and Environment – Jody Wiser -- 2.21.2013

Currently, the Manufacturing BETC is structured as a marketable tax credit for 50% of the first $40 million of capital investment, with businesses eligible for repeated hunks of up to $20 million.

To date, four businesses, all solar, have completed their BETC projects and received BETC tax credits:

- Solaicx for $9,035,721 in 2007;
- Solar World for $10,962,343 + $11,000,000 in 2007, and $20,000,000 in 2008; and
- Sanyo Solar for $20,000,000 + $20,000,000 in 2009.
- SoloPower for $20,000,000 in 2013
- MEMC Electronic Materials – year and amount not known

While actual use of the tax credits will be spread over thirteen years, the businesses have received a total of $110,999,000 plus.

There are at least 10 additional outstanding Manufacturing BETC tax credits that were precertified. Since Business Oregon is not providing information on tax credits in process, as the Department of Energy did in the past, we and you are in the dark about the total forthcoming costs of this program. The spreadsheet handed to me last week didn't include the SoloPower BETC revealed by the Oregonian on Feb 16th or the MEMC Electronic Materials subsidy the Director spoke of yesterday in testimony for the Senate committee.

It is partly because of the Manufacturing BETC that Oregon is known as one of the leading states for renewable energy manufacturing and cluster leadership, especially for wind and solar. However, it's time for change.

Recommendations:

- Amend HB 2224 to exclude both solar and wind manufacturing. Each of these clusters is well established in Oregon. Retain for less developed renewable energy manufacturing.

- Change the subsidy structure to support the creation of new jobs rather than capital investment. Allow these manufacturing businesses to keep two years of the taxes of new hires, if they are retained for 5+ years. This is a more logical model. The benefit should be provided as forgivable loans to enable claw backs.

- If you choose to continue the capital investment subsidy model:
    - Reduce the subsidy to 30% of capital investment with a maximum of $15 million.
    - Allow each business only one Manufacturing BETC every six years.
    - Require an equity position with the equity ownership transferred to PERS.

- Discontinue offering both BETC and SELP loans for the same business as it puts the state at too much risk.

- When these tax credits are sold at auction, the minimum price should be 97 cents on the dollar. That still provides an excellent return on a five month investment.

- Of the three Manufacturing BETC extension bills, HB 2224 is the best, as this business tax credit should be in step with other business subsidies that sunset in 2018, not amongst the personal tax credits that sunset in 2020.

The renewable energy effort has largely succeeded. Oregon is known as a leading state for renewable energy, with the wind and solar clusters particularly well established. Possibly this whole cluster no longer needs stimulus. Oregon could move on to building upon a different cluster. Consider softwear development, non-athletic apparel or the financial sector where jobs average $100,000+.

Oregon provides low-cost employees, low-cost energy, and plentiful water. We've given BETCs, SELP Loans, and placed SIPs or enterprise zones where renewable energy businesses choose to locate. We provided transportation and utility infrastructure, have low corporate taxes, and a vibrant cultural community sheltered in beautiful natural surroundings. The combination of these factors, along with an existing renewable energy cluster, provides robust benefits for those making location decisions.