

Minority Report
C-Engrossed
House Bill 2894

Ordered by the Senate June 21
Including House Amendments dated April 2 and May 23 and Senate
Minority Report Amendments dated June 21

Sponsored by nonconcurring members of the Senate Committee on Finance and Revenue: Senators BAERTSCHIGER
JR, GEORGE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

For purposes of tax credits for energy conservation projects, increases amount of eligible cost for which credit may be claimed using informational filing system in place of certification and for which entire credit may be claimed in first allowable tax year.

Applies to tax years beginning on or after January 1, 2014.

Includes acquisition of alternative fuel vehicle fleet in definition of transportation project for which tax credit may be claimed. Applies to tax years beginning on or after January 1, 2015.

Requires electric company, or Oregon Community Power, that collects public purpose charge to establish process by which individual who is residential electricity consumer and who provides proof of receiving financial assistance from state or federal government may request to no longer pay public purpose charge.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to energy incentive programs; creating new provisions; amending ORS 315.331, 469B.285,
3 469B.320 and 469B.344; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 315.331 is amended to read:

6 315.331. (1) A credit is allowed against the taxes otherwise due under ORS chapter 316 or, if the
7 taxpayer is a corporation, under ORS chapter 317 or 318, for an energy conservation project that
8 is certified under ORS 469B.270 to 469B.306. The credit is allowed as follows:

9 (a) Except as provided in paragraph (b) of this subsection, the credit allowed in each of the first
10 two tax years in which the credit is claimed shall be 10 percent of the certified cost of the facility,
11 but may not exceed the tax liability of the taxpayer. The credit allowed in each of the succeeding
12 three years shall be five percent of the certified cost, but may not exceed the tax liability of the
13 taxpayer.

14 (b) If the certified cost of the facility does not exceed [~~\$20,000~~] **\$50,000**, the total amount of the
15 credit allowable under subsection (3) of this section may be claimed in the first tax year for which
16 the credit may be claimed, but may not exceed the tax liability of the taxpayer.

17 (2) In order for a tax credit to be allowable under this section:

18 (a) The project must be located in Oregon.

19 (b) The project must have received final certification from the Director of the State Department
20 of Energy under ORS 469B.270 to 469B.306.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 (c) If the project is a research and development project, it must receive, prior to certification
2 under ORS 469B.288, a recommendation from a qualified third party selected by the director.

3 (d) If the project is new construction or a total building retrofit, then the project must achieve,
4 at a minimum, the energy efficiency standards required for:

5 (A) LEED Platinum certification;

6 (B) A four globes rating from the Green Globes program;

7 (C) A nationally or regionally recognized and appropriate sustainable building program whose
8 performance standards are equivalent to the standards required for LEED Platinum certification or
9 a four globes rating from the Green Globes program, as determined by the department; or

10 (D) Verification that the construction conformed to the standards of the Reach Code adopted
11 pursuant to ORS 455.500.

12 (3) The total amount of credit allowable to an eligible taxpayer under this section may not ex-
13 ceed 35 percent of the certified cost of the project.

14 (4)(a) Upon any sale, termination of the lease or contract, exchange or other disposition of the
15 project, notice thereof shall be given to the director, who shall revoke the certificate covering the
16 project as of the date of such disposition.

17 (b) A new owner, or, upon re-leasing of the project, a new lessee, may apply for a new certificate
18 under ORS 469B.291. The new lessee or owner must meet the requirements of ORS 469B.270 to
19 469B.306 and may claim a tax credit under this section only if all moneys owed by the new owner
20 or lessee to the State of Oregon have been paid, if the project continues to operate and if all con-
21 ditions in the final certification are met. The tax credit available to the new owner shall be limited
22 to the amount of credit not claimed by the former owner or, for a new lessee, the amount of credit
23 not claimed by the lessee under all previous leases. The State Department of Energy may waive the
24 requirement that a new owner or lessee apply for a new certificate under ORS 469B.291 if the re-
25 maining credit is less than \$20,000.

26 (c) The department may not revoke the certificate covering a project under paragraph (a) of this
27 subsection if the tax credit associated with the project has been transferred to a taxpayer who is
28 an eligible applicant under ORS 469B.285.

29 (5) The tax credit allowed under this section for any one tax year may not exceed the tax li-
30 ability of the taxpayer.

31 (6) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a
32 particular year may be carried forward and offset against the taxpayer's tax liability for the next
33 succeeding tax year. Any credit remaining unused in that next succeeding tax year may be carried
34 forward and used in the second succeeding tax year, and likewise, any credit not used in that second
35 succeeding tax year may be carried forward and used in the third succeeding tax year, and likewise,
36 any credit not used in that third succeeding tax year may be carried forward and used in the fourth
37 succeeding tax year, and likewise, any credit not used in that fourth succeeding tax year may be
38 carried forward and used in the fifth succeeding tax year, but may not be carried forward for any
39 tax year thereafter. Credits may be carried forward to and used in a tax year beyond the years
40 specified in subsection (1) of this section only as provided in this subsection.

41 (7) The credit allowed under this section is not in lieu of any depreciation or amortization de-
42 duction for the project to which the taxpayer otherwise may be entitled for purposes of ORS chapter
43 316, 317 or 318 for such year.

44 (8) The taxpayer's adjusted basis for determining gain or loss may not be decreased by any tax
45 credits allowed under this section.

1 (9) The definitions in ORS 469B.270 apply to this section.

2 **SECTION 2.** ORS 469B.285, as amended by section 21, chapter 45, Oregon Laws 2012, is
3 amended to read:

4 469B.285. (1) Prior to the installation or construction of an energy conservation project, any
5 person may apply to the State Department of Energy for preliminary certification under ORS
6 469B.288 if:

7 (a) The project complies with the standards adopted by the Director of the State Department
8 of Energy; and

9 (b) The applicant will be the owner, contract purchaser or lessee of the project at the time of
10 installation or construction of the project.

11 (2) An application for preliminary certification shall be made in writing on a form prepared by
12 the department and shall contain:

13 (a) A statement that the applicant plans to acquire, construct or install a project that substan-
14 tially reduces the consumption of purchased energy or uses energy more efficiently.

15 (b) A detailed description of the project and its operation and information showing that the
16 project will operate as represented in the application and remain in operation for at least five years,
17 unless the director by rule specifies another period of operation.

18 (c) Information on the amount by which consumption of purchased energy by the applicant will
19 be reduced, and, if applicable, information about the expected level of sustainable building practices
20 project performance.

21 (d) The anticipated total project cost.

22 (e) Information on the number and type of jobs, directly connected to the allowance of the
23 credit, that will be:

24 (A) Created by the project; and

25 (B) Sustained throughout the construction, installation and operation of the project.

26 (f) Information demonstrating that the project will comply with applicable state and local laws
27 and regulations and obtain required licenses and permits.

28 (g) Information relating to the standards described in ORS 469B.279.

29 (h) A recommendation for a research and development project as demonstrative of innovation
30 that has been made by a qualified third party selected by the director.

31 (i) Any other information the director considers necessary to determine whether the project is
32 in accordance with the provisions of ORS 469B.270 to 469B.306, and any applicable rules or stan-
33 dards adopted by the director.

34 (3) An application for preliminary certification shall be accompanied by a fee established under
35 ORS 469B.294. The director may refund all or a portion of the fee if the application for certification
36 is rejected.

37 (4) The director may allow an applicant to file the application for preliminary certification after
38 the start of installation or construction of the project if the director finds that:

39 (a) Filing the application before the start of installation or construction is inappropriate because
40 special circumstances render filing earlier unreasonable; and

41 (b) The project would otherwise qualify for certification under ORS 469B.270 to 469B.306.

42 (5) The director may, by rule, waive preliminary certification under ORS 469B.288, or may es-
43 tablish an informational filing system in place of preliminary certification, for projects that:

44 (a) Have eligible costs of less than [~~\$20,000~~] **\$50,000**;

45 (b) Consist of measures that the director determines to be eligible for waiver of preliminary

1 certification; and

2 (c) Comply with any other requirements established by the director.

3 (6) A preliminary certification shall remain valid for a period of three calendar years after the
4 date on which the preliminary certification is issued by the director, after which the certification
5 becomes invalid even if:

6 (a) The applicant is awaiting identification of a pass-through partner; or

7 (b) The preliminary certification has been amended.

8 **SECTION 3.** ORS 469B.344, as amended by section 10, chapter 45, Oregon Laws 2012, is
9 amended to read:

10 469B.344. (1)(a) The total amount of potential tax credits for all transportation projects in this
11 state may not, at the time of preliminary certification under ORS 469B.329, exceed \$20 million for
12 any biennium.

13 (b) For each tax year, the Director of the State Department of Energy may allocate a percentage
14 of the amount allowed in paragraph (a) of this subsection to alternative fuel vehicle [*infrastructure*]
15 projects and a percentage to transit services.

16 (2) Notwithstanding ORS 315.336, in the event that the director receives applications for pre-
17 liminary certification with a total amount of potential tax credits in excess of the limits set by the
18 director pursuant to subsection (1)(b) of this section, the director shall allocate the issuance of
19 preliminary certifications among applicants as follows:

20 (a) If an excess of applications for credits for transit services is received, the director shall al-
21 locate the issuance of preliminary certifications among applicants for credits for transit services and
22 proportionately reduce the amount of allowed credit, with no applicant receiving more than 20 per-
23 cent of the amount established under subsection (1)(b) of this section for transit services.

24 (b) The director may allocate the issuance of preliminary certifications among applicants for
25 credits for alternative fuel vehicle [*infrastructure*] projects and may award credits for less than the
26 amount otherwise allowed applicants.

27 (c) If, after making any reductions required under paragraph (a) of this subsection, an unallo-
28 cated amount remains, the director shall allocate this additional amount among applicants affected
29 by the percentage restriction in paragraph (a) of this subsection.

30 **SECTION 4.** ORS 469B.320, as amended by section 7, chapter 45, Oregon Laws 2012, is amended
31 to read:

32 469B.320. As used in ORS 315.336 and 469B.320 to 469B.347:

33 (1) **“Acquisition of an alternative fuel vehicle fleet” includes the replacement of two or**
34 **more vehicles that are not used primarily for personal, family or household purposes, that**
35 **are modified or acquired directly from the factory and that:**

36 (a) **Use an alternative fuel, including electricity, biofuel, gasohol with at least 20 percent**
37 **denatured alcohol content, hydrogen, Hythane, methane, methanol, natural gas, propane or**
38 **any other fuel approved by the Director of the State Department of Energy as an alternative**
39 **fuel; and**

40 (b) **Produce lower exhaust emissions, or are more energy efficient, than equivalent vehi-**
41 **cles fueled by gasoline or diesel.**

42 [(1)] (2) **“Alternative fuel vehicle infrastructure project” includes a facility for mixing, storing,**
43 **compressing or dispensing fuels for alternative fuel vehicles, and any other necessary and reason-**
44 **able equipment.**

45 (3) **“Alternative fuel vehicle project” means:**

1 (a) **The acquisition of an alternative fuel vehicle fleet; or**

2 (b) **An alternative fuel vehicle infrastructure project.**

3 [(2)] (4) "Cost" includes capital expenditures and core expenses such as vehicle repair, fuel,
4 personnel and administrative expenses.

5 [(3)] (5) "Transportation project" means:

6 (a) Transit services provided to members of the public by a public or nonprofit entity that re-
7 ceives state or federal funding for those services, or is the direct recipient of funding from an entity
8 that receives state or federal funding for the services; or

9 (b) An alternative fuel vehicle [*infrastructure*] project.

10 **SECTION 5. (1) The amendments to ORS 315.331, 469B.285 and 469B.344 by sections 1 to**
11 **3 of this 2013 Act apply to tax years beginning on or after January 1, 2014.**

12 (2) **The amendments to ORS 469B.320 by section 4 of this 2013 Act apply to tax years**
13 **beginning on or after January 1, 2015.**

14 **SECTION 6. Section 7 of this 2013 Act is added to and made a part of ORS 757.600 to**
15 **757.689.**

16 **SECTION 7. If an electric company or Oregon Community Power collects the public**
17 **purpose charge described in ORS 757.612, the electric company or Oregon Community Power**
18 **shall establish a process by which an individual who is a residential electricity consumer and**
19 **who provides proof of receiving financial assistance from the state or federal government**
20 **may request the electric company or Oregon Community Power to no longer impose the**
21 **public purpose charge on the individual. If such an individual makes a request under this**
22 **section, the electric company or Oregon Community Power may not impose the public pur-**
23 **pose charge on the individual.**

24 **SECTION 8. This 2013 Act takes effect on the 91st day after the date on which the 2013**
25 **regular session of the Seventy-seventh Legislative Assembly adjourns sine die.**

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