



March 13, 2017

Chair Barnhart and members of the House Revenue Committee

Subject: AOC, SKT, LOC Urge Support for HB 3032 with amendments

Members of the Committee:

Thank you for the opportunity to provide testimony on addressing a vital issue causing problems for some of Oregon's counties, cities, special districts, schools, and the military department.

Local governments, the military department, schools and nonprofit entities have conducted and continue to conduct various projects that qualify for energy tax credits from the Oregon Department of Energy (ODOE). Tax exempt entities have no income tax liability and thus cannot use the credits themselves; however, they are permitted to sell the tax credits to entities who do have tax liability. Statute provides that the value of the credit (and thus also the sale price) is to be set at the time of the application to ODOE for preliminary certification of the energy project based on a formula that incorporates inflation and market real rate of return to set the price.

Unfortunately, many of these tax credits obtained in 2012 and 2013 are unable to be sold due to a faulty formula that valued the credits at too high of a rate. Without a legislative fix to this issue, nonprofits and local governments will lose the benefit of their earned tax credit. HB 3032 offers a fix to address this situation.

The bill, with amendments, sets the value at the time of final certification for those unsaleable tax credits and allows tax credits held by governmental entities, schools, nonprofits and the military department during the 2012 through 2013 period the ability to be properly transferred.

Entities entered into an agreement with the State of Oregon to invest in energy saving projects with the expectation that they would recoup some of those costs. That agreement has not been met due to the mishandling of the tax credits. Your leadership and willingness to tackle this issue will have direct impact on citizens across the state who rely on services from counties, cities and special districts. In an environment where counties, cities and special districts are struggling to secure adequate funding to serve their communities, they have relied on programs like the energy incentive tax credit to help offset substantial investments in green and renewable operations. We urge your support of a legislative solution.

Thank you for considering this issue.

Sincerely,

Dale Penn II
Salem-Keizer Transit (Cherriots)

Wendy Johnson
League of Oregon Cities

Mark Nystrom
Association of Oregon Counties