



To: Senate Environment and Natural Resources Committee

From: Michael Kaplan, Director
Oregon Department of Energy

Date: February 9, 2017

Subject: SB 179 – Transportation Tax Credit Program

SB 179 extends the transportation tax credit program until the end of the tax year 2023. The program is authorized under ORS 469B.320 – 469B.347, and 315.336. The transportation tax credit program sunsets at the end of tax year 2017.

The Department of Energy opposes SB 179. The Governor and ODOE are recommending that the transportation tax credit program be allowed to sunset at the end of tax year 2017.

INTRODUCTION

The transportation tax credit program provides incentives to businesses, organizations, public bodies, nonprofits, and tribes that purchase alternative fuel vehicle infrastructure or purchase or convert alternative fuel fleet vehicles. The transportation tax credit program is capped at issuing no more than \$20 million in tax credit preliminary certifications during any biennium.

The current transportation tax credit program is divided into two project areas:

- Alternative fuel vehicle fleet projects requiring the acquisition or conversion of two or more vehicles that use an alternative fuel and produce lower exhaust emissions, or are more energy efficient than equivalent vehicles fueled by gasoline or diesel.
- Alternative fuel vehicle infrastructure projects requiring installation or construction of a facility for mixing, storing, compressing or dispensing fuels for alternative fuel vehicles, and any other necessary and reasonable equipment.

BACKGROUND

The transportation tax credit program was created in 2011 by HB 3672 and is focused on investments in alternative fuel vehicle infrastructure and transit services projects.

Applications for alternative fuel vehicle infrastructure were first accepted in 2012.

The program was amended in 2012 by HB 4079 to expand project eligibility and created a process for allocating preliminary certifications for transit services projects. Transit services projects were operated by government or nonprofit entities that receive state or federal



funding for transit services provided to the public. Applications for transit services were first accepted in 2012 and the program sunset at the end of tax year 2015.

Alternative fuel vehicle fleet projects were added to the transportation tax credit program in 2013 by SB 583. ODOE started accepting fleet applications in 2015.

The alternative fuel vehicle infrastructure and fleet tax credit program sunsets at the end of tax year 2017.

PROGRAM FUNCTION

Under the transportation tax credit program, ODOE issues opportunity announcements by transportation project type. Applicants submit an application for preliminary certification for their projects. ODOE performs a completeness reviews on a first come, first served basis and complete applications receive a technical review. Successful applicants are awarded a preliminary certificate for the tax credit which is valid for three years or until the sunset of the program.

Once transportation projects are completed and operating, project owners submit a final application. ODOE reviews the final application and may inspect a project before issuing a tax credit for up to 35 percent of the certified cost. The transportation tax credit is claimed over five years. All applicants pay fees to cover the cost of administering the program.

All projects issued a tax credit must remain in operation for at least five years. ODOE may inspect a project prior to issuing a final certificate or during the required five year period of operation.

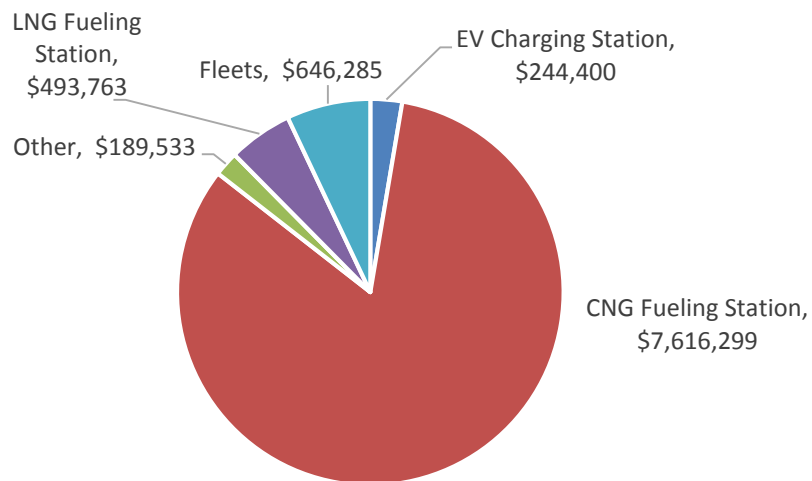
Project owners may use the tax credit themselves or use a pass-through or transfer process administered by ODOE to sell the tax credit. The present value rate for the sale of the tax credit is calculated by formula adopted in rule set at the time ODOE receives the preliminary application.

The Department of Revenue administers tax laws which also governs the issuance and claiming of tax credits. ODOE defers to the Department of Revenue when addressing issues of how the tax credit may be claimed. ODOE provides the Department of Revenue data on tax credits issued.



Alternative Fuel Vehicle Tax Credits by Project Type Based on Pre-Certified Credit Amount 2012-2016

As of 12/31/16



SUMMARY

The transportation tax credit program sunsets at the end of tax year 2017. The Department of Energy opposes SB 179 and encourages the Senate Environment and Natural Resource Committee recommend the sunset of this tax credit program at the end of the 2017 tax year.