

FISCAL NOTE

Bill #: HB 622

Title: Alternative fuel technology development

Primary

Sponsor: Holly Raser

Status: As Introduced

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Revenue:		
General Fund	\$(120,500)	\$(316,500)
Net Impact on General Fund Balance:	\$(120,500)	\$(316,500)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill applies retroactively to tax years beginning after December 31, 2000 (TY2001); there will be a fiscal impact in both fiscal 2002 and fiscal 2003. All of the credits discussed here are of the nonrefundable type; the credit cannot exceed the taxpayer's tax liability.
2. This bill would expand the existing credit against personal income tax for geothermal energy systems by increasing the amount of the credit from \$250 a year for four years to *\$500 a year for four years* and making it available for alternative energy systems. Alternative energy systems provide usable energy from fuel cells; geothermal energy; low emission wood or biomass combustion; solar or wind energy; solid waste; decomposition of organic wastes; solid wood wastes; or small hydropower systems.
3. This bill would expand the existing credit against personal income tax or corporate license tax for commercial wind-generated electricity by making it available for alternative energy systems.
4. Based on information from the Department of Environmental Quality (DEQ), credits would be claimed for the following number of residential alternative energy system installations:

	CY2001	CY2002
wind	100	200
biomass (wood and pellet stoves)	150	150
solar photovoltaic	50	100
small hydro	1	2

5. Credits of \$500 per year would be claimed for wind, solar photovoltaic, and small hydro systems. Many wood and pellet stoves cost less than \$2000, and some purchasers will have tax liability of less than \$500 per year. Credits claimed for wood stoves would be \$300 per year (DEQ).
6. Credits for systems installed in 2001 would be claimed on tax returns filed in fiscal years 2002 through 2005. Credits for systems installed in 2002 would be claimed on tax returns filed in fiscal years 2003 through 2006.
7. Credits claimed in fiscal 2002 for systems not eligible for credits under current law would be \$120,500 (\$500 x 100 wind systems + \$500 x 50 solar systems + \$500 x 1 hydro system + \$300 x 150 wood systems).
8. Credits of \$120,500 would be claimed again in fiscal 2003 for systems installed in 2001. Credits claimed in fiscal 2003 for systems installed in 2002 and not eligible for credits under current law would be \$196,000 (\$500 x 200 wind systems + \$500 x 100 solar systems + \$500 x 2 hydro systems + \$300 x 150 wood systems). Total credits claimed in fiscal 2003 would be \$316,500 (\$120,500 + \$196,000).
9. No credits would be claimed in the biennium for other alternative energy systems, and there would be no increase in credits claimed for geothermal systems or wind-generated electricity systems (DEQ).
10. This bill would not have significant administrative impacts on the Department of Revenue.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$120,500)	(\$316,500)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$120,500)	(\$316,500)

LONG-RANGE IMPACTS:

If the numbers of new systems installed stay the same from 2002 on, credits will increase to \$784,000 per fiscal year because credits can be claimed for four years (4 x \$196,000 = \$784,000). Significant credits may be claimed in future years for fuel cells, and the amount of commercial credits may increase over time.

TECHNICAL NOTES:

1. MCA 15-32-201(2) and MCA 15-32-201(3), which are amended by section 4, appear to be identical except that they specify different percentages for the credits. This would result in confusion as to which of the two credit amounts actually applies.