

# FISCAL NOTE

**Bill #:** SB509

**Title:** Revise tax credits for alternative fuel vehicles

**Primary Sponsor:** Steve Doherty

**Status:** As Amended,  
House Business and Labor Committee

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Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2002 Difference</u></b>	<b><u>FY2003 Difference</u></b>
<b>Expenditures:</b>		
General Fund	20,241	0
<b>Revenue:</b>		
General Fund	(338,000)	(338,000)
<b>Net Impact on General Fund Balance:</b>	<b>(\$358,241)</b>	<b>(\$338,000)</b>

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<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	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

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## Fiscal Analysis

### ASSUMPTIONS:

1. The provisions of this bill apply retroactively to tax years beginning after December 31, 2000; consequently, there are fiscal impacts in both fiscal 2002 and fiscal 2003. The analysis in this fiscal note does not include motor vehicles registered as part of a fleet under 61-3-318; and apportionable vehicles registered as part of a fleet, as defined in 61-3-712.

2. This bill creates new credits against the taxes otherwise due under Title 15, Chapter 30 or 31 for vehicle refueling apparatus and infrastructure, alternative fuel delivery systems, and the purchase or lease of one or more new motor vehicles with original equipment for operating on alternative fuels.
3. Under this proposal, the maximum credit that a taxpayer may claim in a year for the purchase of a vehicle refueling apparatus for installation on one or more properties located in Montana is an amount equal to 50% of the equipment and labor costs for the installation of a vehicle refueling apparatus and related infrastructure, but the total credit may not exceed \$5,000. This is a nonrefundable credit that may be carried forward for 5 years.
4. Under this proposal, the amount of the credit allowed for the construction costs incurred for constructing an alternative fuel delivery system in Montana that is capable of dispensing an alternative fuel to alternative fuel vehicles is equal to 25% of the construction costs incurred, up to a maximum of \$200,000. This is a nonrefundable credit that may be carried forward for 15 years.
5. Under this proposal, the amount of the credit allowed for the purchase or lease of one or more new motor vehicles is the incremental cost of the alternative fuel system for each alternative fuel vehicle not to exceed: \$10,000 for hybrid fuel vehicles; \$5,000 for bifuel, dual fuel, and dedicated vehicles below 26,000 pounds gross vehicle weight; and \$20,000 for bifuel, dual fuel, and dedicated vehicles at or above 26,000 pounds gross vehicle weight. This is a nonrefundable credit that may be carried forward for 3 years.
6. Under this proposal, revenue going to the *state general fund will decrease* annually by \$338,000 in fiscal 2002 and fiscal 2003. Table 1 shows the calculations for the credits described in assumptions two through five for fiscal years 2002 and 2003.
7. The calculations done in assumption six are based on a survey of information from the alternative fuel refueling site industry in Montana and through information provided for by Clean Cities (a program sponsored by the U.S Department of Energy which is designed to encourage the use of alternative fuel vehicles and their supporting infrastructure throughout the nation).

Table 1 Credits Taken under SB509 amended FY2002 and FY2003			
-----Fiscal Year 2002 Impact-----			
Description of Credits under SB509	Number of Credits	Average Credit Taken	Total
Refueling Apparatus and Infrastructure	53	\$1,000	\$53,000
Alternative Fuel Delivery Systems			
Credits <\$25,000	6	\$20,000	\$120,000
Credits >\$25,000 and <\$100,000	1	\$50,000	\$50,000
Credits >\$100,000	1	\$105,000	\$105,000
Alternative Fuel Vehicles <sup>1</sup>	2	\$5,000	\$10,000
<b>Total Impact under SB509</b>			<b><u>\$338,000</u></b>
-----Fiscal Year 2003 Impact-----			
Description of Credits under SB509	Number	Average Credit Taken	Total
Refueling Apparatus and Infrastructure	53	\$1,000	\$53,000
Alternative Fuel Delivery Systems			
Credits <\$25,000	6	\$20,000	\$120,000
Credits >\$25,000 and <\$100,000	1	\$50,000	\$50,000
Credits >\$100,000	1	\$105,000	\$105,000
Alternative Fuel Vehicles <sup>1</sup>	2	\$5,000	\$10,000
<b>Total Impact under SB509</b>			<b><u>\$338,000</u></b>

<sup>1</sup>Fleet vehicles are not including in this estimate.

8. Under this proposal, Department of Revenue expenditures will increase by \$20,241 in fiscal 2002.

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$20,241	\$0
<u>Funding:</u>		
General Fund (01)	\$20,241	\$0
<u>Revenues:</u>		
General Fund (01)	(338,000)	(\$338,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$358,241)	(\$338,000)

LONG-RANGE IMPACTS:

Under this proposal, revenue going the state general fund will continue to decrease; the amount will depend entirely on the amount of credits taken annually. The future impacts from this legislation could be significantly larger than under current law than the impacts shown in this fiscal note. The two main variables determining the future impact of this legislation are increased knowledge of these credits (more individuals taking these credits) and the market for this type of industry in Montana.

TECHNICAL NOTES:

The definition of "alternative fuel" as set forth in Section 1 of this bill differs from the definition of "alternative fuel" provided in 15-30-164(3). It would be more consistent if the legislation kept to one definition.