Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0166		**Title:**	Extend biodiesel tax credit
Primary Sponsor:	Raser, H.		**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	($67,500)	($414,900)	($594,000)
Net Impact-General Fund Balanc	$0	($67,500)	($414,900)	($594,000)

Description of fiscal Impact:

Under current law, investment in facilities used to crush oilseed for biodiesel, facilities used for biodiesel production, and biodiesel blending facilities may be offset through credits against individual and corporate income taxes. Credits are typically limited to tax years in which property is purchased or put to first use. Credits are not retroactive and may not be carried forward. The property must be operating before January 1, 2010.

Under proposed law, credits may be claimed in the two tax years preceding initial operation, or any tax year the facility is in operation through tax year 2014. Any unused credit may be carried forward seven years from the tax year of initial claim.

FISCAL ANALYSIS

Assumptions:

Oil Seed Crushing Credit:

1. Under current law a taxpayer may claim credit against individual income tax or corporate license tax liability to offset investment in a facility to crush oilseed for biodiesel production. The credit may not exceed 15% of the cost, or $500,000. The credit must be claimed in the tax year the facility begins to process oilseed or manufacture a product from oilseed. The property must be operating before January 1, 2010.
2. There are three oilseed crushing facilities expected to claim credits. Facility 1 will invest $3,500,000 in CY 2007, for total available credit of $500,000 {$3,500,000 X 15% = $525,000} in FY 2008.
3. Facility 2 will invest $1,000,000 in CY 2007, and $3,000,000 in CY 2008, for total available credit of $500,000 {$4,000,000 X 15% = $600,000}.
4. Facility 3 will invest $1,000,000 in CY 2009.
5. Under current law, all three facilities will claim 10% of their total credit in the year the investment was made.
6. Under current law, FY 2008 tax credits on oilseed crushing investment will total $67,500 {($3,500,000 X 15% X 10%) + ($1,000,000 X 15% X 10%) = $67,500}.
7. Under current law, FY 2009 tax credits on oilseed crushing investment will total $45,000 {$3,000,000 X 15% X 10% = $45,000}.
8. Under current law, FY 2010 tax credits on oilseed crushing investment will total $15,000 {$1,000,000 X 15% X 10% = $15,000}.
9. Under current law, FY 2011 tax credits on oilseed crushing investment will total zero.
10. Under proposed law, credit for investment in an oilseed crushing facility may be initially claimed in the two tax years preceding commencement of operations, or any tax year the facility is crushing oilseed until tax year 2014. Unused credit may be carried forward seven years from the tax year of initial claim.
11. Investments made in 2005 and 2006 are ignored in this analysis. It is assumed firms have claimed credit for these investments in tax years 2005 and 2006, or they are not eligible to claim credit for these investments under current and proposed law.
12. Under proposed law, Facilities 1, 2, and 3 will claim 10% of their total credit in the year of investment, 10% in year two, and 20% in years three, four, five and six up to the full amount of the maximum credit.
13. Under proposed law, FY 2008 tax credits on oilseed crushing investment will total $67,500 {($3,500,000 X 15% X 10%) + ($1,000,000 X 15% X 10%) = $67,500}.
14. Under proposed law, FY 2009 tax credits on oilseed crushing investment will total $112,500 {($3,500,000 X 15% X 10%) + ($1,000,000 X 15% X 10%) +($3,000,000 X 15% X 10%) = $112,500}.
15. Under proposed law, FY 2010 tax credits on oilseed crushing investment will total $195,000 {($3,500,000 X 15% X 20%) + ($1,000,000 X 15% X 20%) + ($3,000,000 X 15% X 10%) + ($1,000,000 X 15% X 10%) = $195,000}.
16. Under proposed law, FY 2011 tax credits on oilseed crushing investment will total $240,000 {{($3,500,000 X 15% X 20%) + ($1,000,000 X 15% X 20%) + ($3,000,000 X 15% X 20%) + ($1,000,000 X 15% X 10%) = $240,000}.
17. FY 2008 general fund impact of section 1 is zero {$67,500 – $67,500 = $0}.
18. FY 2009 general fund impact of section 1 is ($67,500) {$45,000 – $112,500 = ($67,500)}.
19. FY 2010 general fund impact of section 1 is ($180,000) {$15,000 – $195,000 = ($180,000)}.
20. FY 2011 general fund impact of section 1 is ($240,000) {$0 – $240,000 = ($240,000)}.

Biodiesel Production Credit:

21. Under current law a taxpayer may claim credit against individual income tax or corporate license tax liability to offset investment in a biodiesel production facility. The credit may not exceed 15% of the cost. The credit must be claimed in the tax year the facility begins production. The property must be operating before January 1, 2010.
22. There are four biodiesel production plants. Plant 1 will invest $10,000,000 in CY 2007.
23. Plant 2 will invest $160,000 in CY 2007, $110,000 in CY 2008, and $110,000 in CY 2010.

24. Plant 3 will invest $17,500,000 in CY 2009.
25. Plant 4 will invest $5,500,000 in CY 2007.
26. Under current law, all four plants will claim 0% of the allowed credit in the year of investment.
27. Under current law, FY 2008 tax credits on biodiesel production investment will total $0 {($10,000,000 X 15% X 0%) + ($160,000 X 15% X 0%) + ($5,500,000 X 15% X 0%) = $0}.
28. Under current law, FY 2009 tax credits on biodiesel production investment will total $0 {$110,000 X 15% X 0% = $0}.
29. Under current law, FY 2010 tax credits on biodiesel production investment will total $0 {$17,500,000 X 15% X 0% = $0}.
30. Under current law, FY 2011 tax credits on biodiesel production investment will total zero, since credit may not be claimed for investment made in CY 2010.
31. Under proposed law, credit for investment in biodiesel production may be initially claimed in the two tax years preceding commencement of operations, or any tax year the facility is producing biodiesel until tax year 2014. Unused credit may be carried forward seven years from the tax year of initial claim.
32. Under proposed law, all biodiesel plants will claim 0% of their allowed credit in the year of investment, 0% in the second year, 10% in the third year, and 15% in the fourth year following investment.
33. Under proposed law, FY 2008 tax credits on biodiesel production investment will total $0 {($10,000,000 X 15% X 0%) + ($160,000 X 15% X 0%) + ($5,500,000 X 15% X 0%) = $0}.
34. Under proposed law, FY 2009 tax credits on biodiesel production investment will total $0 {($10,000,000 X 15% X 0%) + ($160,000 X 15% X 0%) + ($5,500,000 X 15% X 0%) + ($110,000 X 15% X 0%) = $0}.
35. Under proposed law, FY 2010 tax credits on biodiesel production investment will total $234,900 {($10,000,000 X 15% X 10%) + ($160,000 X 15% X 10%) + ($5,500,000 X 15% X 10%) + ($110,000 X 15% X 0%) + ($17,500,000 X 15% X 0%) = $234,900}.
36. Under proposed law, FY 2011 tax credits on biodiesel production investment will total $354,000 {($10,000,000 X 15% X 15%) + ($160,000 X 15% X 15%) + ($5,500,000 X 15% X 15%) + ($110,000 X 15% X 10%) + ($17,500,000 X 15% X 0%) + (110,000 X 15% X 0%) = $354,000}.
37. FY 2008 general fund impact of section 2 is zero {$0 – $0 = $0}.
38. FY 2009 general fund impact of section 2 is zero {$0 – $0 = $0}.
39. FY 2010 general fund impact of section 2 is ($243,900) {$0 – $243,900 = ($243,900)}.
40. FY 2011 general fund impact of section 2 is ($354,000) {$0 – $354,000 = ($354,000)}.

Fuels Distributor Credit:

41. Under current law a special fuels distributor may claim credit against individual income tax or corporate license tax liability to offset investment in equipment to blend biodiesel with petroleum diesel. The credit may not exceed 15% of the cost, or $52,500. The credit must be claimed in the tax year the distributor begins blending biodiesel.
42. Under current law an operator of a motor fuel outlet may claim credit against individual income tax or corporate license tax liability to offset investment in equipment to blend biodiesel with petroleum diesel. The credit may not exceed 15% of the cost, or $7,500. The credit must be claimed in the tax year the vendor begins blending biodiesel.
43. Under proposed law, credit for investment by distributors and motor fuel outlet operators in biodiesel blending equipment may be initially claimed in the two tax years preceding commencement of operations, or in any tax year the taxpayer is blending biodiesel. Unused credit may be carried forward seven years from the tax year of initial claim.
44. Any special fuels distributors investing in blending equipment will have greater than $52,500 in tax liability in the year of investment. They will use all of their credit in the first year, with no change to the general fund in FY 2008 through FY 2011 under proposed law.

45. Any motor fuel outlet operators investing in blending equipment will have greater than $7,500 in tax liability in the year of investment. They will use all of their credit in the first year, with no change to the general fund in FY 2008 through FY 2011 under proposed law.
46. General fund impact in FY 2008 through FY 2011 of section 3 is zero.

Total:

47. Under proposed law, general fund impact in FY 2008 is zero.
48. Under proposed law, FY 2009 general fund impact is ($67,500) {-$67,500 - $0 = ($67,500)}.
49. Under proposed law, FY 2010 general fund impact is ($414,900) {-$180,000 - $234,900 = ($414,900)}.
50. Under proposed law, FY 2011 general fund impact is ($594,000) {-$240,000 - $354,000 = ($594,000)}.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
Revenues:				
General Fund (01)	$0	($67,500)	($414,900)	($594,000)
TOTAL Revenues	$0	($67,500)	($414,900)	($594,000)

Long-Range Impacts:

1. The bill extends the deadline for initial claim of tax credit from tax year 2009 to tax year 2014, and allows six additional years for claims beyond that.

Technical Notes:

1. The proposed term "primarily" should be precisely defined (15-32-701(1), MCA).
2. A definition may be needed for "ceases operations" (15-32-701(6), 15-32-702(6), and 15-32-703(6), MCA).

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*