



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0017

Title: Allow alternative energy system tax credit to be refunded

Primary Sponsor: Hamilton, Jim

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

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$105,164)	(\$105,164)	(\$105,164)	(\$105,164)
Net Impact-General Fund Balance:	<u>(\$105,164)</u>	<u>(\$105,164)</u>	<u>(\$105,164)</u>	<u>(\$105,164)</u>

Description of fiscal impact: HB 17 changes the current-law non-refundable Alternative Energy Systems income tax credit into a refundable credit. General fund revenue will be reduced by \$105,164 annually starting in FY 2022.

FISCAL ANALYSIS

Assumptions:

Department of Revenue



- Under current law, the Alternative Energy Systems income tax credit is non-refundable, but unclaimed portions of the credit can be carried forward for up to four years.
- HB 17 makes the Alternative Energy Systems income tax credit refundable and eliminates the carry-forward provision of the credit. The proposed changes apply beginning TY 2021.
- Taxpayers claimed \$622,923 in Alternative Energy Systems credits in TY 2019.
- The average amount of Alternative Energy Systems credits claimed by taxpayers each tax year has remained relatively unchanged since TY 2011. It is assumed that the number of credits claimed in TY 2020 through 2024 remain at their TY 2019 level.
- Based on TY 2019 income tax returns, making the tax credit refundable would have reduced the tax liability of Montana taxpayers by \$105,164.

6. It is assumed that the tax liability reduction in TY 2019 remains unchanged in future years, reducing the tax liability of Montana taxpayers by \$105,164 starting in TY 2021.
7. It is assumed that taxpayers will not change estimated payment or withholding due to the credit.
8. With no changes in estimated payments or withholdings, taxpayers will receive the refundable tax credit when they file their tax return the following year in April.
9. As taxpayers file their TY 2021 returns in FY 2022, income tax revenue will be reduced by \$105,164 in FY 2022. The tax revenue reduction continues for FY's 2023, 2024 and 2025.

Department of Revenue Administrative Expenses

10. The changes proposed in HB 17 can be made as part of the department's annual change process. The department does not expect to incur any additional costs because of this bill.

<u>Fiscal Impact:</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$105,164)	(\$105,164)	(\$105,164)	(\$105,164)
TOTAL Revenues	<u>(\$105,164)</u>	<u>(\$105,164)</u>	<u>(\$105,164)</u>	<u>(\$105,164)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$105,164)	(\$105,164)	(\$105,164)	(\$105,164)

 <hr/> Sponsor's Initials	1/7/21 <hr/> Date	 <hr/> Budget Director's Initials	1/6/21 <hr/> Date
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