



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	SB0007	Title:	Revise tax credit for energy-conserving expenditures
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Primary Sponsor:	Cohenour, Jill	Status:	As Amended
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$51,954	\$49,877	\$50,467
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$512,768)	(\$503,043)	(\$493,486)	(\$484,109)
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$512,768)</u>	<u>(\$554,997)</u>	<u>(\$543,363)</u>	<u>(\$534,576)</u>

Description of fiscal impact: SB 7 as amended makes the energy-conserving income tax credit fully refundable. The proposed bill will reduce general fund revenue by \$512,768 in FY 2022. The revenue decrease continues for future fiscal years. The proposed bill will increase expenditures by \$51,954 in FY 2023, \$49,877 in FY 2024 and \$50,467 in FY 2025.

FISCAL ANALYSIS

Assumptions:

1. Under current law, the income tax credit for energy-conserving expenditures is capped at \$500 per taxpayer and is non-refundable.
2. As amended, SB 7 makes the energy-conserving income tax credit fully refundable. Making the credit fully refundable would allow some taxpayers to use credits they were unable to use under current law, due to the credit exceeding their tax liability.
3. The change to the credit applies starting tax year 2021.
4. Based on 2019 income tax returns, making the credit fully refundable would have reduced the tax liability of taxpayers by \$532,842 in tax year 2019.
5. The number of credits claimed each year has decreased by 1.9% each year from 2013 through 2019. It is assumed that the tax liability impacts associated with the proposed bill will decrease by 1.9% each year.

Fiscal Note Request – As Introduced

(continued)

6. Based on a 1.9% annual decrease, the revenue impact of making the credit fully refundable decreases to \$512,768 in tax year 2021, \$503,043 in 2022, \$493,486 in 2023 and \$484,109 in 2024.
7. As the credit is based on one-time expenditures, it is assumed that taxpayers claiming the credit do not change their withholding or estimated payment amounts.
8. With no changes to 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 tax year 2021 returns in FY 2022, the proposed bill will reduce income tax revenue by \$512,768 in FY 2022, \$503,043 in FY 2023, \$493,486 in FY 2024 and \$484,109 in FY 2025.
10. SB 7 also repeals the corporate income tax credit for the interest differential for loans made prior to July 1, 1995.
11. As this credit has not be claimed in recent years, it is assumed that the elimination of this credit will have no fiscal impact to the state.
12. The department requires 0.5 additional FTE to audit any additional income tax credits that are claimed as a result of the changes made by SB 7. The cost of the FTE is \$51,954 in FY 2023, \$49,877 in FY 2024, and \$50,467 in FY 2025.

	<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>
<u>Fiscal Impact:</u>				
FTE	0.00	0.50	0.50	0.50
<u>Expenditures:</u>				
Personal Services	\$0	\$41,287	\$41,717	\$42,153
Operating Expenses	\$0	\$7,709	\$8,160	\$8,314
Equipment	\$0	\$2,958	\$0	\$0
Benefits	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$51,954</u>	<u>\$49,877</u>	<u>\$50,467</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$51,954	\$49,877	\$50,467
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$51,954</u>	<u>\$49,877</u>	<u>\$50,467</u>
<u>Revenues:</u>				
General Fund (01)	(\$512,786)	(\$503,043)	(\$493,486)	(\$484,109)
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>(\$512,786)</u>	<u>(\$503,043)</u>	<u>(\$493,486)</u>	<u>(\$484,109)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$512,786)	(\$554,997)	(\$543,363)	(\$534,576)
State Special Revenue (02)	\$0	\$0	\$0	\$0

NO SPONSOR SIGNATURE

Sponsor's Initials

2/4/21
Date

KA
Budget Director's Initials

2/3/21
Date