GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	SB0007	Title:	Revise tax credit for energy-conserving expenditures
Primary Sponsor:	Cohenour, Jill	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 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:				
General Fund	$0	$51,954	$49,877	$50,467
Revenue:				
General Fund	($2,138,963)	($2,098,323)	($2,058,424)	($2,019,344)
Net Impact-General Fund Balance:	($2,138,963)	($2,150,277)	($2,108,301)	($2,069,811)

Description of fiscal impact: SB 7 increases the maximum energy conservation income tax credit from $500 to $800 and makes the credit refundable. This decreases general fund revenue and increases administrative costs.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Under current law, the income tax credit for energy-conserving expenditures is capped at $500 per taxpayer and is non-refundable.
2. SB 7 increases the cap on the energy-conserving expenditures income tax credit from $500 to $800 per taxpayer and makes the credit fully refundable. The changes to the tax credit apply beginning in TY 2021.
3. In TY 2019, taxpayers filed $3,981,192 in qualifying energy-conserving expenditures on their income tax.
4. It is assumed that every taxpayer who reached the $500 cap in TY 2019 would have reached the $800 cap.
5. Increasing the cap to $800 in TY 2019 would have increased the value of credits claimed from $3,981,192 to $5,662,992, an increase of $1,681,800.
6. SB 7 also makes the energy-conserving expenditures 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.

7. Based on TY 2019 income tax returns, making the credit fully refundable would have reduced the tax liability of taxpayers by $532,842.
8. When combined, increasing the credit, and making the credit fully refundable would have reduced claimant tax liability by $2,222,620 in TY 2019.
9. The number of credits claimed each year has decreased by 1.9% each year from TY 2013 through TY 2019. It is assumed that impacts associated with SB 7 changes will decrease by 1.9% each year.
10. The revenue impact of increasing the credit cap and making the credit refundable results in revenue decreases of $2,138,963 in TY 2021, $2,098,323 in TY 2022, $2,058,454 in TY 2023, and $2,019,344 in TY 2024.
11. 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.
12. With no changes to estimated payments or withholding, taxpayers will receive the refundable tax credit when they file their tax return the following year in April.
13. As taxpayers file their TY 2021 returns in April CY 2022 (FY 2022), the proposed bill will reduce income tax revenue by $2,138,963 in FY 2022, $2,098,323 in FY 2023, $2,058,454 in FY 2024 and $2,019,344 in FY 2025.
14. SB 7 also repeals the corporate income tax credit for the interest differential for loans made prior to July 1, 1995. This credit has not been claimed in recent years, and it is assumed that the elimination of this credit will have no fiscal impact to the state.

Department of Revenue Administrative Costs

15. The department requires an additional 0.50 FTE to audit the additional income tax credits that are claimed because of SB 7. The cost of the FTE is $51,954 in FY 2023, $49,877 in FY 2024 and $50,467 in FY 2025.

Department of Environmental Quality (DEQ)

16. SB 7 bill would require DEQ to respond to any inquiry from the Department of Revenue involving the energy conservation tax credit within 60 days of a request for advice.
17. Currently, DEQ is only obligated to respond to inquiries related to energy conservation credits involving energy generation.
18. In practice, DEQ provides input on energy conservation measures when requested by DOR so this statutory change is not anticipated to have a material impact on DEQ's overall workload.

Fiscal Impact:	**FY 2022 Difference**	**FY 2023 Difference**	**FY 2024 Difference**	**FY 2025 Difference**
Department of Revenue				
FTE	0.00	0.50	0.50	0.50
Expenditures:				
Personal Services	$0	$41,287	$41,717	$42,153
Operating Expenses	$0	$7,709	$8,160	$8,314
Equipment	$0	$2,958	$0	$0
TOTAL Expenditures	$0	$51,954	$49,877	$50,467
Funding of Expenditures:				
General Fund (01)	$0	$51,954	$49,877	$50,467
TOTAL Funding of Exp.	$0	$51,954	$49,877	$50,467
Revenues:				
General Fund (01)	($2,138,963)	($2,098,323)	($2,058,454)	($2,019,344)
TOTAL Revenues	($2,138,963)	($2,098,323)	($2,058,454)	($2,019,344)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($2,138,963)	($2,150,277)	($2,108,331)	($2,069,811)

NO SPONSOR SIGNATURE

Sponsor's Initials *Date*

KA

Budget Director's Initials

1/11/21

Date

SB0007.01
1/8/2021