# OKLAHOMA TAX COMMISSION

**FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT**
**FIRST REGULAR SESSION, FIFTY-FIFTH OKLAHOMA LEGISLATURE**

**DATE OF IMPACT STATEMENT:** March 25, 2015

**BILL NUMBER:** SB 501 **STATUS AND DATE OF BILL:** Engrossed Bill 3/10/15

**AUTHORS:** House Sears Senate Mazzei et al

**TAX TYPE (S):** Income Tax **SUBJECT:** Credit

**PROPOSAL:** Amendatory

SB 501 proposes to amend 68 O.S. §2357.32A, relating to the Credit for Electricity Generated by Zero-Emission Facilities.

**EFFECTIVE DATE:** November 1, 2015

**REVENUE IMPACT:**

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 16: Unknown positive impact – see attached

**ADMINISTRATIVE IMPACT:**

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 16: No additonal cost or savings to the Tax Commission due to this proposed legislation.

Mar. 27, 2015 — DATE | Rick Miller — DIVISION DIRECTOR | mck

3-30-15 — DATE | Reece Womack — REECE WOMACK, ECONOMIST

3/30/15 — DATE | FOR THE COMMISSION

# ATTACHMENT TO FISCAL IMPACT - SB 501 [Engrossed] Prepared March 25, 2015

Under current law an income tax credit is allowed based on the amount of electricity generated by a qualified zero-emission facility. Credits earned prior to January 1, 2014, are transferable and any unused credit may be carried over for a period of ten (10) years. For credits earned on or after January 1, 2014, any credit earned but not used is refunded at an amount equal to eighty-five percent (85%) of the amount of the credit. The credit is fifty one-hundredths of one cent ($0.0050) for each kilowatt-hour of electricity generated by zero-emission facilities.

This measure proposes to modify the amount of credit for facilities placed in service on or after January 1, 2016. Zero emission facilities placed in operation on or after January 1, 2016 would be eligible for an income tax credit based on the amount of electricity generated computed as follows:

- For the first 12 months of operation, fifty one-hundredths of one cent ($0.0050),
- For the second 12 months of operation, forty one-hundredths of one cent ($0.0040),
- For the third 12 months of operation, thirty one-hundredths of one cent ($0.0030),
- For the fourth 12 months of operation, twenty one-hundredths of one cent ($0.0020), and
- For all months of operation after the first forty-eight (48), ten one-hundredths of one cent ($0.0010).

Any credit earned but not used will continue to be refunded at an amount equal to eighty-five percent (85%) of the amount of the credit. This measure further limits the total amount of credits allowed, for facilities placed in service on or after January 1, 2016, to $6,000,000 annually, allocated by the Tax Commission on a first-come first-served basis.

This credit would not be available for any electricity generated by a zero emission facility placed in service after December 31, 2020 unless the credit is reauthorized by the legislature after reviewing a report required under 74 O.S. § 5017 (14)[1].

***Fiscal Impact***

Most, if not all, facilities that qualify for the Credit for Electricity Generated by Zero-Emission Facilities are wind farms. Data from the Kansas Energy Information Network[2] suggests as of February 2014, seven (7) new wind farms are under construction and an additional eight (8) are classified as proposed, for a total of fifteen (15) wind farms. It is difficult to estimate the volume of electricity which will be generated, or when the electricity will be generated, so predicting the amount of credit is speculative at best.

This measure caps the total amount of credits allowed at $6 million annually, for facilities placed in service on or after January 1, 2016. This would have a positive impact for FY16, due to expected changes in estimated tax payments and withholding for tax year 2016. This measure also reduces the amount of the credit for each kilowatt-hour of electricity generated, potentially as early as tax year 2017.

The table below provides an overview of the usage of this credit since 2008.

| Tax Year | CLAIMED<br>Total Amount | USED<br>Total Amount |
|---|---|---|
| 2008 | $2,704,400 | $2,433,977 |
| 2009 | $3,242,906 | $2,454,206 |
| 2010 | $3,698,962 | $2,916,536 |
| 2011 | $3,128,895 | $2,318,605 |
| 2012 | $42,910,343 | $18,181,467 |
| 2013[3] | $27,146,314 | $19,395,529 |

[1] The report required under 74 O.S. § 5017 (14) is proposed in SB 72 introduced in the 2015 Legislative session.
[2] *Oklahoma Wind Farms* - Kansas Energy Information Network; www.kansasenergy.org/wind_projects_OK.htm
[3] Tax year 2013 is preliminary data for returns processed through February 3, 2015.