

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1138-01
Bill No.: SB 204
Subject: Tax Credits; Taxation and Revenue - Income
Type: Original
Date: February 13, 2013

Bill Summary: This proposal extends the sunset on the wood energy producers tax credit and caps the amount of tax credits available under the program each fiscal year.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue *	(\$3,294,970)	(\$3,294,970)	(\$3,294,970)
Total Estimated Net Effect on General Revenue Fund	(\$3,294,970)	(\$3,294,970)	(\$3,294,970)

* This credit has an annual cap that could raise the above stated revenue reduction to no more than \$4,500,000 per year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** assume this proposal extends the wood energy tax credit until August 28, 2019, and creates an annual cap of \$4.5 million. This will reduce General and Total State Revenues by that amount.

Officials at the **Department of Natural Resources** assume no additional direct impact from this proposal. The duties would continue to be absorbed by existing staff.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

According to the Tax Credit Analysis submitted by the Department of Natural Resources regarding this program, the Wood Energy tax credit program had the following activity;

	FY 2010	FY 2011	FY 2012
Certificates Issued (#)	16	17	9
Amount Issued	\$3,204,481	\$3,269,364	\$3,060,710
Amount Redeemed	\$1,546,453	\$3,818,378	\$2,282,401

Oversight assumes this tax credit was to expire on June 30, 2013 (FY 2013). This proposal extends the tax credit until June 30, 2019 (FY 2019); therefore, **Oversight** will show a loss to state revenue for the credits issued in FY 2014, FY 2015 and FY 2016. This proposal places a \$4.5 million cap on this credit. **Oversight** will reflect a loss of revenue to the State equal to the average amount issued over the last four years (\$3,294,970).

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
	(10 Mo.)		

GENERAL REVENUE

<u>Revenue Reduction</u> - extension of the wood energy tax credit *	<u>(\$3,294,970)</u>	<u>(\$3,294,970)</u>	<u>(\$3,294,970)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$3,294,970)</u>	<u>(\$3,294,970)</u>	<u>(\$3,294,970)</u>
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* This credit has an annual cap that could raise the above stated revenue reduction to no more than \$4,500,000 per year.

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive the credit could be impacted.

FISCAL DESCRIPTION

Currently, the Wood Energy Tax Credit program may not authorize further tax credits after June 30, 2013. This act allows tax credits to be authorized under this program until June 30, 2019. This act also prohibits more than four million five hundred thousand dollars in tax credits under this program in any fiscal year.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Revenue
Office of Administration
Budget and Planning



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