

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5795-01
Bill No.: SB 814
Subject: Tax Credits; Taxation and Revenue - Income
Type: Original
Date: March 4, 2014

Bill Summary: This proposal reauthorizes 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 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal renews the wood energy tax credit program, and creates a \$3 million annual cap for the program. The three-year average amount authorized under this tax credit program was \$3.1 million. Therefore, this proposal may reduce General and Total State Revenues by \$3 million annually.

This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

Officials at the **Department of Economic Development** assume this proposal does not assign any direct or indirect duties or responsibilities to the Division of Energy. Duties are assigned to the Department of Revenue.

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

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wood Energy tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	17	10	12
Projects (#)	17	10	12
Amount Authorized	\$3,269,364	\$3,060,710	\$2,990,840
Amount Issued	\$3,269,364	\$3,060,710	\$2,990,840
Amount Redeemed	\$3,818,378	\$2,282,401	\$3,563,209

Oversight assumes this part of the proposal extends the Wood Energy tax credit from its current expiration date of June 30, 2013 to June 30, 2020. It also places an annual cap of \$3 million on this tax credit. The five year issue average of this credit is \$3,253,294. Oversight assumes placing this new cap would not have a fiscal impact; however, extending the credit will result in a potential loss of revenue of \$0 (no credits issued) to the new annual cap.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the wood energy tax credit	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive this credit may be impacted.

FISCAL DESCRIPTION

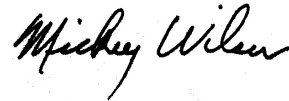
As of June 30, 2013, wood energy producers may no longer qualify for a tax credit. This act allow wood energy producers to once again qualify for a tax credit. No wood energy producer tax credits may be authorized after June 30, 2020. This act also prohibits more than three million dollars in tax credits 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.

L.R. No. 5795-01
Bill No. SB 814
Page 5 of 5
March 4, 2014

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
March 4, 2014

Ross Strobe
Assistant Director
March 4, 2014