BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	**HB 2095**
Version:	**FULLPCS1**
Request Number:	**8000**
Author:	**Rep. O'Donnell**
Date:	**2/26/2019**
Impact:	**Tax Commission: Preliminary Analysis Sets Statewide Credit Cap of $20.0 Million**

Research Analysis

The proposed committee substitute for HB2095 modifies a tax credit for investments in qualified clean-burning motor vehicle fuel property by:

- Extending the sunset date of the credit until December 31, 2026;
- Removing references to equipment or property that uses hydrogen fuel cells as the energy source;
- Modifying the amount and procedure for calculating credits;
- Establishing a $20 million annual cap for credits claimed beginning July 1, 2019;
- Requiring the Oklahoma Commission to monitor tax credit usage and report usage to the State Secretary of Energy and Environment any time the amount of credits claimed reaches 80 percent of the annual limit; and
- Requiring the Secretary to notifying the Governor, House and Senate when the 80 percent threshold is reached.

For the purchase or conversion of a qualified motor vehicle, the credit amount will be based on the weight of the vehicle (please refer to table below). Currently, the credit is calculated at 45% of the cost of the property.

Vechicle Weight (lbs)	Maximum Credit Amount
Under 6,000	$ 5,500
6,001-10,000	$ 9,000
10,001-26,500	$ 26,000
26,501+	$ 50,000

For the purchase of infrastructure property such as a refueling or charging station, the credit amount is decreased from 75 percent to 45 of the cost effective July 1, 2019.

Fiscal Analysis

Preliminary analysis provided by the Tax Commission:

The Proposed Committee Substitute for HB 2095 proposes to amend 68 O.S. § 2357.22, which relates to the Credit for Conversion of Motor Vehicles to Clean Burning Fuel. This measure proposes to 1) extend the sunset date; 2) change the credit calculation percentages for tax year 2019;[1] and 3) impose a state wide cap of $20 million effective for tax year 2020 and subsequent years.[2]

Under current law a one-time income tax credit is allowed for investments in qualified clean-burning motor vehicle fuel property through tax year 2019. Depending on the type of property, the credit is either forty-five percent (45%) or seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property. In cases where no credit is previously claimed and a motor vehicle is purchased with "factory installed" clean-burning fuel equipment, and the taxpayer elects not to determine the exact investment cost, the credit is limited to ten percent (10%) of the motor vehicle purchase price up to One Thousand Five Hundred Dollars ($1,500.00). Property directly related to the delivery of natural gas from a private home qualifies for a credit of the lesser of fifty percent (50%) of the cost of the property or Two Thousand Five Hundred Dollars ($2,500.00). Any credit allowed but not used may be carried over for a period of five (5) years.

This measure proposes to:

- Extend the sunset date from tax year 2019 to tax year 2026.
- Impose a state wide cap of $20 million effective for tax year 2020. If the amount of claims for credits allowed reaches eighty percent (80%) of the total annual limit, the Tax Commission will notify the Office of the State Secretary of Energy and Environment. If the total amount of credits exceeds $20 million, the Tax Commission shall annually calculate and publish by the first day of the affected year a percentage by which the credits authorized shall be reduced so the total amount of credits used to offset tax does not exceed $20 million per year.[3]

[1] No effective date is specified in this measure.
[2] Obsolete language relating to hydrogen fuel cells is also stricken.
[3] The Oklahoma Tax Commission is required to calculate the cap based on the previous two tax years. Calculating the cap based on credits used to offset tax results in a potential for the cap to not be in effect every third year.

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Other Considerations

According to the 2017-18 Tax Expenditure Report by the Tax Commission, the amount of credits claimed under the provisions of 68 O.S., Section 2357.22 totaled $7,914,000 from 529 tax returns.