BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	**HB 2112**
Version:	**CS**
Request Number:	**8393**
Author:	**Rep. O'Donnell**
Date:	**3/7/2019**
Impact:	**Tax Commission:**
	Extends Credit Sunset
	Establishes Annual Limit of $20.0 Million
	No Expectation of Change

Research Analysis

The committee substitute for HB2112 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;
- Removing eligibility for public access recharging systems for electric vehicles to receive the credit;
- 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 station, the credit amount is decreased from 75 percent to 45 of the cost effective July 1, 2019.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission (in coordination with SB 797):

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). 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). 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 statewide 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[2].
- Reduce the infrastructure component (delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, for commercial purposes or for a fee or charge) from 75% to 45%.
- Amend the credit amount of the motor vehicle component; it will no longer be 45% of the cost of the qualified clean-burning motor vehicle property, but will now be based on the weight of the vehicle as outlined below:

Vehicle Weight (lbs)	Maximum Credit Amount
Under 6,000	$5,500
6,001 to 10,000	$9,000
10,001 to 26,500	$26,000
26,501 and above	$50,000

The expenditure for tax year 2016 for this credit was $7.9 million. There is no expectation that this amount will increase significantly. Therefore no impact to revenue is anticipated as a result of this measure.

[1] Obsolete language relating to hydrogen fuel cells is also stricken.
[2] The Oklahoma Tax Commission is required to calculate the cap based on the previous two years.

Prepared By: Mark Tygret

Other Considerations

None.