Fiscal Impact

1st Session of the 57th Legislature

Bill No.:	**HB 2112**
Version:	**ENGR**
Author:	**Sen. Allen**
Date:	**04/03/2019**

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: April 2, 2019

BILL NUMBER: HB 2112 **STATUS AND DATE OF BILL:** Engrossed Bill 3/7/19

AUTHORS: House O'Donnell Senate Allen

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

PROPOSAL: Amendatory

HB 2112 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; and 3) impose a state wide cap of $20 million effective for fiscal year 2020 and subsequent years.

EFFECTIVE DATE: July 1, 2019 - Emergency

REVENUE IMPACT:

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

FY 20: No impact to revenue is anticipated
FY 21: No impact to revenue is anticipated

Apr. 3, 2019 — Rick Miller — mck
DATE — DIVISION DIRECTOR

4-3-2019 — Huan Gong
DATE — HUAN GONG, ECONOMIST

4-3-19
DATE — FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO FISCAL IMPACT - HB 2112 [Engrossed] Prepared April 2, 2019

HB 2112 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 fiscal year 2020 and subsequent years. This measure also removes obsolete language relating to hydrogen fuel cells.

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 state wide cap of $20 million effective for fiscal 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.[2] If the total amount of credits exceeds $20 million in any calendar year, the Tax Commission shall annually calculate and publish by the first day of the affected fiscal year a percentage by which the credits authorized shall be reduced so the total amount of credits used to offset tax[3] does not exceed $20 million per year.[4]
- 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%. Also, the metered-for-fee, public access recharging system for motor vehicles propelled in whole or in part by electricity as infrastructure will no longer be eligible for the credit.
- 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.

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[1] This measure is effective July 1, 2019 and has an emergency clause; therefore it is expected to be effective for tax year 2019.
[2] This provision would be difficult for the Tax Commission to administer.
[3] Calculating the cap based on *credits used to offset tax* may result in no effective cap every third year.
[4] The Oklahoma Tax Commission is required to calculate the cap based on the previous fiscal years. Income tax returns are filed by tax year and can overlap fiscal years. This makes the cap calculation impossible to determine for a given tax year.