HB15-1219

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 15-0149	**Date:**	March 3, 2015
Prime Sponsor(s):	Rep. McCann; Becker J. Sen. Hodge; Sonnenberg	**Bill Status:**	House Transportation & Energy
		Fiscal Analyst:	Louis Pino (303-866-3556)

BILL TOPIC: ENTERPRISE ZONE INVESTMENT TAX CREDIT FOR RENEWABLE ENERGY

Fiscal Impact Summary*	FY 2014-15 *current year*	FY 2015-2016	FY 2016-2017
State Revenue	**(Potential reduction)**	**(At least $750,000)**	**(At least $1.5 million)**
Revenue Change General Fund	(Potential reduction)	(At least $750,000)	(At least $1.5 million)
State Expenditures		**$53,000**	
General Fund		$53,000	
FTE Position Change			
Tabor Set-Aside		(At least $750,000)	(At least $1.5 million)
Appropriation Required: $20,000 - OEDIT; $33,000 - DOR (FY2015-16)			

* *This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.*

Summary of Legislation

This bill allows a renewable energy company with Enterprise Zone Investment Tax Credits (ITC) to elect to receive a refund of the credit for projects completed on or after January 1, 2015. The amount of the refund is equal to 80 cents for every one dollar of ITC credit, and the refund is capped at $750,000 per tax year. The taxpayer may elect to receive a refund beginning in tax year 2015.

The bill also requires the Office of Economic Development (OEDIT) to annually post on its website the level of renewable energy investment.

Background

The Enterprise Zone Investment Tax Credit is an income tax credit equal to 3 percent of qualified investments located in an enterprise zone. Taxpayers may claim up to half their annual tax liability plus $5,000 in any one year. If the income tax credit is more than what a taxpayer may claim, the credit can be carried forward. Renewable energy companies may carry the credit forward for up to 22 years.

State Revenue

General Fund revenue will decrease by at least $750,000 in FY 2015-16, and by at least $1.5 million in FY 2016-17. The revenue estimate for HB15-1219 is expected to be a minimum because the estimate is based on two known renewable energy projects that have been precertified by the OEDIT and will elect to receive the refund. This estimate likely understates the revenue impact because it may exclude other projects not identified as of this writing and future renewable energy projects that will be eligible for the refund. The two projects are scheduled to be completed in late 2016, therefore, the expected revenue decline will not occur until tax year 2016. If these projects or any other eligible renewable energy projects are completed and receive their final credit certificate in tax year 2015, state revenue will decline beginning in FY 2014-15.

Assumptions. As of the date of this fiscal note, four renewable projects have been identified with a completion date scheduled after January 1, 2015. Of these, two projects have been pre-certified by OEDIT to receive a total of $17.4 million in ITC credits. The fiscal note assumes these two renewable energy projects will begin claiming the maximum amount ($750,000) of refunds allowed under the bill for each tax year beginning in tax year 2016 until all the credits have been exhausted. As of this writing, it is unknown if the other two projects qualify for the refund. The revenue decline will be greater if these two projects are eligible to receive the ITC credit and elect to receive a refund.

Will the refund raise revenue for the state in the long run? If, under current law, the company holding the eligible ITC credits would have sufficient tax liability to fully claim all credits within their 22-year carry forward period, the state's liability for these credits would be reduced by 20 if the company chooses a refund instead. However, the impact would occur several years into the future, and would be diminished if it were discounted for the time value of money.

TABOR Impact

This bill increases reduces state revenue, which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

State Expenditures

General Fund expenditures will increase by $53,000 in FY 2015-16 only. New expenditures are from one-time programing costs for both the Department Revenue and the OEDIT. The OEDIT will require $20,000 to update their sales force management system. The DOR will need $33,000 to update the GenTax system and document management and form costs. It is estimated this will require 150 hours of programming at $212 per hour to update the system. The remaining balance ($1,200) will be used to pay the Department of Personnel and Administration's (DPA) charges to make changes to the optical charter recognition software used for capturing data from income tax returns.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

In FY 2015-16, the bill requires a $20,000 General Fund appropriation to the OEDIT for one-time programming costs. The DOR will also require an appropriation of $33,000 from the General Fund for programing and document management costs. Of this, $1,200 should be reappropriated to the DPA.

State and Local Government Contacts

Revenue OEDIT