

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 633** HLS 17RS 632

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 28, 2017	11:47 AM	Author: THIBAUT
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Make Solar Energy System Tax Credit Non-Refundable		

TAX/INCOME-CREDIT OR -\$1,700,000 GF RV See Note Page 1 of 1
Provides for the carry forward rather than the refund of excess amounts of the solar energy systems tax credit under certain circumstances

Present law provides refundable tax credits for portions of the cost of residential solar energy systems. Annual caps limited the program credit totals to \$10M in both FY16 and FY17, and to \$5M for all periods combined from FY18, with a first-come, first-served allocation system.

Proposed law will allow taxpayers whose claim was denied due to the program caps in FY16 - FY18 to claim a nonrefundable credit for the excess amount of credit over liability that was denied. This amount of credit can be carried forward against subsequent tax liabilities for five years.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$8,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$8,500,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

The Dept. of Revenue indicates that there are 1,290 denied claims for solar systems purchased and installed before December 31, 2015. Affected tax payers typically have insufficient tax liabilities against which to exhaust the total amount of there credit claim. Approximately \$1.7M per year would have been used to offset tax liabilities, and this amount is taken as the expected amount of nonrefundable credit to be claimed each year under the provisions of this bill. These credit claims could occur as early as FY18 as 2017 tax year returns are filed in the spring of 2018. Credit claims of \$1.7M per year would be expected over the five-year period of FY18 - FY22, totaling some \$8.5M.

It is possible that there are taxpayers who did not file a claim at all because claims were being denied due to the annual program caps. These taxpayers could file amended returns to participate in the provisions of this bill and increase the annual revenue losses estimated above.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
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Legislative Fiscal Officer