LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 681** HLS 13RS 1460
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 17, 2013 8:57 AM
Author: ORTEGO
Dept./Agy.: Revenue
Subject: Alternative Fuel Vehicle Tax Credit Program
Analyst: Deborah Vivien

TAX CREDITS EN INCREASE GF RV See Note

Changes the definition of alternative fuel for purposes of the tax credit for conversion of a vehicle to alternative fuel usage

Current law provides a refundable income tax credit of 50% of the cost and installation of conversion of property which will subsequently allow alternative fuel use, whether in a vehicle or a delivery property, such as a service station. Without itemizing, the filer may instead choose a credit of 10% of the cost of a new vehicle that operates on alternative fuel, up to $3,000 per vehicle. It is not necessary that the vehicle be purchased in Louisiana. Currently, the vehicle portion of the law applies only to vehicles with fuel systems that can independently run on two types of fuel. The bill defines alternative fuel to include those with lower emissions than gasoline or diesel, meets or exceeds federal clean air standards, including but not limited to compressed and liquefied natural gas, liquefied petroleum gas, biofuel, biodiesel, methanol, ethanol, and electricity. Proposed law removes ethanol, and possibly methanol, as an alternative fuel eligible for the tax credit. Alternative fuel would include natural gas, liquified petroleum gas, electricity (with certain qualifiers and determined by rule) and any non-ethanol based advanced biofuel. Effective January 1, 2014.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**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	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	INCREASE	INCREASE	INCREASE	INCREASE	**$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**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Currently,ethanol vehicles are eligible for the alternative fuel credit only if the vehicle can run independently on two types of fuel. Flex-fuel vehicles running only on a blended fuel are no longer eligible, according to rule.

This bill would remove ethanol vehicles from eligibility for the credit, presumably including any vehicle that utilized ethanol and, independently, another fuel source. To the extent that dual fuel source vehicles utilizing ethanol independently of another fuel are claiming the credit now, SGF would increase. However, these vehicles do not appear to be common so the impact is expected to be relatively small, if any at all. It is not clear whether methanol would be considered a non-ethanol based advanced biofuel and would continue to qualify under the bill or would also be excluded.

In this bill, electric vehicles are only eligible for the credit if they have four wheels and are designed for highway use with a battery at at least 4kw rechargeable from an external source. The types of electric vehicles excluded by the bill are currently receiving the credit (about $150,000 in claims were identified by LDR but there could be more) and will no longer qualify under this bill due to the highway use requirement. Thus, the electric car provisions could modestly increase SGF revenue as certain vehicles may no longer claim the credit.

Taken together, removing the tax credit eligibility of the two impacted vehicle types can only work to constrain program costs. To the extent that vehicles no longer qualify for the credit, SGF revenue will increase above what it would otherwise be. Because the bill is effective beginning with tax year 2014, the fiscal impact, if any, would begin in FY 15.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist