

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5582-01  
Bill No.: HB 1684  
Subject: Tax Credits; Energy; Agriculture and Animals  
Type: Original  
Date: February 14, 2014

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Bill Summary: This proposal modifies the wood energy tax credit program by extending it until June 30, 2020, and caps the program at three million dollars per fiscal year.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (\$3,000,000)</b>	<b>\$0 to (\$3,000,000)</b>	<b>\$0 to (\$3,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. The three year average amount authorized under this tax credit program was \$3.1 million. Therefore, this proposal may reduce General and Total State Revenues by \$3 million annually.

Officials at the **Department of Economic Development** assume there is no identifiable fiscal impact to the Division of Energy. The proposal does not assign any direct or indirect duties or responsibilities to the Division of Energy. The Division would continue to administer the wood energy tax credit with existing resources.

The expired wood energy tax credit is reauthorized through December 31, 2020 and is capped at \$3 million per fiscal year; therefore, the potential amount of reduced revenue to the state may be equal to the cap or approximately \$18 million in the aggregate if all tax credits are claimed through 2020 and used through 2025.

Officials at the Department of Revenue did not respond to **Oversight's** request for fiscal impact.

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wood Energy tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	17	10	12
Projects (#)	17	10	12
Amount Authorized	\$3,269,364	\$3,060,710	\$2,990,840
Amount Issued	\$3,269,364	\$3,060,710	\$2,990,840
Amount Redeemed	\$3,818,378	\$2,282,401	\$3,563,209

**Oversight** assumes this part of the proposal extends the Wood Energy tax credit from its current expiration date of June 30, 2013 to June 30, 2020. It also places an annual cap of \$3 million on this tax credit. The five year issue average of this credit has been \$3,253,294. Extending the tax credit will result in a potential loss of revenue to the state of \$0 (no credits issued) to the new annual cap.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - extension of the wood energy tax credit §135.305	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>	\$0 to <u>(\$3,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 to <u>(\$3,000,000)</u></b>	<b>\$0 to <u>(\$3,000,000)</u></b>	<b>\$0 to <u>(\$3,000,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the tax credit may be impacted.

FISCAL DESCRIPTION

This legislation modifies the wood energy tax credit program by extending it until June 30, 2020 and caps the program at three million dollars per fiscal year.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Office of Administration  
Division of Budget and Planning

**Not Responding**

Department of Revenue



Mickey Wilson, CPA  
Director  
February 14, 2014

Ross Stroe  
Assistant Director  
February 14, 2014