

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 256** SLS 13RS 672
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2013 10:44 AM	Author: CLAITOR
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Alternative Fuel Vehicle Tax Credit	

TAX/TAXATION OR SEE FISC NOTE GF RV Page 1 of 1
 Provides for certain tax credits regarding vehicle usage of alternative fuels. (gov sig)

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. An emergency rule effective April 30, 2012, stated the law to be applied to all flex-fuel vehicles, but the rule was rescinded on July 14, 2012. Currently, the vehicle portion of the law applies only to vehicles with fuel systems that can independently run on two types of fuel.

Proposed law retains current law but explicitly disallows a flex-fuel vehicle designed to run on gasoline or a blend of up to 85% ethanol, retroactive to the initiation of the credit in 2009. Proposed law also repeals the credit related to the conversion of delivery property (service stations) for alternative fuel use as of July 1, 2013.

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill retroactively excludes E85 flex-fuel vehicles from the tax credit for alternative fuel vehicles. Presumably, when the rule was rescinded on July 14, 2012, LDR stopped issuing credits for such vehicles. Prior to this date and since the inception of the program, the state has paid out about \$30 M in credits. It is not clear what percentage of the credits were paid on E85 flex-fuel vehicles, but, according to LDR, the Office of Motor Vehicles estimates about 5,700 hybrid vehicles registered in the state. If each hybrid vehicle claimed the maximum credit, the state would issue about \$17.1 M in credits. Comparing this to the total credits issued of \$30 M, it is estimated that the state would be authorized to recapture roughly half the credits that have already been issued. However, it seems unlikely that a credit was claimed on all of these vehicles, and the recapture potential is likely materially less than that maximum. In addition, any service stations that would have been eligible for the credit due to conversion of delivery options to include alternative fuel will now be ineligible. It appears that stations claimed about \$2.2 M in FY 12.

LDR also indicates that it already has the authority under R.S. 47:1561.2 to initiate recapture of credits, and the credits issued in 2009 prescribed on December 31 (two years past the year in which the credit was paid).

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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