



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 187** SLS 15RS 559
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 15, 2015 7:57 AM	Author: CLAITOR
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Ends the Alternative Fuel Tax Credit on July 1, 2015	

TAX/TAXATION RE +\$100,000 GF RV See Note Page 1 of 1
 Limits the alternative fuel tax credit to qualified clean-burning motor vehicle fuel property purchased and installed, or new motor vehicles purchased at retail, before July 1, 2015. (gov sig)
Current law provides a refundable income tax credit for 50% of the cost of a vehicle conversion to alternative fuel. For a new vehicle, the credit is the lesser of 10% of the vehicle cost or \$3,000 for vehicles registered in the state and using only alternative fuel. If a vehicle is propelled by gasoline or diesel, it is not eligible.
Proposed law sunsets the credit by only allowing a credit for eligible alternative fuel conversion property purchased and installed or new vehicles purchased by July 1, 2015 or vehicles ordered at retail before January 1, 2016 if it replaces an existing gasoline or diesel vehicle.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
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	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$100,000	\$1,300,000	\$3,900,000	\$4,000,000	\$4,000,000	\$13,300,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$100,000	\$1,300,000	\$3,900,000	\$4,000,000	\$4,000,000	\$13,300,000

EXPENDITURE EXPLANATION
 There is no anticipated direct material effect on governmental expenditures as a result of this measure. Any implementation costs will be absorbed in the current budget. However, once session is complete, the cumulative effect of all new legislation may require additional departmental resources.

REVENUE EXPLANATION
 This bill ends the program on 7/1/15 for purchased or converted vehicles but allows ordered vehicles that replace gasoline or diesel vehicles to extend to 1/1/16. Tax year 2015 will be the last year for which the credit may be claimed. The current alternative fuel income tax credit claims are about \$4M annually with 10% of claims occurring in year 1, 85% of claims occurring in year 2 and 5% of claims occurring in year 3. The note assumes that the credit is reduced by 25% during tax year 2015 because most credits are expected to end on July 1 with the ineligibility of purchased/converted vehicles, though some uncertain amount will still be allowed for the remainder of the tax year as ordered vehicles still qualify.

Because it is not clear how much conversion or purchasing activity has already occurred under current credit provisions which remain in place through 7/1/16 or to predict vehicle orders from 7/1/15 through 1/1/16, the savings from the program due to these changes is not certain.

In keeping with the historical distribution, the bulk of claims under the current credit will not begin to impact the state until FY 17, which may be the first indication of Tax Year 15 activity. However, assuming one quarter the anticipated credits or \$1M were earned in FY16 (the first half of Tax Year 2015 activity and a whole year of ordered vehicles) and the historic distribution was followed, the FY 16 impact would be a \$100,000 increase in SGF. The accumulating effect of the sunseting the baseline effect, and incorporating the tax return distribution across fiscal years results in a total SGF gain in FY17 of \$1.3M, then \$3.9M in FY18, then the maximum impact of \$4M per year is reached in FY 19 and beyond.

Senate	<u>Dual Referral Rules</u>	House	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}			<input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}			<input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	