PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 23, 2015 402-471-0051

LB 423

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 2016-17				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$54,106	\$0	\$50,285	(\$4,380,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$54,106	\$0	\$50,285	(\$4,380,000)			

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 423 amends Nebraska Revised Statutes Section 77-27,235, regarding the renewable energy tax credit.

Current statute provides for a tax credit equal to .05 cent per kilowatt-hour for any producer of electricity generated by a renewable energy source. The bill provides for a credit that is either (but not both) of the following:

- A) A credit of 1.5 cents for each kilowatt-hour of electricity generated by a facility that begins commercial operation after the effective date of LB 423, this credit may be earned for the first ten years of commercial operation; or
- B) A one-time credit equal to 30% of the total cost of construction of a renewable energy electric generation facility that begins commercial operation after the effective date of LB 423, this credit shall not exceed \$2 million.

The taxpayer must select which credit option they are going to use and notify the Department of Revenue of their selection. For option A, the selection must be made within before the facility completes its first ten years of operation. For option B, the selection must be made within one year after the facility begins operation.

The bill defines renewable electric generation facility to mean a renewable electricity generation facility located in Nebraska that qualifies as a community-based energy development project (C-BED).

LB 423 further provides that the tax credit may only be used against income tax liability, the franchise tax, or the insurance premium tax and may be transferred, sold, pledged, or assigned multiple times either in whole or in part. The holder of the credit may carry it forward for a maximum of seven years after it is first earned. The credit may no longer be used to obtain a refund of sales and use taxes.

The credit has a current cap of \$50,000 total for all taxpayers; that cap is removed.

The Department of Revenue estimates that the credit will result in one to two additional C-BED projects each year, using wind as a fuel source, with electrical generation capacity of less than 80 megawatts.

The Department estimates the following fiscal impact to the General Fund:

FY2015-16: (\$ 0) FY2016-17: (\$ 4,380,000) FY2017-18: (\$ 11,910,000) FY2018-19: (\$ 19,450,000) FY2019-20: (\$ 26,980,000)

The Department estimates the cost to implement LB 423 will require 1.0 FTE Fiscal Compliance Analyst to administer the bill. PSL will be \$36,922 for FY2015-16 and \$37,808 for FY2016-17.

There is no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 423 AM: AGENCY/POLT. SUB: Dept. of Revenue						
REVIEWED BY: Lyn Heaton			DATE: 2/24/2015		PHONE: 471-4181	
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.						

		State Agency	Estimate				
State Agency Name: Departmer	nt of Revenue				Date Due LFA:	2/23/15	
Approved by: Len Sloup		Date Prepared:	02/23/15		Phone: 471-5896		
	FY 2015-	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$54,106	\$0	\$50,285	\$(4,380,000)	\$51,492	\$(11,910,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$54,106	\$0	\$50,285	\$(4,380,000)	\$51,492	\$(11,910,000)	

LB 423 provides a transferrable renewable energy tax credit to electrical generating facilities that are located in this state, approved as community-based energy development projects, and begin commercial operation after the operative date of the Act. The amount of the credit is equal to 1.5 cents for each kilowatt-hour of electricity generated for the first 10 years of commercial operation or a one-time credit equal to 30% of the total cost of construction, up to two million dollars. A producer must file an election with the Department of Revenue before the facility completes its first 10 years of commercial operation to claim the per kilowatt credit or within one year after the facility begins commercial operation to claim the 30% credit.

The credit may be claimed against the producer's income tax liability, franchise tax liability, or premium and related retaliatory tax liability, but only electricity generated from wind, solar, biomass, or landfill gas used as the fuel source is eligible for the credit. The credit is transferrable and may be carried-forward for up to seven years after the credit is earned.

The Department estimates that the credit will result in 1 to 2 additional C-BED projects each year, using wind as a fuel source, with electrical generation capacity of less than 80 megawatts.

The Department estimates the reduction to the General Fund revenues as follows:

FY 2015-2016	\$ 0
FY 2016-2017	\$ 4,380,000
FY 2017-2018	\$ 11,910,000
FY 2018-2019	\$ 19,450,000
FY 2019-2020	\$ 26,980,000

The Department would require 1.0 FTE Fiscal Compliance Analyst to administer this bill.

Major Objects of Expenditure							
Class Code A21211	Classification Title Fiscal Compliance Analyst	15-16 <u>FTE</u> 1.0	16-17 <u>FTE</u> 1.0	17-18 <u>FTE</u> 1.0	15-16 <u>Expenditures</u> \$36,922	16-17 <u>Expenditures</u> \$37,808	17-18 Expenditures \$38.716
	and the property of the proper						
Benefits.				\$12,184	\$12,477	\$12,776	
Operating Costs							
Travel							
Capital Outlay					\$5,000	\$0	\$0
Aid							
Capital Improvem	ents						
					\$54,106	\$50,285	\$51,492