Fiscal Impact

1st Session of the 57th Legislature

Bill No.:	**HB 2095**
Version:	**ENGR**
Author:	**Sen. Bice**
Date:	**04/01/2019**

Fiscal Analysis

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY AND RESEARCH

DATE: March 29, 2019

SUBJECT: HB 2095 - Proposed Committee Substitute (Req. No. 2131)

TO: Rick Miller. Director

FROM: Michael C. Kaufmann, Tax Policy Analyst

The Proposed Committee Substitute (Req. No. 2131) for HB 2095 proposes to amend 68 O.S. § 2357.22, which relates to the Credit for Conversion of Motor Vehicles to Clean Burning Fuel. This measure proposes to 1) extend the sunset date; 2) change the credit calculation percentages for tax year 2020; and 3) impose a state wide cap of $20 million effective for tax year 2020 and subsequent years. [1]

Under current law a one-time income tax credit is allowed for investments in qualified clean-burning motor vehicle fuel property through tax year 2019. Depending on the type of property, the credit is either forty-five percent (45%) or seventy-five percent (75%) of the cost of the qualified clean-burning motor vehicle fuel property. In cases where no credit is previously claimed and a motor vehicle is purchased with "factory installed" clean-burning fuel equipment, and the taxpayer elects not to determine the exact investment cost, the credit is limited to ten percent (10%) of the motor vehicle purchase price up to one thousand five hundred dollars ($1,500). Property directly related to the delivery of natural gas from a private home qualifies for a credit of the lesser of fifty percent (50%) of the cost of the property or two thousand five hundred dollars ($2,500). Any credit allowed but not used may be carried over for a period of five (5) years.

This measure proposes to:

- Extend the sunset date from tax year 2019 to tax year 2027.
- Impose a state wide cap of $20 million effective for tax year 2020. If the amount of claims for credits allowed reaches eighty percent (80%) of the total annual limit, the Tax Commission will notify the Office of the State Secretary of Energy and Environment.[2] If the total amount of credits exceeds $20 million, the Tax Commission shall annually calculate and publish by the first day of the affected taxable year a percentage by which the credits authorized shall be reduced so the total amount of credits used to offset tax does not exceed $20 million per year. [3]

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[1] Obsolete language relating to hydrogen fuel cells is also stricken.
[2] Due to the timing of the filing of income tax returns, this provision may be difficult to administer.
[3] The Oklahoma Tax Commission is required to calculate the cap based on the previous two years. Although not specified it is assumed that the cap will be calculated based on the tax year the credits are used to offset tax.

- Reduce the infrastructure component (delivery of compressed natural gas, liquefied natural gas or liquefied petroleum gas, for commercial purposes or for a fee or charge; or a metered-for-fee, public access recharging system for motor vehicles propelled in whole or in part by electricity) from 75% to 45%.
- Amend the credit amount of the motor vehicle component; it will no longer be 45% of the cost of the qualified clean-burning motor vehicle property, but will now be based on the weight of the vehicle as outlined below:

Vehicle Weight (lbs)	Maximum Credit Amount
Under 6,000	$5,500
6,001 to 10,000	$9,000
10,001 to 26,500	$26,000
26,501 and above	$50,000

The expenditure for tax year 2016 for this credit was $7.9 million. There is no expectation that this amount will increase significantly. Therefore no impact to revenue is anticipated.