

Fiscal Estimate - 2001 Session

Original Updated Corrected Supplemental

LRB Number 01-4472/1		Introduction Number AB-752	
Subject Tax credit for business that purchase and operate distributed generation power generators			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<input type="checkbox"/> Decrease Costs			
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> Cities	
<input type="checkbox"/> WTCS Districts			
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By		Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817		Brian Pahnke (608) 266-2700	2/12/02

Fiscal Estimate Narratives

DOR 2/12/02

LRB Number	01-4472/1	Introduction Number	AB-752	Estimate Type	Original
Subject					
Tax credit for business that purchase and operate distributed generation power generators					

Assumptions Used in Arriving at Fiscal Estimate

The bill would create a nonrefundable income and franchise tax credit for businesses that purchase and operate a distributed generation power generator. A distributed generation power generator is a generator that meets all of the following conditions:

- Consists of reciprocating engines fueled by natural gas or a combination of natural gas and diesel fuel.
- Has thermal efficiency of at least 40%.
- Has a nitrogen oxide emission level of no more than 1.5 grams per brake horsepower-hour.

Businesses must be certified by the Department of Commerce to claim the credit; all claimants who satisfy the requirements must be certified for credit. Claimants must demonstrate to the satisfaction of Commerce that the distributed generation power generator:

- Is permanently installed on the customer's side of the utility meter.
- Is connected to and operates in parallel to the electric utility distribution system.
- Is not intended for back up generation purposes.
- Will be operated in a safe and reliable manner.

Credits are capped at \$400,000 per claimant per taxable year and \$2 million for all claims in a taxable year. If total credits exceed \$2 million, the Department of Revenue must prorate the credit according to the amount of the purchase costs and operating costs of a distributed generation power generator in the taxable year. Unused credit amounts may be carried forward for use in offsetting tax liability in future years.

Partnerships, limited liability companies and S-corporations may not claim the credit, but compute the amount of credit for partners, members and shareholders in proportion to their ownership interests.

After the close of each fiscal year, the Department of Administration (DOA) must identify all GPR appropriations made in the fiscal year to reimburse the capital improvement fund for which disbursements were made in an amount less than the estimated expenditure amount. DOA must reduce the total estimated expenditure amounts of those appropriations in the succeeding year by an amount equal to the lesser of \$2 million or the total amount that is paid under the credit in the prior calendar year.

Information on the amount of credits that would be claimed each year is unknown, but it is assumed that there is sufficient activity at the present time so that the full \$2 million in credits would be used annually. The bill does not provide funding for administrative costs of the department. One-time costs are estimated at \$8,400; annual ongoing costs are estimated at \$43,100 for 1.0 FTE and related expenses to audit the credit.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Tax credit for business that purchase and operate distributed generation power generators			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One time costs of \$8,400.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$37,900	
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs		5,200	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$43,100	\$
B. State Costs by Source of Funds			
GPR		43,100	
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-2,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-2,000,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$43,100	\$
NET CHANGE IN REVENUE		\$-2,000,000	\$
Agency/Prepared By		Authorized Signature	Date
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