



REVISED FISCAL IMPACT

(replaces fiscal impact dated April 28, 2005)

Drafting Number: LLS 05-0814	Date: May 1, 2005
Prime Sponsor(s): Rep. Pommer Sen. Tupa	Bill Status: Senate 2 nd Reading
	Fiscal Analyst: Chris Ward (303-866-5834)

TITLE: CONCERNING INCENTIVES TO INCREASE THE USE OF VEHICLES THAT USE ALTERNATIVE FUELS, AND, IN CONNECTION THEREWITH, EXTENDING THE INCOME TAX CREDIT FOR THE PURCHASE OF CERTAIN ALTERNATIVE FUEL VEHICLES.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007	FY 2007/2008
State Revenues			
General Fund		(\$1,776,338)	(\$4,152,190)
State Expenditures			
General Fund			
FTE Position Change	0.0 FTE	0.0 FTE	0.0 FTE
TABOR Liability Impact			(\$1,776,338)
Effective Date: August 10, 2005, unless a referendum petition is filed			
Appropriation Summary for FY 2005/2006: None required			
Local Government Impact: None			

Summary of Legislation

As amended in the Senate Finance Committee, the bill extends the existing state income tax credits for alternative fuel and hybrid fuel vehicles.

State Revenues

The bill extends existing state income tax credits for "low-emitting", "ultra-low-emitting", "inherently-low-emitting", and "zero emitting" alternative fuel vehicles. The credits apply to the difference in cost between an alternative fuel vehicle and a traditional gasoline-powered vehicle of the same or a similar model. Extending the credits will reduce state General Fund revenues from current estimated levels beginning in income tax year 2007, with one-half of the first-year impact accruing to FY 2006-07. Overall, the bill is expected to reduce state revenues by **\$1.8 million in FY 2006-07** and **\$4.2 million in FY 2007-08**, assuming that hybrid fuel vehicle sales grow by 75 percent per year in 2004 and 2005 and 50 percent per year in 2006 and 2007 and that the income tax credits claimed by taxpayers will follow this trend. Table 1 shows the current and proposed credits.

Table 1. Current and Proposed Alternative Fuel Tax Credits under HB 05-1290			
	Tax years commencing on or after July 1, 1998, but prior to July 1, 2006:	Tax years commencing on or after July 1, 2006, but prior to July 1, 2009:	Tax years commencing on or after July 1, 2009, but prior to July 1, 2011:
Income Tax Years (for making eligible purchases)	1998 thru 2006	2007 thru 2009	2010 thru 2011
Fiscal Year Conversion * (for accruing the state impact)	FY 1997-98 thru FY 2006-07	FY 2006-07 thru FY 2009-10	FY 2009-10 thru FY 2011-12
Low-emitting vehicles	50%	Current 25% Proposed 50%	Current 0% Proposed 25%
Ultra-low-emitting vehicles or inherently low-emitting vehicles	75%	Current 50% Proposed 75%	Current 25% Proposed 50%
Zero-emitting vehicles	85%	Current 75% Proposed 85%	Current 50% Proposed 75%

* *The impact of each half of an income tax year is accrued to the fiscal year in which it falls.*

Historically, a total of \$988,536 in alternative fuel tax credits were provided to 738 taxpayers in FY 2003-04. In the prior year, the credits totaled \$762,722 for 622 taxpayers. Although the exact portion is unknown, it is estimated that nearly all of these credits were provided for hybrid vehicles, which operate on both gasoline and electricity.

Any reduction in income taxes caused by the bill will reduce the amount of excess state revenue required to be refunded to taxpayers under TABOR. Taxpayer refunds are currently paid from the General Fund.

State Appropriations

No new state appropriations are required to implement the bill in FY 2005-06.

Departments Contacted

Public Safety Revenue Transportation