HB11-1170

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 11-0637	**Date:**	February 10, 2011
Prime Sponsor(s):	Rep. Baumgardner	**Bill Status:**	House Agriculture
		Fiscal Analyst:	Kate Watkins (303-866-6289)

TITLE: CONCERNING THE EXTENSION OF THE AVAILABILITY OF THE INCOME TAX CREDIT RELATED TO ALTERNATIVE FUEL REFUELING FACILITIES.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue General Fund	($74,096)	($159,787)	($170,479)
State Expenditures			
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2011-2012: None required.			
Local Government Impact: None.			

Summary of Legislation

Under current law, an income tax credit is available for the construction, reconstruction, or acquisition of an alternative fuel refueling facility that is directly attributable to the storage, compression, charging or dispensing of alternative fuels to motor vehicles. This credit is scheduled to be available through the 2010 tax year. This bill extends the availability of the credit through tax year 2015.

Background. Alternative fueling facilities include stations dispensing alternative fuels including: biodeisel, E85 (85% ethanol and 15% gasoline), liquified petroleum gas (LPG), liquified natural gases (LNG), compressed natural gas (CNG), hydrogen, and electricity. The credit may be claimed on a percentage of the incremental costs of the alternative fuel distribution system. The percentage is set in statute as follows:

- tax years prior to 2006: 50%;
- tax years 2006 through 2008: 35%; and
- tax years 2009 and thereafter: 20%.

The percentage of the credit may be multiplied by 1.25 if:

- for at least ten years, 70% or more of the alternative fuel dispensed each year is derived from a renewable energy (certification must be provided upon request); and/or
- the refueling facility is generally accessible for use by persons in addition to the person claiming the credit.

The credit is limited to $400,000 in any consecutive five-year period for each facility. If the allowable credit exceeds the taxpayer's liability, the excess may be carried forward for up to five years. The credit may not be claimed on facilities for which the credit was previously claimed. This includes instances when a facility is expanded or updated.

State Revenue

The bill will decrease General Fund revenue by $74,096 in FY 2010-11 (half-year impact), $159,787 in FY 2011-12, and $170,479 in FY 2012-13. The requirements of the National Renewable Fuels Standard are expected to put growing pressure on oil and gas companies to offer alternative fuels. This is expected to drive growth in the alternative fueling facility market over time.

According to data from the federal Department of Energy, on average, the number of operating fueling stations in Colorado has grown by 15 each year over the past four years. The number of E85 stations rose throughout this period, while CNG, biodiesel, and LPG stations came both into and out of operation over the past several years. Based on relatively stable and low natural gas prices, CNG facilities are expected to be more economically feasible over the next few years. Additionally, McGraw-Hill Construction Dodge data indicates that three CNG facilities are planned to be constructed in 2011 at a total value of $299,999.

Based on these trends, this fiscal note assumes that five CNG facilities and two E85 facilities will claim the credit for tax year 2011 and that the number of facilities claiming the credit will increase over time. Table 1 shows the alternative fueling facility cost assumptions for this fiscal note and the corresponding revenue estimate for tax year 2011. Due to the statutory requirements on taxpayer confidentiality, actual historical revenue data could not be obtained for this tax credit.

Table 1. Cost Assumptions and Revenue Projection for HB11-1170*

Type of Alternative Fueling Station	Average Cost	Number of Facilities Claiming the Credit	2011 Tax Year Revenue Impact
New E85 Tank	$71,735 per tank**	1	($17,934)
Convert Existing E85 Tank	$21,031 per tank**	1	($5,258)
CNG Station	$100,000 per station***	5	($125,000)
		Total General Fund Revenue Impact	($148,192)

* *This fiscal note assumes that all facilities will have their credit percentage multiplied by 1.25.*
** *Based on mean cost estimates from a National Renewable Energy Laboratory (NREL) survey.*
*** *Based on McGraw-Hill Construction Dodge data for 2011.*

Departments Contacted

Revenue