

## Colorado Legislative Council Staff Fiscal Note



# STATE FISCAL IMPACT

**Drafting Number:** LLS 15-0932  
**Prime Sponsor(s):** Rep. Pabon

**Date:** April 14, 2015  
**Bill Status:** House Transportation & Energy  
**Fiscal Analyst:** Louis Pino (303-866-3556)

**BILL TOPIC:** INC TAX CREDIT FOR DISTRIBUTED ENERGY RESOURCE SYS

Fiscal Impact Summary*	FY 2014-15 <i>current year</i>	FY 2015-16	FY 2016-17	FY 2017-18
<b>State Revenue</b>	<b>(\$500,000)</b>	<b>(\$1 million)</b>	<b>(\$1 million)</b>	<b>(\$500,000)</b>
General Fund	(\$500,000)	(\$1 million)	(\$1 million)	(\$500,000)
<b>State Expenditures</b>		<u>\$112,599</u>	<u>\$21,564</u>	<u>\$21,564</u>
General Fund		\$109,186	\$18,006	\$18,006
Centrally Appropriated Costs**		\$3,413	\$3,558	\$3,558
<b>FTE Position Change</b>		0.3 FTE	0.3 FTE	0.3 FTE
<b>Tabor Set Aside</b>	(\$500,000)	(\$1 million)	(\$1 million)	(\$500,000)
<b>Appropriation Required:</b> \$109,186-multiple agencies (FY 2015-16)				

\* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

**Summary of Legislation**

The bill creates a state income tax credit for a taxpayer who purchases and installs the equipment necessary to generate electricity using hydroelectricity, wind, or biomass resources. To qualify, the taxpayer must be an end-user electric customer of a cooperative electric association or municipal electric utility. In addition, the power generation system must be located on the taxpayer's side of the meter.

The amount of the credit is the lesser of 30 percent of the total costs of the equipment or \$50,000. The taxpayer can only generate an income tax credit once and the credit is refundable. The credit will be available for tax years 2015 through 2017 and is capped at \$1 million dollars each year. The bill requires the Colorado Energy Office (CEO) to verify that the taxpayer meets the credit requirements and issue a credit certificate.

**State Revenue**

The fiscal note assumes the \$1 million cap will be reached each year the credit is available. **General Fund revenue will decrease by \$500,000 in FY 2014-15, \$1 million in FY 2015-16, \$1 million in FY 2016-17, and \$500,000 in FY 2017-18.** The figures for FY 2014-15 and FY 2017-18 represent a half year since the credit is available beginning in tax year 2015 and expires after tax year 2017.

**Assumptions.** Equipment and installation costs for generating electricity using hydroelectricity, wind, or biomass resources vary depending on size, application, and service agreements with the manufacturer. Colorado State University estimates a typical home wind system costs approximately \$50,000. The fiscal note assumes, each year, approximately 67 taxpayers will purchase and install a power generation system that will, on average, cost \$50,000. Each project will generate a \$15,000 refundable credit.

## State Expenditures

**General Fund expenditures will increase by \$112,599 and 0.3 FTE in FY 2015-16, and \$21,564 and 0.3 FTE in FY 2016-17.** New expenditures are from one-time computer programming costs for both the Department of Revenue (DOR) and the CEO. In addition, the CEO will require 0.3 FTE. Total expenditures are displayed in Table 1 and described below.

Table 1. Expenditures Under HB15-1332		
Cost Components	FY 2015-16	FY 2016-17
Personal Services (CEO)	\$18,006	\$18,006
FTE	0.3 FTE	0.3 FTE
Computer Programming (CEO)	\$61,500	\$0
Computer Programming (DOR)	\$29,680	\$0
Centrally Appropriated Costs*	\$3,413	\$3,558
<b>TOTAL</b>	<b>\$112,599</b>	<b>\$21,564</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

In FY 2015-15, the CEO's Salesforce computer applications will need to be updated to accept the new program under this bill. Software design and development will have a one-time cost of \$61,500. The Salesforce program allows the CEO and participating taxpayers to collect and manage documents via the internet. The CEO will also require a Project Planner I at 0.3 FTE to review and verify applications and issue income tax credit certificates.

**DOR.** The DOR will require \$29,680 for one-time programming costs to the department's Gentax system in FY 2015-16. The programming will require 140 hours at \$212 per hour.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB15-1332*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,017	\$2,017
Supplemental Employee Retirement Payments	\$1,396	\$1,541
<b>TOTAL</b>	<b>\$3,413</b>	<b>\$3,558</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State Appropriations**

In FY 2015-16, the DOR will require a \$29,680 appropriation from the General Fund for one-time programming costs. The CEO will also require an appropriation from the General Fund for \$79,506.

**State and Local Government Contacts**

Energy

Personnel

Revenue