



**Legislative
Council Staff**

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FISCAL NOTE

Drafting Number:	LLS 20-0967	Date:	March 10, 2020
Prime Sponsors:	Rep. Young; Pelton Sen. Foote; Crowder	Bill Status:	House Business Affairs
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Bill Topic: **ENTERPRISE ZONE INVESTMENT TAX CREDIT FOR RENEWABLE ENERGY INVESTMENT**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill extends the number of tax years that a taxpayer may elect to receive a refund for Enterprise Zone Investment Tax Credits earned for renewable energy projects. It decreases state revenue and increases state workload from FY 2020-21 to FY 2023-24.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 20-1299**

		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenue	General Fund	(\$2.9 million)	(\$6.3 million)	(\$7.2 million)	(3.9 million)
Expenditures		-	-		
Transfers		-	-		
TABOR Refund	General Fund	(\$2.9 million)	(\$6.3 million)	not estimated	not estimated

Summary of Legislation

The bill extends the number of years that a taxpayer may elect to receive an 80 percent refund for Enterprise Zone Investment Tax Credits (ITC) earned for renewable energy projects. Under current law, renewable energy investments completed in an enterprise zone before December 31, 2020, may elect to receive a refund. This bill extends the time period to December 31, 2024.

The bill also adds investments in energy storage systems as a qualified renewable energy investment.

Background

Renewable energy projects in enterprise zones. House Bill 15-1219 allowed a taxpayer who places a renewable energy project in an enterprise zone and receives certification to claim an Enterprise Zone ITC for the project an option to receive a refund of the credit. The amount of the refund is equal to 80 cents for every one dollar of ITC credit and is capped at \$750,000 per tax year and taxpayer. Renewable energy investments completed between January 1, 2015, but before December 31, 2020, may elect to receive a refund. A taxpayer can only receive a refund from one new renewable investment at a time. The taxpayer must exhaust the full amount of the refund from one project before electing to receive a refund from another renewable energy investment that generated ITC credits.

Enterprise Zone Investment Tax Credit. The Enterprise Zone ITC is an income tax credit equal to 3 percent of qualified investments located in an enterprise zone. Taxpayers may claim up to half their annual tax liability plus \$5,000 in any one year. If the income tax credit is more than what a taxpayer owes, the credit can be carried forward. Renewable energy investments may carry the credit forward for up to 22 years.

State Revenue

The bill will decrease General Fund revenue by an estimated \$2.9 million in FY 2020-21, \$6.3 million in FY 2021-22, \$7.2 million in FY 2022-23, and \$3.9 million in FY 2023-24. The estimates for FY 2020-21 and FY 2023-24 represent half-year impacts.

Assumptions. Data from the Office of Economic Development and International Trade (OEDIT) shows that taxpayers placed approximately \$147.1 million in renewable energy projects in an enterprise zone in 2019, generating \$4.41 million in ITC refundable credits. This fiscal note assumes investments in renewable energy projects will increase by 15 percent each year the credit is available.

If the company holding the eligible ITC credits would have sufficient tax liability to fully claim all credits within their 22-year carry-forward period, the state's liability for these credits would be reduced by 20 percent if the company chooses a refund instead. However, the impact would occur several years into the future, and would be diminished if it were discounted for the time-value of money.

State Expenditures

From FY 2020-21 to FY 2023-24, OEDIT will have increased workload to precertify credits and oversee the program. This workload can be accomplished within existing appropriations.

TABOR refund. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$2.9 million in FY 2020-21 and \$6.3 million in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly decrease the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2021 and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Economic Development
Personnel

Information Technology
Revenue