Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 390 - Alternate Energy Purchase Program (LSB 2699 SZ)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Senator David Miller

Description

Senate File 390 creates a tax credit available to specified purchasers of renewable energy. The credit is equal to:

- For electricity, $0.015 cents per kilowatt-hour.
- For heat, $4.50 per British Thermal Unit (BTU).
- For hydrogen fuel, $1.44 per standard cubic foot.

Each form of energy must be generated by and purchased from an eligible renewable energy facility located in Iowa.

Credits are available for ten years from the initial operation of the facility. No more than 90 megawatts of nameplate wind energy capacity and 10 megawatts of other energy source capacity may be approved under the tax credit program.

Once issued, the tax credits may be sold once, but a sale to the energy producer does not count as a sale. Tax credits cannot be utilized prior to July 1, 2006. Unused tax credits may be carried forward to a future tax year.

The Bill also strikes Chapter 476B, Code of Iowa. This Chapter was created during the 2004 General Assembly and also relates to renewable energy production. Chapter 478B has not been utilized.

Assumptions

1. Each megawatt or nameplate capacity could generate $131,500 in tax credits if operating at full capacity for an entire year.
2. The facilities will not operate at full capacity. Wind production faculties will operate at 36.5% of maximum capacity, and other energy sources will operate at 90.0% of capacity over the life of the tax credit program.
3. All 100 megawatts of capacity authorized by the Bill will be construction and operational by FY 2008 (three years).
4. Tax credits earned in one fiscal year will be redeemed over three fiscal years.
5. The tax credits will be redeemed through a combination of personal income tax, corporate income tax, and state sales tax reductions.
6. The portion of the credit redemption impacting personal income tax will be less than 25.0%.

Fiscal Impact

The energy production tax credits authorized in SF 390 will reduce net General Fund revenue by the following estimated amounts:

Fiscal Year	General Fund Impact
FY 2006	$ 0.0 million
FY 2007	$ - 2.8 million
FY 2008	$ - 4.4 million
FY 2009	$ - 5.4 million
FY 2010	$ - 5.5 million
FY 2011	$ - 5.5 million
FY 2012	$ - 5.5 million
FY 2013	$ - 5.5 million
FY 2014	$ - 5.5 million
FY 2015	$ - 5.5 million
FY 2016	$ - 5.2 million
FY 2017	$ - 3.1 million
FY 2018	$ - 1.0 million
FY 2019	$ - 0.1 million
Total	$- 55.0 million

If the portion of the credit redemption impacting personal income tax is less than 25.0%, the impact on any local option income surtax for schools will be less than $50,000 per year.

Project and credit approval, as well as credit monitoring, will increase administrative costs of the Utilities Board and the Department of Revenue. The Utilities Board is financed by fees paid by utilities and the Department of Revenue is financed by General Fund appropriations.

Sources

Iowa Energy Center
Legislative Services Agency

/s/ Holly M. Lyons

March 28, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.