

STATEMENT OF PURPOSE

RS19875

The purpose of this legislation is to promote economic growth, job creation and rural economic development by offering tax credits to Idaho eligible applicants that invest in:

- 1) High efficiency combined heat and power facilities
- 2) Renewable energy resource facilities
- 3) Sustainable building practice facilities

The legislation will ensure a reliable and stable statewide energy system, maintain Idaho's low cost energy supply, protect Idaho's public health, and promote the development of renewable energy resources in this state. The legislation requires a pre-certification from the Office of Energy Resources and an application to the tax commission. The amount of the credit allowable to the taxpayer shall be 25% of the certified cost of the facility and no more than \$20,000,000 million of the certified cost of a facility may be eligible for tax credits. The legislation takes effect in January of 2011 allowing ample time for rule making and has a 10 year sunset. The maximum amount of the credit to be claimed per year shall not exceed 7% of the qualified expenditure. 5% of the income tax credits each year shall be paid to the Office of Energy Resources for administration. The tax credits are transferable as per rule of the OER.

FISCAL NOTE

\$7,150 to \$13,400 from the General Fund (\$750-\$1000 for rule publication costs, \$6400-\$9600 for part time staff at \$20 per hour for 4-6 months, \$2800 in overhead costs). Application fees and annual payments (5% of credits due annually) will cover ongoing operating/administration costs.

Estimated Economic Impact: The legislation is patterned after Oregon's business energy tax credit (BETC). According to ECONorthwest, an Oregon consulting firm, and a PEW study released in 2009, Oregon had seen more than \$2 billion in investments in renewable energy projects since 2007. This tax credit led to the creation of over 1600 full and part-time jobs, \$76 million in leases for ranchers and farmers in need of incremental income and over \$142 million in property taxes contributed. Although Oregon's programs are more generous and are now being down-sized, there is potential for Idaho job creation and needed state revenue utilizing this incentive model.

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