SB 927 -2 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Jonathan Hart, Economist
Meeting Dates: 4/23, 5/28

WHAT THE MEASURE DOES:

Creates personal income tax and corporation income tax credit for electricity transmission available to taxpayers that own an eligible generation facility. Defines eligible generation facility as a facility not owned by an electric utility and that generates only nonemitting electricity derived from solar or wind, or provides energy storage. Requires facility to be in Oregon, first placed in service January 1, 2026 or later, and covered by an interconnection agreement with Bonneville Power Administration (BPA) or an electric utility. Specifies credit amount is equal to amounts paid by owner of eligible generation facility for transmission services. Limits credit to 100% of tax liability in first year and following four years after facility is placed in service, and to 75% of taxpayer's tax liability for years six through twenty. Allows unused credits to be carried forward for up to three succeeding tax years. Defines terms. Requires rules adoption by Department of Revenue (DOR) and information sharing from Department of Energy to DOR. Applies to tax years 2026 and later, and to facilities first placed in service on or after January 1, 2026, and before January 1, 2032. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Competitiveness of renewable energy generation
- Economic development associated with renewable energy
- Energy grid resiliency
- Regional energy independence and regional transmission authorities
- Impact of tariffs
- Electricity prices

EFFECT OF AMENDMENT:

-2 Replaces the bill. Makes the following changes to the introduced bill.

Expands direction to Department of Energy and Department of Revenue to adopt rules for preliminary and final credit certification requirements. Extends carryforward of unused credits from three to five years. Allows Director of Department of Energy to suspend or revoke certification. Allows Department of Energy to charge and collect a fee from taxpayers applying for certification. Limits potential tax credits allowed at the time of preliminary certification to a specified amount [left blank as a placeholder] for any biennium. Removes sunset.

BACKGROUND:

For businesses that store or generate electricity, transmission costs are a business expense deduction reducing taxable income by the amount of the costs. The value of a deduction is based on tax rates which range from 4.75 percent to 9.9 percent for individuals, and from 6.6 to 7.6 percent for corporations. This bill creates a tax credit that can be used instead of a deduction to reduce tax liability dollar-for-dollar up to the specified limit (100% of tax liability liability for five years, then 75% for the next fifteen years).

The credit applies to taxpayers that provide energy storage, or generate only non-emitting electricity derived from solar or wind energy. Non-emitting electricity is defined to include electricity generated in a manner that does not emit greenhouse gas into the atmosphere.