

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income tax

ISSUE: capped tax credit for renewable energy resources

SPONSOR(S):

Bill Number: HB 1473 section 13

MONTH/YEAR COLLECTION IMPACT BEGINS: January 1, 2007

DATE OF ANALYSIS: 4/24/06

SECTION 1: NARRATIVE

a. Current Law: No tax credit for renewable energy resources against Corporate Income tax.

b. Proposed Change: in **Section 13** of the bill, section 220.193 is created. 220.193(3) allows a CIT tax credit for a new or expanded Florida renewable energy facility. For a new facility, the credit shall be based on the taxpayer's sale of the facility's entire electrical production. For an expanded facility (defined as increases its electrical production by more than 5% after May 1, 2006), the credit shall be based on the increases in the facility's electrical production that are achieved after May 1, 2006. The credit shall be \$0.01 for each kilowatt-hour of electricity produced and sold by the taxpayer to an unrelated party during a given tax year. The credit may be claimed for a maximum period of 10 years.

The total credits granted by the Department of Revenue shall not exceed \$10 million for any tax year until calendar year 2011. Thereafter, such credits shall not exceed \$15 million for any tax year.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Florida Public Service Commission Jim Dean 413-6058

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

See the attached.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High			
capped	-\$15.0 m	-\$10.0m	-\$10.0m
No cap	-\$62.9m	-\$11.6m	-\$22.2m

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4 / 26 / 06) The conference adopted the proposed estimate for the capped version of the language.

	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue	(15.0)	(10.0)	(10.0)
Total State Impact			
Total Local Impact			
Total Impact			

Tax Impact Forecast for Renewable Energy Credits for EXISTING Renewable Generators 2007-2011

Section 13

Tax Credit \$/MWH ¹	1	2	3	4	% growth	5	6	7	8	9
		\$10	\$0.01 per KWH							
Renewable Generator	Purchasing Utility	Contract Expiration/ As-Available ²	2004 Energy Sales MWH ³	2005 Energy Sales MWH ³	% growth	2007 \$10 x Col. 4	2008 \$10 x Col. 4	2009 \$10 x Col. 4	2010 \$10 x Col. 4	2011 \$10 x Col. 4
Bio Energy Partners	FPL	1/1/2005	5,120	460		\$4,600	\$4,600	\$4,600	\$4,600	\$4,600
Broward Res Rec-North	FPL	12/31/2010	40,697	426,515	948.03%					\$4,265,150
Broward Res Rec-South	FPL	12/31/2006	43,603	444,671		\$4,446,710	\$4,446,710	\$4,446,710	\$4,446,710	\$4,446,710
Georgia Pacific Corp	FPL	As-Available	520	7,961		\$79,610	\$79,610	\$79,610	\$79,610	\$79,610
MM Tokoma Farms	FPL	As-Available	1,807	17,654		\$176,540	\$176,540	\$176,540	\$176,540	\$176,540
Okeelanta Power	FPL	As-Available	36,273	265,105		\$2,651,050	\$2,651,050	\$2,651,050	\$2,651,050	\$2,651,050
Solid Waste Auth Palm Bch	FPL	3/31/2010	23,808	341,032	1332.43%				\$3,410,320	\$3,410,320
U.S. Sugar Corp.	FPL	As-Available	688	3,281		\$32,810	\$32,810	\$32,810	\$32,810	\$32,810
Montenay Bay	Gulf	As-Available	3,164	1,634		\$16,340	\$16,340	\$16,340	\$16,340	\$16,340
International Paper	Gulf	As-Available	212	230		\$2,300	\$2,300	\$2,300	\$2,300	\$2,300
Bay County	PEF	12/31/2006	72,368	69,628		\$696,280	\$696,280	\$696,280	\$696,280	\$696,280
Cargill Fertilizer	PEF	12/31/2007	91,877	58,785	-36.02%		\$587,850	\$587,850	\$587,850	\$587,850
Jefferson Power	PEF	9/30/2006	1,453	2,049		\$20,490	\$20,490	\$20,490	\$20,490	\$20,490
Lake County	PEF	6/30/2014	84,575	86,458	2.23%					
Metro-Dade	PEF	11/30/2013	249,971	230,997	-7.59%					
Metro-Dade	PEF	As-Available	2,508	1,567		\$15,670	\$15,670	\$15,670	\$15,670	\$15,670
Pasco Co. Res Rec	PEF	12/31/2024	183,951	181,021	-1.59%					
PCS Phosphate	PEF	As-Available	948	30,985		\$309,850	\$309,850	\$309,850	\$309,850	\$309,850
PCS Phosphate	PEF	As-Available	301	4,226		\$42,260	\$42,260	\$42,260	\$42,260	\$42,260
Pinellas Co. Res Rec	PEF	12/31/2024	465,553	439,136	-5.67%					
DG telogia	PEF		28,198	-						
U.S. Agri-Chemicals	PEF	12/31/2006	41,060	26,334		\$263,340	\$263,340	\$263,340	\$263,340	\$263,340
Wheelabrator Ridge Energy	PEF	12/31/2023	183,006	157,650	-13.86%					
Jefferson Power L.C.	PEF	As-Available	1,171	3,270		\$32,700	\$32,700	\$32,700	\$32,700	\$32,700
Hillsborough County	TECO	3/1/2010	180,803	192,482	6.46%				\$1,924,820	\$1,924,820
McKay Bay Refuse	TECO	7/31/2011	157,283	165,316	5.11%					\$1,653,160
Cargill Green Bay	TECO	As-Available	10,780	11,636		\$116,360	\$116,360	\$116,360	\$116,360	\$116,360
Cargill Millpoint	TECO	As-Available	20,950	19,004		\$190,040	\$190,040	\$190,040	\$190,040	\$190,040
CF Industries	TECO	As-Available	12,325	14,709		\$147,090	\$147,090	\$147,090	\$147,090	\$147,090
IMC-Agrico New Wales	TECO	As-Available	4,590	5,992		\$59,920	\$59,920	\$59,920	\$59,920	\$59,920
IMC-Agrico South Pierce	TECO	As-Available	33,170	34,495		\$344,950	\$344,950	\$344,950	\$344,950	\$344,950
Okeelanta	TECO	As-Available	0	77,401		\$774,010	\$774,010	\$774,010	\$774,010	\$774,010
Wheelabrator Ridge Energy	TECO	As-Available	0	410		\$4,100	\$4,100	\$4,100	\$4,100	\$4,100
Total			1,982,733	3,322,094						
Annual Tax Impact, Existing Renewable Generators (treated as new)						\$10,427,020	\$11,014,870	\$11,014,870	\$16,350,010	\$22,268,320
Based on the sales to ultimate consumers from 2000 to 2004, assume the average growth rate is 5.1%										
Increased electrical production for expanded facilities				116,249		\$1,162,490	1,190,268	\$1,250,971	998,889	681,552

Tax Impact Forecast for Renewable Energy Credits for INCREMENTAL Renewable Generators⁵

Tax Credit \$/MWH	1	2	3	4	5	6	7	8	9
		\$10							
Annual Tax Impact, Incremental Renewables	assume 25% & 50% new renewable generators coming on-line in 2008 & 2009	Annual Tax Impact, Existing and Incremental	2011 Energy Sales MWH ⁶	2007 Renewable Energy Tax Credit	2008 \$10xCol. 4 25%	2009 \$10xCol. 4 50%	2010 \$10xCol. 4 50%	2011 \$10 x Col. 4	
			3,991,932		\$9,979,830	\$19,959,660	\$19,959,660	\$39,919,320	
					\$11,589,510	\$22,184,968	\$32,225,501	\$37,308,559	
								\$62,869,192	

Footnotes: ¹ Tax Credit pursuant to HB 1473 Section 13; Section 220.193(3)(a), F.S. \$0.01 per kilowatt-hour
² Contracts with an expiration date provide firm capacity and energy and must meet performance parameters;
Energy sold under **as-available** tariffs do not expire and the generator provides energy to the utility when operating.
³ 2005 energy sales to the purchasing utility; from data submitted to the FPSC.
⁴ Calculated by multiplying the tax credit by 2005 energy sales
Assumes that existing contracts will be renewed after the expiration date;
Assumes that existing contracts are not be subject to the tax until renewed;
Assumes that energy sold under as-available tariff would be subject to the tax upon becoming law.
⁵ Assumes an additional 651 megawatts of renewable generation will come on-line in 2011;
source: "An Assessment of Renewable Electric Generating Technologies for Florida," FPSC/DEP, January 2003.
⁶ 2011 energy sales = 651 mw x 8760 hours x 0.70 capacity factor