Fiscal Note

BILL # HB 2714

TITLE: environmental technology; biomass; forestry products

SPONSOR: Nutt

STATUS: As Introduced

PREPARED BY: Lauren Jorgensen

Description

The bill would allow a company to continue qualifying for the Arizona Commerce Authority's (ACA) Environmental Technology Assistance Program if it also locates or makes additional capital investment in a facility that processes biomass and forestry industry products.

Estimated Impact

We cannot determine the impact of this bill with certainty, but we expect any impact to be limited.

Analysis

Current Arizona tax law provides the environmental technology facility tax credit to companies for the expenses of constructing a qualified environmental technology manufacturing, producing, or processing facility. The credit is equal to 10% of the amount spent to construct the facility, including land acquisition, building improvements, machinery and equipment. The credit cannot exceed 75% of the company's total tax liability for the taxable year. Since its creation in 1993, 13 companies have claimed the credit against corporate and individual income taxes for a cumulative total of $136 million.

Statute currently defines "environmental technology" to include solar and other renewable energy products or recycled materials, while the bill would expand the definition to biomass and forestry products. To qualify for the credit under both current law and the bill, a company must have been certified as an environmental technology manufacturer, producer, or processor by the former Arizona Department of Commerce (the predecessor to the ACA) on or before June 30, 1996. According to the ACA, there are currently 9 companies that are approved for various environmental technology manufacturers assistance incentives. Due to the limited number of companies who are eligible for the credit, we anticipate that expanding the definition of renewable energy and recycled products will result in limited additional usage of the credit. To the extent that the credit in the bill induces additional investment, the bill could result in foregone revenue loss.

Local Government Impact

Each year, incorporated cities and towns and cities receive 15% of state income tax collections from 2 years prior from the Urban Revenue Sharing Fund (URSF) established by A.R.S. § 43-206. Therefore, insofar as the bill reduces state income taxes relative to current law, there would be a decrease in URSF distributions to cities and towns. As noted above, we anticipate that the expanded definition will result in limited additional usage of the credit and therefore limited impact to URSF distributions.

2/10/21

JLBC