

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 1473 (First Edition) Renewable Energy Manufacturer Credit

SHORT TITLE: Renewable Energy Manufacturer Credit

SPONSOR(S): Representatives Hackney and Luebke

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 1999-00 FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04

REVENUES

GENERAL FUND

See **ASSUMPTIONS AND METHODOLOGY**

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Revenue

EFFECTIVE DATE: This act is effective for taxable years beginning on or after January 1, 2000.

BILL SUMMARY:

HB 1473 replaces the corporate tax credit for constructing a photovoltaic (PV) equipment facility with a corporate tax credit for constructing a renewable energy equipment facility. The tax credit is taken in five equal installments over five years. Unused tax credits have a 10 year carryforward. No taxpayer may receive more than one tax credit for this type of facility.

ASSUMPTIONS AND METHODOLOGY:

The current corporate income tax credit for constructing photovoltaic manufacturing facilities has not been used since it was created in 1981. The Department of Revenue reported no usage of the credit from 1981 to 1987. After 1987, no separate accounting was done for each energy credit. Officials with the North Carolina Solar Center and the North Carolina Solar Energy Association do not recall this credit ever being used. These solar energy advocates believe the existing law's 5-year carry forward period is too short for new companies to show a profit and benefit from the tax incentive. The credit in HB 1473 lengthens the carry forward period from 5 to 10 years and expands credit eligibility to include biomass and wind energy equipment.

This fiscal note cannot predict the number of firms that will apply for this revised corporate tax credit nor the amount of credit to be requested. However, if only one firm applies for the credit, there will be a General Fund revenue loss due to the absence of applicants for the current tax credit program. The Chief of the Renewable Energy Branch of the U.S. Department of Energy

(DOE) believes North Carolina is a good candidate for a small photovoltaic (PV) company using specialized technology and for a biomass equipment company working with the wood products industry. An example of a small PV company is Atlantis Energy, which built a \$1.5 million plant in Cape Charles Virginia in 1995 to produce custom designed PV modules. A biomass equipment plant might be attracted to the North Carolina wood products industry that produced 1,730 million kilowatt hours of energy from wood and wood waste in 1995. (DOE/Energy Information Administration)

The Chief of the DOE Renewable Energy Branch believes that manufacturers of photovoltaic (PV) and biomass equipment will expand production capacity over the next five years. The Million Solar Roofs Initiative that DOE began in 1997 aims to install a million solar energy systems on one million U.S. buildings by the year 2010. Since 64% of the shipments from the nation's 24 manufacturers of PV cells and modules (DOE 1995 estimate) are exported, an increase in domestic demand should prompt an expansion of PV plant capacity.

FISCAL RESEARCH DIVISION 733-4910

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