Government of the District of Columbia
Office of the Chief Financial Officer

Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Phil Mendelson**
Chairman, Council of the District of Columbia

FROM: **Jeff DeWitt**
Chief Financial Officer

DATE: **March 19, 2014**

SUBJECT: **Fiscal Impact Statement – Sustainable DC Omnibus Act of 2014, Title II, Subtitle B**

REFERENCE: **Bill 20-573, Draft Committee Print as shared with the Office of Revenue Analysis on March 10, 2014**

This fiscal impact statement only addresses Title II, Subtitle B of the Sustainable DC Omnibus Act of 2014. This was the only subtitle referred to the Council Committee on Finance and Revenue and the fiscal impact only reflects this subtitle. The Office of Revenue Analysis will prepare a fiscal impact statement for the entire bill when it is marked up by the Committee on the Environment, Public Works, and Transportation.

Conclusion

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. Implementation of Title II, Subtitle B will cost $2 million over the four year financial plan period.

Implementation of the bill is subject to its inclusion in an approved budget and financial plan.

Background

The bill institutes an income tax[1] credit for the installation of alternative fuel[2] infrastructure on a qualified alternative fuel vehicle refueling property[3] and the conversion of vehicles to run on alternative fuels. The tax credit is for up to 50 percent of incurred costs, cannot exceed the

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[1] Includes personal, corporate, and unincorporated business income taxes.
[2] Alternative fuels are defined as at least 85 percent ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, biodiesel, electricity, and hydrogen.
[3] These properties are defined as those that are owned or leased by an applicant and contain the necessary infrastructure to store and dispense alternative fuels to the public.

taxpayer's liability, and is non-refundable. In the case of the credit for infrastructure investments, the credit can be carried forward for up to two tax years.[4]

At least twenty states and the federal government offer incentives for alternative fuel infrastructure installation or vehicle conversions or both. Incentives range from tax credits to rebates to grants. Most states[5] cap the amount of credit any one taxpayer can receive or limited the credit to one or two types of fuel.[6] Additionally, many credits are limited to businesses or fleets.

Financial Plan Impact

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. Implementation of Title II, Subtitle B of the bill will cost $2 million over the four year financial plan period.

The bill allows an individual or business to claim a credit against its income taxes for up to 50 percent of the cost of the installation of infrastructure to house and distribute alternative fuels, or of converting a vehicle to run on alternative fuels. To estimate the cost of tax credit related to infrastructure, ORA only focused on the electric vehicle charging stations. Electric vehicles are the only alternative-fuel vehicles that show enough growth over the financial plan period to demand additional infrastructure. The estimate assumes 25 charging stations would be built in 2014, and 103 from tax years 2014 through 2016 at an average cost of $10,000 per station.

In scoring the cost of credits for vehicle conversions, the estimate only accounts for electric, flexible fuel, and propane conversions. Other fuel types, such as compressed natural gas, will see expansion over the financial plan period, but that expansion is expected to happen in public sector fleets and thus the need for the tax credit is negated. The analysis assumes an average conversion cost of $19,000 per vehicle for 161 vehicle conversions from tax years 2014 through 2016.

Sustainable DC Omnibus Act of 2014
Fiscal Cost[a] of Title II, Subtitle B
FY 2014 – FY 2017

	FY 2014[a]	FY 2015	FY 2016	FY 2017	Total
Infrastructure	$0	$125,000	$167,000	$224,000	$516,000
Conversions	$0	$418,000	$494,000	$618,000	$1,530,000
Total	**$0**	**$543,000**	**$661,000**	**$842,000**	**$2,046,000**

Table Notes
[a] Assumes all tax liabilities are sufficient to receive 100 percent of the credit for the tax year in which the activity took place
[b] Tax credits are available beginning in tax year 2014

[4] The refueling property must continue to be operational in a publically available manner or else any remaining credits will be forfeited.
[5] Oklahoma and Louisiana appear to be the only two states that offer a tax credit with no cap for both infrastructure investments and conversions.
[6] As examples, Kansas only allows for biomass conversions, West Virginia only offers credits for natural gas and propane conversions, and Colorado allows credits for electric, propane, and compressed natural gas.