

The fiscal note assumes that geothermal power plant construction and electricity generation development requires an average of six years, and that up to 5 entities may be able to claim the maximum credit of \$1.0 million starting in tax year 2030.

Heat pump technology and thermal energy network income tax credit. The heat pump income tax credit is expected to decrease state revenue by \$0.1 million in FY 2023-24 (a half-year impact), by \$6.7 million in FY 2024-25, and by \$7.8 million in FY 2025-26. The fiscal note assumes that heat pump adoption will grow at rates similar to that of recent years, with prices increasing by Denver-Aurora-Lakewood inflation, and average prices such that the maximum credit amount will be claimed on all purchases.

Electric bicycle tax credit. The electric bicycle income tax credit is expected to decrease state revenue by \$2.6 million in FY 2023-24 (a three-month impact), by \$10.9 million in FY 2024-25, by \$12.2 million in FY 2025-26 and by increasing amounts in future years as electric bicycle sales expand, until FY 2032-33 (a final half-year impact). The fiscal note assumes accelerating growth in electric bicycle sales consistent with pre-pandemic patterns of adoption, and average prices such that the maximum credit amount will be claimed on all purchases.

Sustainable aviation fuel production facility tax credit. The sustainable aviation fuel credit is expected to reduce revenue by \$1.0 million in FY 2023-24, \$2.0 million in FY 2024-25, and \$2.0 million in FY 2025-26. The fiscal note assumes that one credit will be claimed each year, which will reach the maximum amount available for the credit.

Sales and Use Tax Exemptions

Heat pump sales and use tax exemption. The repeal of the heat pump sales and use tax exemption is expected to increase state revenue by \$1.5 million in FY 2024-25 and by \$1.6 million in FY 2025-26.

Severance Tax

Severance tax ad valorem credit. The reduction in the severance tax AV credit is expected to increase cash fund revenue by \$13.9 million in FY 2023-24 (a half-year impact), by \$28.3 million in FY 2024-25, and by \$29.2 million in FY 2025-26.

The fiscal note assumes that future changes in the AV credit claimed are consistent with historical average growth rates over time and that given the historical levels of AV credits claimed, the reduction in the AV credit will result in taxpayers being able to claim the full value of AV credits available to them each year. Historical data are available through 2021, and do not yet capture fluctuations associated with pandemic-related volatility in production and prices.

Given the significant volatility in commodity prices and severance tax revenue overall, there is significant uncertainty surrounding this revenue estimate. The bill extends for an additional year the current lag between when oil and gas production occurs and when the AV credit for that production becomes available to the taxpayer. The bill's impact on state revenue for 2024 will depend on how market conditions change between 2022 and 2024; the impact for 2025 likewise depends on how market conditions change between 2023 and 2025; while the impact for 2026 depends on how market conditions change between 2025 and 2026.

**Table 2
 Revenue Under HB 23-1272**

	FY 2023-24	FY 2024-25	FY 2025-26
Income Tax Credits			
Innovative Motor Vehicle	(\$38.3 million)	(\$36.5 million)	(\$26.7 million)
Innovative Trucks	(\$0.3 million)	(\$0.7 million)	(\$0.8 million)
Industrial Clean Energy	(\$8.0 million)	(\$16.0 million)	(\$16.0 million)
Geothermal Energy Expenditure	(\$2.5 million)	(\$5.0 million)	(\$5.0 million)
Geothermal Energy Production	-	-	-
Heat Pump Installation and Development	(\$0.1 million)	(\$6.7 million)	(\$7.8 million)
Electric Bicycles	(\$2.6 million)	(\$10.9 million)	(\$12.2 million)
Sustainable Aviation Fuel	(\$1.0 million)	(\$2.0 million)	(\$2.0 million)
Sales and Use Tax Exemptions			
Heat Pump Technology and Equipment	-	\$1.5 million	\$1.6 million
Severance Tax			
Ad valorem credit ¹	\$13.9 million	\$28.3 million	\$29.2 million
Total	(\$38.9 million)	(\$48.0 million)	(\$39.7 million)

¹ Increased revenue from the ad valorem credit is credited to the decarbonization tax credits administration cash fund, except that a portion will be credited to other, various cash funds in the amounts used to pay for the administration of the tax credits in the bill in FY 2023-24 and FY 2024-25.

Income Tax Credits

Innovative motor vehicle income tax credit. The expanded motor vehicle income tax credit is expected to decrease state revenue by \$38.3 million in FY 2023-24, \$36.5 million in FY 2024-25, by \$26.7 million in FY 2025-26, and by smaller amounts in subsequent years as the size of the credit declines. The credit is expected to be claimed for 11,290 vehicles in FY 2023-24 and increasing amounts in future years.

Innovative truck income tax credit. The expanded motor vehicle income tax credit is expected to decrease state revenue by \$0.3 million in FY 2023-24, \$0.5 million in FY 2024-25, and by \$0.6 million in FY 2025-26 and by similar amounts in future years. The credit is expected to be claimed for 169 vehicles in FY 2023-24 and increasing amounts in future years.

Industrial clean energy tax credit. The industrial clean energy tax credit is expected to decrease state revenue by \$8.0 million in FY 2023-24 and by \$16.0 million annually beginning in FY 2024-25. The fiscal note assumes that the aggregate credit amounts specified in the bill will be fully utilized and spread evenly across available tax years.

Geothermal energy expenditure income tax credit. The geothermal energy expenditure income tax credit is expected to decrease state revenue by \$2.5 million in FY 2023-24, by \$5.0 million in FY 2024-25 through FY 2029-30, and by \$2.5 million in FY 2030-31. The fiscal note assumes that the aggregate credit amount specified in the bill will be fully utilized for the first seven years of the credit's availability.

Geothermal energy production income tax credit. The geothermal energy production income tax credit is expected to decrease state revenue by up to \$5.0 million per fiscal year starting in FY 2029-30.