

Oregon green energy tax breaks face sweeping changes, cutbacks

Published: Thursday, June 09, 2011, 6:07 PM Updated: Friday, June 10, 2011, 8:22 AM



Harry Esteve, The Oregonian

By



Jamie Francis/The Oregonian

Big wind farm would no longer get Oregon tax subsidies under a bill that dramatically changes the state's green energy incentives.

SALEM -- Oregon's practice of channeling ever higher sums of taxpayer dollars into big wind farms and other green energy projects appears to be coming to an end in favor of thriftier and more targeted conservation incentives.

A bill introduced Thursday at the Legislature would eliminate **the controversial, free-spending Business Energy Tax Credit** and replace it with a series of smaller and far more limited tax breaks.

If adopted in its current form -- and the proposal seemed to gain instant momentum -- the bill could save the state hundreds of millions of dollars. It also could signal a broader cultural shift at the Legislature, which has struggled in recent years to

trim even the smallest tax breaks.

"It really addresses that uncontrolled growth, that uncontrolled balloon," said **Rep. Jules Bailey**, D-Portland, who helped draft the changes contained in **House Bill 3671**. "It helps us move to a clean energy economy but without that runaway spending."

Problems with the tax credits, including their explosive cost to the state, have been the subject of a number of investigations by The Oregonian. Last year, lawmakers established some caps but largely left the incentives intact.

The latest bill calls for a sweeping restructuring of the subsidies that were championed by former Gov. Ted Kulongoski. One legislative staff member referred to the bill as "a type of euthanasia for the existing BETC."

As written, the bill would stop the practice of subsidizing half the construction cost of wind and solar energy developers, who receive tens of millions of dollars worth of tax credits. It also would stop the long-running policy of giving state tax rebates to consumers who buy energy efficient appliances and hybrid cars, and to businesses that replace old lights with modern energy efficient ones.

Furthermore, it would phase out the subsidies that gave free or discounted bus passes to everyone from Portland high school students to Nike employees.

"We need to use transit to get kids to school, I get that," said Rep. Vicki Berger, R-Salem, co-chair of the **Joint Committee on Tax Credits**, which is working on the bill. "This is the wrong way to pay for it."

The bill does not affect the tens of millions of dollars in state tax subsidies for companies such as SolarWorld and SoloPower that manufacture alternative energy components. That program, viewed more as a way to attract jobs and capital to Oregon rather than as a way to save energy, sunsets in 2014 and will be reviewed then.

Nor does the bill cut off tax credits for wind, solar, wave and other alternative energy projects that already qualified under the current rules. As a result, the state is still on the hook for between \$100 million and \$150 million a year well into the future as those projects are built and the companies use their credits.

In broad terms, the bill allows the Business Energy Tax Credit to expire, but creates three new categories of conservation programs that qualify for tax breaks and puts a lid on how much the state can spend on them. Spending on energy generation would be capped at \$1.5 million a year, vastly lower than the millions currently spent. The other two, conservation and transportation, would be capped at \$20 million a year and \$10 million a year, respectively.

More

The Oregonian's continuing coverage of the Business Energy Tax Credit.

Notice of the changes caught many by surprise and sent a stream of lobbyists into the committee's packed hearing room to plead to keep the tax credits flowing and warn that businesses already hard hit by the recession would suffer.

Lincoln Cannon, who represents the Oregon Forest Industries Council, urged the committee to leave tax incentives for biomass energy intact. It's an emerging industry that still needs help to get going, he said.

The bill extends tax credits for biomass but greatly reduces their value.

"You guys have to make hard decisions," Cannon said. "For better or worse, there will be consequences."

Sen. Mark Hass, D-Beaverton, said he sees a marked shift in the way the Legislature handles tax breaks and incentives. In 2009, lawmakers agreed to add sunset clauses to all tax giveaways.

"The tables have been turned," Hass said. In the past, it was incumbent on lawmakers to make the case that a tax break was too expensive or no longer useful. And it required a three-fifths vote in both chambers to kill a tax break.

Now, he says, those who get the breaks must prove their worth, or they go way.

"It's really remarkable," Hass said. "It's just a dramatic cultural change."

-- **Harry Esteve**

© 2011 OregonLive.com. All rights reserved.