

TAX CREDITS FOR EDUCATION FINANCING

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stephen G. Handy

Senate Sponsor: _____

LONG TITLE

General Description:

This bill addresses financing for certain public education projects.

Highlighted Provisions:

This bill:

▶ enacts Title 53A, Chapter 32, Energy Efficient Initiative Bonds Act, including provisions related to the following:

- defining terms;
- creating an application process for a school governing authority to fund certain energy efficient projects with energy efficient initiative bonds;
- creating a process for the State Board of Education to approve applications;
- providing for the issuance of energy efficient initiative bonds;
- establishing a limitation on the aggregate amount of energy efficient initiative bonds that may be outstanding; and
- describing the information that must be provided to the State Tax Commission;

and

▶ provides that certain taxpayers may receive a refundable corporate or individual income tax credit if the taxpayer holds energy efficient initiative bonds on certain dates of the taxable year.

Money Appropriated in this Bill:

None



28 **Other Special Clauses:**

29 None

30 **Utah Code Sections Affected:**

31 ENACTS:

32 [53A-32-101](#), Utah Code Annotated 1953

33 [53A-32-102](#), Utah Code Annotated 1953

34 [53A-32-201](#), Utah Code Annotated 1953

35 [53A-32-202](#), Utah Code Annotated 1953

36 [53A-32-203](#), Utah Code Annotated 1953

37 [59-7-621](#), Utah Code Annotated 1953

38 [59-11-1110](#), Utah Code Annotated 1953



40 *Be it enacted by the Legislature of the state of Utah:*

41 Section 1. Section [53A-32-101](#) is enacted to read:

42 **CHAPTER 32. ENERGY EFFICIENT INITIATIVE BOND ACT**

43 **Part 1. General Provisions**

44 **53A-32-101. Title.**

45 This chapter is known as the "Energy Efficient Initiative Bond Act."

46 Section 2. Section [53A-32-102](#) is enacted to read:

47 **53A-32-102. Definitions.**

48 As used in this chapter:

49 (1) "Aggregate amount of outstanding bonds" means the sum of the following:

50 (a) the aggregate amount of bond principal designated under Subsection

51 [53A-32-202](#)(1)(d) for which bonds have not yet been issued; and

52 (b) the aggregate amount of bond principal remaining for qualified energy efficient

53 projects designated under Subsection [53A-32-202](#)(1)(c) for which bonds have been issued.

54 (2) "Applicable credit rate" means the same as that term is defined in Section [59-7-621](#).

55 (3) "Board" means the State Board of Education.

56 (4) "Bond applicant" means a school governing authority that makes an application to

57 the board under this chapter.

58 (5) "Credit allowance date" means the same as that term is defined in Section

59 [59-7-621.](#)

60 (6) "Energy efficient initiative bond" or "bond" means a bond:

61 (a) that is issued by:

62 (i) a school governing authority; or

63 (ii) a local building authority that was created by a school governing authority;

64 (b) that is used entirely to pay for:

65 (i) a qualified energy efficient project; or

66 (ii) costs associated with the bond, including:

67 (A) debt service;

68 (B) capitalized interest; or

69 (C) bond issuance;

70 (c) that matures no more than 15 years from the date the bond is issued; and

71 (d) issued in accordance with:

72 (i) this title; or

73 (ii) Title 17D, Chapter 2, Local Building Authority Act.

74 (7) (a) "Energy efficient project" means a project that is designed to reduce energy
75 consumption or operating costs and increase overall energy efficiency.

76 (b) "Energy efficient project" includes:

77 (i) insulation of the building structure and systems within the building;

78 (ii) window and door system modification or replacement;

79 (iii) automatic energy control systems;

80 (iv) heating, ventilating, or air conditioning system modification or replacement;

81 (v) lighting fixture modification or replacement;

82 (vi) energy recovery systems;

83 (vii) cogeneration systems that produce steam or forms of energy, such as heat or
84 electricity, for use primarily within a building or complex of buildings;

85 (viii) energy conservation measures that provide long-term operating cost reductions;

86 (ix) replacement of a school bus manufactured before 2002 with a new school bus that
87 uses alternative fuel or clean diesel fuel;

88 (x) installation of an alternative fuel fueling station:

89 (A) for a school bus that uses alternative fuel; and

90 (B) that may be accessed by a governmental entity or the public to fuel an alternative
91 fuel vehicle;

92 (xi) retrofit of a bus shop to service and maintain a school bus that uses alternative
93 fuel;

94 (xii) water conservation, including indoor and outdoor water facilities; or

95 (xiii) other projects that reduce energy consumption or operating costs and increase
96 overall energy efficiency as determined by the board through administrative rule adopted in
97 accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

98 (8) "Local building authority" means the same as that term is defined in Section
99 [17D-2-102](#).

100 (9) "Qualified energy efficient project" means an energy efficient project that the board
101 has approved to be funded by energy efficient initiative bonds.

102 (10) "School governing authority" means:

103 (a) a local school board under Chapter 3, Local School Boards; or

104 (b) a charter school governing board.

105 Section 3. Section **53A-32-201** is enacted to read:

106 **Part 2. Application for Bonds and Bond Issuance**

107 **53A-32-201. Application process -- Incomplete application.**

108 (1) A school governing authority that seeks to obtain approval for an energy efficient
109 initiative bond shall file an application with the board.

110 (2) The school governing authority shall provide the following to the board as part of
111 its application:

112 (a) a description of the proposed project to be funded by the bond;

113 (b) an estimation of the expected reduction in energy consumption and operating costs
114 due to the proposed project;

115 (c) an explanation of how the proposed project increases overall energy efficiency;

116 (d) the amount necessary to complete the proposed project;

117 (e) the expected interest rate of the bond; and

118 (f) other information the board requires by administrative rule adopted in accordance
119 with Title 63G, Chapter 3, Utah Administrative Rulemaking Act.

120 (3) If the board determines that the information a bond applicant provides is

121 incomplete, the board shall:

122 (a) inform the bond applicant that the application is incomplete; and

123 (b) ask the bond applicant to submit additional information.

124 Section 4. Section **53A-32-202** is enacted to read:

125 **53A-32-202. Designation of projects for bonds -- Outstanding bonds limitation --**

126 **Retracting a designation -- Rulemaking.**

127 (1) Subject to the other provisions of this section, the board shall:

128 (a) determine whether a proposed project is an energy efficient project;

129 (b) prioritize the energy efficient projects;

130 (c) designate energy efficient projects as qualified energy efficient projects; and

131 (d) designate a maximum bond principal amount for each qualified energy efficient
132 project.

133 (2) (a) The aggregate amount of outstanding bonds may not exceed \$50,000,000.

134 (b) The board may not make a designation under Subsection (1)(d) that causes the
135 aggregate amount of outstanding bonds to exceed \$50,000,000.

136 (3) The board may retract a designation under Subsection (1)(c) if a school governing
137 authority:

138 (a) provides written notice to the board that the designation is no longer necessary;

139 (b) does not issue the bond within the time period required by the board under
140 Subsection (4)(c); or

141 (c) uses some other method to pay for the qualified energy efficient project designated
142 under Subsection (1)(c).

143 (4) The board shall, by rule, made in accordance with Title 63G, Chapter 3, Utah
144 Administrative Rulemaking Act, establish:

145 (a) criteria for prioritizing energy efficient projects under Subsection (1)(b);

146 (b) procedures for documenting criteria described in Subsection (4)(a);

147 (c) a reasonable time period for purposes of Subsection (3)(b); and

148 (d) requirements for an agreement that a school governing authority or a local building
149 authority may enter into to issue bonds, including:

150 (i) requirements for paying bond principal; and

151 (ii) other requirements determined by the board.

152 Section 5. Section **53A-32-203** is enacted to read:

153 **53A-32-203. Issuance of bonds -- Provision of information to State Tax**

154 **Commission.**

155 (1) Subject to the requirements of this chapter, a school governing authority or a local
156 building authority may enter into an agreement to issue energy efficient initiative bonds.

157 (2) Beginning the year after a school governing authority issues a bond, the school
158 governing authority shall provide, on or before January 31, the following information to the
159 Utah State Tax Commission:

160 (a) the name and mailing address of each bondholder that holds the energy efficient
161 initiative bond;

162 (b) the applicable credit rate for the bond; and

163 (c) the outstanding face amount of the bond on each credit allowance date for each
164 bondholder.

165 (3) A bondholder that sells or exchanges a bond shall provide the school governing
166 authority that issued the bond the name and mailing address of the new bondholder within 30
167 days of the sell or exchange.

168 Section 6. Section **59-7-621** is enacted to read:

169 **59-7-621. Refundable energy efficient initiative bond tax credit.**

170 (1) As used in this section:

171 (a) "Applicable credit rate" means a rate:

172 (i) equal to the rate described in Section 54A(b)(3), Internal Revenue Code; and

173 (ii) determined on the first day on which there is a binding, written contract for the sale
174 or exchange of the energy efficient initiative bond.

175 (b) "Credit allowance date" means:

176 (i) March 15 of the taxable year;

177 (ii) June 15 of the taxable year;

178 (iii) September 15 of the taxable year; or

179 (iv) December 15 of the taxable year.

180 (c) "Energy efficient initiative bond" or "bond" has the same meaning as that term is
181 defined in Section [53A-32-102](#).

182 (2) For a taxable year beginning on or after January 1, 2017, a taxpayer that holds an

183 energy efficient initiative bond on a credit allowance date may claim a refundable tax credit as
184 provided in this section.

185 (3) (a) Subject to Subsection (3)(b), the tax credit under Subsection (2) is equal to the
186 product of:

187 (i) a fraction the numerator of which is the applicable credit rate, and the denominator
188 of which is four; and

189 (ii) the outstanding face amount of the bond on the credit allowance date the taxpayer
190 holds the bond.

191 (b) If the taxpayer holds the bond on more than one credit allowance date during the
192 taxable year, the taxpayer shall calculate the amount of the tax credit under Subsection (2) as
193 follows:

194 (i) complete the calculation described in Subsection (3)(a) for each credit allowance
195 date during the taxable year on which the taxpayer holds the bond; and

196 (ii) calculate the sum of the amounts calculated under Subsection (3)(b)(i).

197 (4) For a taxable year, a taxpayer may not receive a tax credit under this section and
198 Section [59-10-1110](#).

199 (5) (a) In accordance with any rules prescribed by the commission under Subsection
200 (5)(b), the commission shall make a refund to a taxpayer that claims a tax credit under this
201 section if the amount of the tax credit exceeds the taxpayer's tax liability for a taxable year.

202 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
203 commission may make rules providing procedures for making a refund to a taxpayer as
204 required by Subsection (5)(a).

205 Section 7. Section **59-11-1110** is enacted to read:

206 **59-11-1110. Refundable energy efficient initiative bond tax credit.**

207 (1) As used in this section:

208 (a) "Applicable credit rate" means a rate:

209 (i) equal to the rate described in Section 54A(b)(3), Internal Revenue Code; and

210 (ii) determined on the first day on which there is a binding, written contract for the sale
211 or exchange of the energy efficient initiative bond.

212 (b) "Credit allowance date" means:

213 (i) March 15 of the taxable year;

- 214 (ii) June 15 of the taxable year;
215 (iii) September 15 of the taxable year; or
216 (iv) December 15 of the taxable year.
217 (c) "Energy efficient initiative bond" or "bond" has the same meaning as that term is
218 defined in Section [53A-32-102](#).
219 (2) For a taxable year beginning on or after January 1, 2017, a claimant, estate, or trust
220 that holds an energy efficient initiative bond on a credit allowance date may claim a refundable
221 tax credit as provided in this section.
222 (3) (a) Subject to Subsection (3)(b), the tax credit under Subsection (2) is equal to the
223 product of:
224 (i) a fraction the numerator of which is the applicable credit rate, and the denominator
225 of which is four; and
226 (ii) the outstanding face amount of the bond on the credit allowance date the taxpayer
227 holds the bond.
228 (b) If the taxpayer holds the bond on more than one credit allowance date during the
229 taxable year, the taxpayer shall calculate the amount of the tax credit under Subsection (2) as
230 follows:
231 (i) complete the calculation described in Subsection (3)(a) for each credit allowance
232 date during the taxable year on which the taxpayer holds the bond; and
233 (ii) calculate the sum of the amounts calculated under Subsection (3)(b)(i).
234 (4) For a taxable year, a claimant, estate, or trust may not receive a tax credit under this
235 section and Section [59-7-621](#).
236 (5) (a) In accordance with any rules prescribed by the commission under Subsection
237 (5)(b), the commission shall make a refund to a taxpayer that claims a tax credit under this
238 section if the amount of the tax credit exceeds the taxpayer's tax liability for a taxable year.
239 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
240 commission may make rules providing procedures for making a refund to a taxpayer as
241 required by Subsection (5)(a).