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Oregon

## **Oregon curbs controversial tax breaks for wind and solar firms**

Oregon energy officials released new rules Tuesday aimed at curbing a controversial state program that grants lucrative tax subsidies for wind, solar and other renewable power plants.

The changes are intended to rein in some of the runaway costs of the program by making it harder for one project to qualify for multiple tax credits and by giving the Oregon Department of Energy greater leeway to deny an application.

The new rules also allow the state to withdraw the subsidy to a company that doesn't produce the amount of energy, conservation or jobs it promised in its application. The rules become effective immediately but don't apply to businesses that have already qualified for the tax credits.

"We took this action because we wanted to preserve the program but also to make sure we were reducing the fast growth in the program and reducing its impact on the general fund," said Energy Department Director Mark Long.

The announcement of the new rules comes on the heels of an investigation by The Oregonian that showed state officials lowballed the cost of the Business Energy Tax Credit program before asking the Legislature to boost the size of the subsidies. The investigation also showed little oversight or accountability in the way the credits have been handed out.

Some companies awarded the credits went bankrupt or failed to perform. Records show that 97 percent of applicants have been granted tax credits. Since 2007, the cost of the subsidies has ballooned from about \$10million a year to an estimated \$167 million in the 2009-11 biennium.

One corporation, Oregon Windfarms, was able to claim four tax credits, worth a total of \$40 million, for what many in the Energy Department considered to be a single project.

Long said the new rules spell out more clearly what qualifies for multiple tax credits and what doesn't.

The incentives are designed to entice renewable energy companies to build plants in Oregon, such as the Sanyo solar plant that opened in Salem with much fanfare Monday. But the tax credits came under fire during this year's legislative session for their skyrocketing costs at a time when lawmakers had to make cuts to schools and state services. Lawmakers are expected to

renew their effort to reduce the subsidies when they return to Salem for a special session in February.

“Those all sound like positive changes,” Sen. Ginny Burdick, D-Portland, said about the tighter rules. Burdick, who chairs the Senate Finance and Revenue Committee, has been one of the harshest critics of the tax subsidies. She spearheaded a bill to cut the subsidies to large wind farms, arguing that the incentives were unnecessary and that the money would be better spent elsewhere.

The bill passed the Senate and the House but was vetoed by Gov. Ted Kulongoski. Burdick noted that many of the changes announced Tuesday were contained in the bill.

After vetoing the bill, Kulongoski directed Long to come up with new rules addressing some of the problems with the energy tax credits.

“The governor gave this direction at the end of the last legislative session and is pleased with this first step,” said Kulongoski spokeswoman Anna Richter Taylor. “He thinks the conversation needs to continue in February and the 2011 session.”

Long said the new rules will add a needed layer of accountability to the tax subsidies while maintaining a program that has made Oregon an attractive location for wind and solar firms.

The new rules are considered temporary. However, energy officials have filed the paperwork to make them permanent by May.

By Harry Esteve

The Oregonian

[www.oregonlive.com](http://www.oregonlive.com)<sup>[1]</sup>

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[1] [www.oregonlive.com](http://www.oregonlive.com):

[http://www.oregonlive.com/news/index.ssf/2009/11/oregon\\_curbs\\_controversial\\_tax.html](http://www.oregonlive.com/news/index.ssf/2009/11/oregon_curbs_controversial_tax.html)

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