

# DEPARTMENT OF TAXATION

## 2001 Fiscal Impact Statement

1. **Patron** Morgan

2. **Bill Number** HB 2416

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Income Tax: Credit for Solar Energy  
Property

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create an income tax credit equal to 35% of the total installed cost of solar energy property to be used for income-producing purposes. Total credits granted to all taxpayers would be limited to \$10 million annually and \$250,000 per taxpayer. Individuals and corporation would be eligible to receive the credit.

This bill would be effective in taxable years beginning on and after January 1, 2002.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

#### 6a. **Expenditure Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2000-01	\$0	0	GF
2001-02*	\$0	0	GF
2002-03*	\$72,998	1	GF

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2000-01	\$0	GF
2001-02	\$0	GF
2002-03	<\$329,000>	GF

\* **Does Not Include Systems Costs. See Line 8.**

7. **Budget amendment necessary:** No.

## **8. Fiscal implications:**

While this bill does have costs associated with systems development, these cannot be ascertained at this time. The cost for implementing a **single** piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement **all** legislation enacted during a given session will more than likely be less than the sum of the costs attributed to individual bills. Further, the ability to accurately predict costs is complicated because TAX is replacing its current database system. As a result, legislative changes may need to be made to both the current and the future system, depending on the effective date. Therefore, TAX is not providing specific systems costs for this bill, but will calculate the total for all tax bills once they have been acted upon favorably in both houses and prior to the conference committee report. TAX will incur other administrative costs with respect to this legislation of \$58,316 in FY 2003 and thereafter for forms development, the creation of one full time position, and equipment.

This bill would decrease General Fund revenues by \$329,000 in FY 2003. This is based on the amount of solar equipment currently in operation in Virginia and the projected growth of the amount of such equipment.

## **9. Specific agency or political subdivisions affected:**

Department of Taxation

## **10. Technical amendment necessary:** None.

## **11. Other comments:**

This bill would create an income tax credit equal to 35% of the total installed cost of solar energy property to be used for income-producing purposes. Total credits granted to all taxpayers would be limited to \$10 million annually and \$250,000 per taxpayer. Individuals and corporation would be eligible to receive the credit.

“Solar energy property” is defined as equipment that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distilling, desalinating, detoxifying, or producing industrial or commercial process heat. Also included are related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy.

The credit would be limited to \$250,000 per taxpayer or the taxpayer’s tax liability whichever is less. If the amount of the credit exceed the taxpayer’s tax liability, the credit may be carried forward for up to five years. A credit would not be allowed for an expenditure that is also the basis for claiming another credit or grant under Virginia law.

cc: Secretary of Finance

Date: 1/16/01/CT

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