

Department of Planning and Budget 2001 Fiscal Impact Statement

1. Bill Number HB 2845

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Day, Barnie K.

3. Committee Finance

4. Title Income tax credit; rainwater harvesting

5. Summary/Purpose: This bill would create an income tax credit for 50% of the total installed costs of placing rainwater harvesting systems in service during the taxable year. Both individuals and corporations are eligible to receive this credit. The credit may not exceed \$50,000 per system for corporations and \$2,000 per system for individuals.

A "rainwater harvesting system" is defined as a system used to harvest and collect rainwater that is designed for purposes such as water conservation or irrigation. Other purposes may qualify if the Board of Health deems them necessary for the citizens of the Commonwealth. A rainwater harvesting system would include, but is not limited to, roof-washing systems, storage tanks for the collection of rainwater, gutters, and gutter guards.

In order to claim this credit, a taxpayer would have to apply to the Board of Health. The Board of Health would then determine if the use of the system is convenient and necessary for the health of the citizens of the Commonwealth. If such a determination is made, the Board would then determine the eligible costs and issue a certificate to the Taxpayer which must be attached to the Taxpayer's return in order to claim the credit.

The credit would be limited to the taxpayer's tax liability. If the amount of the credit exceeds the tax liability, the credit may be carried forward for up to five years until it is fully used. Anyone who claims this credit would not be allowed to use the costs of the rainwater harvesting system as the basis for claiming another grant or credit offered under Virginia law.

The Tax Commissioner and the Board of Health would promulgate regulations to carry out the provisions of this bill.

6. Fiscal Impact Estimates are unknown (see item 8)

7. Budget amendment necessary: No

8. Fiscal implications:

Virginia Department of Health

It is difficult to project the volume of applications that will be received in this new program. This will be subject to the regulations ultimately adopted by the Board of Health. This impact statement assumes that the language of the bill, e.g. "...To claim the credit authorized under this section, the individual or corporation shall apply to the Board of Health which shall determine whether or not the use of the rainwater harvesting system is convenient and necessary for the health of the citizens of the Commonwealth," will result in regulations that require a significant amount of water conservation for a rainwater harvesting system to qualify. If the proposal is intended to be far-reaching, i.e. most residential guttering systems easily qualifying, then the staffing requirements of the Virginia Department of Health to meet the program's demand would significantly increase.

The Virginia Department of Health estimates a minimum need for a full-time environmental engineer position to evaluate the applications and systems proposed by corporations and individuals to determine if they met the water conservation standards as established by the Board of Health. This position, at an estimated cost of \$62,400 to include 30% for fringe benefits including the employer share of health insurance, would also be responsible for the development and refinement of the regulations for this new program as necessary. Annual travel costs of \$10,000 are tentatively projected to allow for site and rainwater harvesting system evaluations to determine the appropriate amount of cost/ tax credit. An additional \$4,000 in annual support costs are included for supplies and materials, rent and other non-personal service costs. An additional \$6,000 is included in the first year to equip the position with a personal computer, phone and office furniture.

Department of Taxation

The Department of Taxation (TAX) reported that while this bill does have costs associated with systems development, the agency could not determine such costs 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. Therefore, legislative changes may need to be made to both the current and the future system, depending on the effective date. 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. Other administrative costs to implement this bill would be minimal.

The effect this bill would have on General Fund revenues is unknown. According to data obtained by the department, it is likely that the total credits granted in two planning districts in Southwest Virginia would be approximately \$2.3 million. It is not possible however to use this data to make a statewide projection.

9. Specific agency or political subdivisions affected:

Department of Taxation

Virginia Department of Health

10. Technical amendment necessary: No

11. Other comments: None

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cc: Secretary of Health and Human Resources
Secretary of Finance

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