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HOUSE BILL NO. 880

Offered January 11, 2006

Prefiled January 10, 2006

A BILL to amend and reenact § 58.1-609.1 of the Code of Virginia and to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.11 and by adding a section numbered 58.1-608.1:1, relating to an individual income tax credit for solar energy systems and a sales and use tax exemption for energy-efficient products.

Patron—Gear

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 58.1-609.1 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.11 and by adding a section numbered 58.1-608.1:1 as follows:

§ 58.1-339.11. Credit for solar energy devices or systems.

A. For all taxable years beginning on or after January 1, 2005, any individual shall be allowed a credit against the tax imposed pursuant to § 58.1-320 of an amount equal to 60% of the expenses paid for materials and labor of installing solar energy devices or systems on the property of the taxpayer. In determining such expenses, the labor of the taxpayer shall not be included.

For purposes of this section, "solar energy devices or systems" means those items designed and used primarily for the purpose of providing for the collection and use of incident solar energy for water heating, space heating or cooling, or other application that would otherwise require a conventional source of energy such as petroleum products, natural gas, or electricity and that meet standards with respect to technical sufficiency as established by the Director of the Department of Mines, Minerals and Energy.

B. The amount of the credit shall not exceed \$8,000 or the total amount of tax imposed pursuant to § 58.1-320, whichever is less, in the year the expenses were paid. If the amount of the credit exceeds the taxpayer's tax liability for such tax year, the amount that exceeds such liability may be carried over for credit by the taxpayer in the next five taxable years until the total amount of the tax credit has been taken.

§ 58.1-609.1. Governmental and commodities exemptions.

The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not apply to the following:

1. Fuels which are subject to the tax imposed by Chapter 22 (§ 58.1-2200 et seq.) of this title. Persons who are refunded any such fuel tax shall, however, be subject to the tax imposed by this chapter, unless such taxes would be specifically exempted pursuant to any provision of this section.

2. Motor vehicles, trailers, semitrailers, mobile homes and travel trailers.

3. Gas, electricity, or water when delivered to consumers through mains, lines, or pipes.

4. Tangible personal property for use or consumption by the Commonwealth, any political subdivision of the Commonwealth, or the United States. This exclusion shall not apply to sales and leases to privately owned financial and other privately owned corporations chartered by the United States. Further, this exemption shall not apply to tangible personal property which is acquired by the Commonwealth or any of its political subdivisions and then transferred to private businesses for their use in a facility or real property improvement to be used by a private entity or for nongovernmental purposes other than tangible personal property acquired by the Herbert H. Bateman Advanced Shipbuilding and Carrier Integration Center and transferred to a Qualified Shipbuilder as defined in the third enactment of Chapter 790 of the 1998 Acts of the General Assembly.

5. Aircraft subject to tax under Chapter 15 (§ 58.1-1500 et seq.) of this title.

6. Motor fuels and alternative fuels for use in a commercial watercraft upon which a fuel tax is refunded pursuant to § 58.1-2259.

7. Sales by a government agency of the official flags of the United States, the Commonwealth of Virginia, or of any county, city or town.

8. Materials furnished by the State Board of Elections pursuant to §§ 24.2-404 through 24.2-407.

9. Watercraft as defined in § 58.1-1401.

10. Tangible personal property used in and about a marine terminal under the supervision of the Virginia Port Authority for handling cargo, merchandise, freight and equipment. This exemption shall apply to agents, lessees, sublessees or users of tangible personal property owned by or leased to the

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59 Virginia Port Authority and to property acquired or used by the Authority or by a nonstock, nonprofit
60 corporation that operates a marine terminal or terminals on behalf of the Authority.

61 11. Sales by prisoners confined in state correctional facilities of artistic products personally made by
62 the prisoners as authorized by § 53.1-46.

63 12. Tangible personal property for use or consumption by the Virginia Department for the Blind and
64 Vision Impaired or any nominee, as defined in § 51.5-60, of such Department.

65 13. [Expired.]

66 14. Tangible personal property sold to residents and patients of the Virginia Veterans Care Center at
67 a canteen operated by the Department of Veterans Services.

68 15. Tangible personal property for use or consumption by any nonprofit organization whose members
69 include the Commonwealth and other states and which is organized for the purpose of fostering
70 interstate cooperation and excellence in government.

71 16. Tangible personal property purchased for use or consumption by any soil and conservation
72 district which is organized in accordance with the provisions of Article 3 (§ 10.1-506 et seq.) of Chapter
73 5 of Title 10.1.

74 17. Beginning September 1, 2004, (i) tangible personal property sold or leased to Alexandria Transit
75 Company, Greater Lynchburg Transit Company, GRTC Transit System, or Greater Roanoke Transit
76 Company that is owned, operated, or controlled by any county, city, or town, or any combination
77 thereof, that provides public transportation services, and/or (ii) tangible personal property sold or leased
78 to any county, city, or town, or any combination thereof, that is transferred to any of the companies set
79 forth in clause (i) owned, operated, or controlled by any county, city, or town, or any combination
80 thereof, that provides public transportation services.

81 18. *Solar energy devices or systems designed and used primarily for the purpose of providing for the*
82 *collection and use of incident solar energy for water heating, space heating or cooling, or other*
83 *application that would otherwise require a conventional source of energy such as petroleum products,*
84 *natural gas, or electricity and that meet standards with respect to technical sufficiency as established by*
85 *the Director of the Department of Mines, Minerals and Energy.*

86 19. *Tangible personal property that meets or exceeds the energy star efficiency requirements*
87 *developed by the United States Department of Energy and the Environmental Protection Agency.*

88 § 58.1-608.1:1. *Refund authorized for certain energy-efficient property.*

89 A. *Any individual may apply to the Department of Taxation for a refund of a portion of the taxes*
90 *imposed by this chapter or pursuant to the authority granted in § 58.1-605 or § 58.1-606 that are paid*
91 *by such individual on or after January 1, 2005, but prior to July 1, 2006, on any tangible personal*
92 *property that is described in subsections 18 or 19 of § 58.1-609.1, and is used solely on property owned*
93 *or leased by the individual.*

94 B. *The Department of Taxation may require that such individual submit sales tax receipts along with*
95 *the refund application to qualify for the refund authorized pursuant to this section. The refund*
96 *application shall be filed with the Department of Taxation on or before October 1, 2006.*

97 2. **That the income tax credit provided by this act for taxable year 2005 shall be taken on the**
98 **taxpayer's income tax return for taxable year 2006.**