

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. **Patron** Frank W. Wagner

2. **Bill Number** SB 317

3. **Committee** House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Individual Income Tax: Tax Credit for
EarthCraft Houses

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would create an individual income tax credit for individuals who purchase and reside in a newly built house that has been constructed in accordance with and certified by the EarthCraft House Program and has received an EarthCraft House Certificate. The credit would be equal to \$500 and would be available in the taxable year in which the certified home was first occupied by the first purchaser.

This credit would be effective for taxable years beginning on and after January 1, 2008. However, the provisions of this bill would expire on July 1, 2010.

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

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2007-08	\$0	GF
2008-09	(\$150,000)	GF
2009-10	(\$300,000)	GF
2010-11	\$0	GF
2011-12	\$0	GF
2012-13	\$0	GF
2013-14	\$0	GF

7. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

8. Fiscal implications:

Administrative Costs

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This credit would result in a revenue loss of \$150,000 for FY 2009 and \$300,000 for FY 2010. This estimate was developed using updated forecasts provided by EarthCraft Virginia, LLC, which estimated that approximately 300 homes could be certified in 2008 and up to 600 homes could be certified in 2009. That organization has revised an earlier larger forecast because of the recent economic downturn and the slowing of the housing market. In addition, this estimate assumes that the credit will be effective for taxable years 2008 and 2009.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

This credit would be effective for taxable years beginning on and after January 1, 2008. However, the provisions of this bill would expire on July 1, 2010. In order to provide for the fair and effective administration of the credit, and to prevent the credit from only being effective for half of a taxable year, the following technical amendments are suggested:

Page 1, Line 34, after January 1, 2008,
Insert: but before January 1, 2010,

Page 1, Line 42, at the beginning of the line
Strike: That the provisions of this act shall expire on July 1, 2010.

11. Other comments:

Background

EarthCraft House is a green building program that provides home builders with a set of guidelines that are used to construct energy-efficient and environmentally friendly homes. The program standards were developed in 1999 through a partnership between Southface Energy Institute and the Greater Atlanta Home Builders Association, government and environmental leaders.

To ensure quality, an EarthCraft House must pass a set of inspections. The inspections are based on a flexible point system that includes areas such as site planning, energy efficient techniques and equipment, resource efficient design, waste management, indoor air quality, and water conservation.

The Home Builders Association of Virginia and the Virginia Sustainable Building Network ("VSBN") introduced this program to Virginia. VSBN partnered with the Blue Ridge Home Builders Association to officially launch the EarthCraft House Virginia Single Family Program in September 2006. In September of 2007, the administration of the EarthCraft House Virginia Single Family Program moved from VSBN to EarthCraft Virginia, LLC, which was already administering the program for multi-family homes.

Proposal

This bill would create an individual income tax credit for individuals who purchase and reside in a newly built house that has been constructed in accordance with and certified by the EarthCraft House Program and has received an EarthCraft House Certificate. The credit would be equal to \$500 and would be available in the taxable year in which the certified home was first occupied by the first purchaser. The credit would not be allowed, however, to exceed the amount of tax imposed for the taxable year.

The taxpayer would be required to submit a copy of the EarthCraft House Certificate and any other documentation required by TAX with his income tax return.

This credit would be effective for taxable years beginning on and after January 1, 2008. However, the provisions of this bill would expire on July 1, 2010. In order to provide for the fair and effective administration of the credit, technical amendments have been suggested to make the credit effective for taxable years 2008 and 2009. These amendments will prevent the credit from being effective for only half of a taxable year.

Similar Legislation

House Bill 239 and Senate Bill 174 would expand the performance guidelines and standards that energy efficient buildings must meet or exceed to be classified as a separate class of real property. An energy efficient building would be defined as any building that meets or exceeds performance guidelines or standards under the Green Globes Green Building Rating System, the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, the EarthCraft House program, or the Energy Star program.

cc : Secretary of Finance

Date: 2/21/2008 AMS
SB317FE161