16101921D

SENATE BILL NO. 142

Offered January 13, 2016

Prefiled December 29, 2015

A BILL to amend the Code of Virginia by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:11, relating to tax credits for installing solar thermal systems.

Patron—Edwards

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:11 as follows:

§ 58.1-439.12:11. Solar thermal system tax credit.

A. For the purposes of this section, unless the context requires a different meaning:

"Solar thermal system" means a solar energy system that collects or absorbs solar energy as a substitute for traditional energy for space heating, water heating, space cooling, or the production of industrial or commercial process heat. The term also includes related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy. Solar water heating systems having 120 square feet or less of collector area shall meet the operational guidelines for an OG-300 certified solar water heating system as established by the Solar Rating and Certification Corporation or its equivalent. Solar water heating systems having in excess of 120 square feet of collector area, solar space heating collectors, solar space cooling collectors, and solar industrial or commercial process heating collectors shall meet the operational guidelines for an OG-100 certified solar panel or its equivalent. The Department of Mines, Minerals and Energy shall determine acceptable equivalent certifications.

B. For taxable years beginning on or after January 1, 2016, but before January 1, 2021, any person who has constructed, purchased, or leased a solar thermal system and placed such system in service in the Commonwealth during the taxable year shall be allowed a credit against the tax imposed by § 58.1-320 or 58.1-400 in an amount equal to 30 percent of the installed cost of the system. The credit shall only be allowed to the ultimate consumer or user of the solar thermal system.

In the case of a solar thermal system that serves a single-family dwelling, the credit shall be claimed for the taxable year in which the property is placed in service. For all other solar thermal systems, the tax credit shall be claimed in five equal annual installments beginning with the taxable year in which the property is placed in service and for the next four succeeding taxable years.

C. Upon request of a person that leases a solar thermal system, the lessor of the system shall give the person a statement that describes the solar thermal system and states the cost of the system.

D. No credit shall be allowed under this section to the extent that the cost of the solar thermal system was provided or reimbursed by public funds.

E. The credit allowed under this section shall not exceed (i) $500,000 for each solar thermal system placed in service for any purpose other than use for a single-family dwelling or placed in service and having in excess of 120 square feet of collector area or (ii) $2,500 for every other solar thermal system placed in service.

F. If in one of the taxable years in which the installment of a credit accrues the solar thermal system is disposed of, taken out of service, or moved out of the Commonwealth, the credit shall expire and the person shall not claim any installment of the credit for such solar thermal system for that taxable year (and shall be subject to recapture for any credit so claimed) or any taxable year thereafter. However, the person may claim the portion of an installment that accrued in a prior taxable year and is being carried over pursuant to subsection G.

G. The amount of the credit claimed shall not exceed the total amount of tax imposed by this chapter upon the person for the taxable year. Any credit not usable for the taxable year for which the credit was first allowed to be claimed may be carried over for credit against the income taxes of the person in the next five succeeding taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

H. For purposes of this section, the amount of any credit attributable to a partnership, electing small business corporation (S corporation), or limited liability company shall be allocated to the partners, shareholders, or members, respectively, in proportion to their ownership or interest in such business entity.

I. The taxpayer shall submit with his income tax return all documentation as required by the

Department.

J. The Tax Commissioner in consultation with the Director of the Department of Mines, Minerals and Energy shall develop and update as necessary guidelines implementing the provisions of this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).