

# DEPARTMENT OF TAXATION

## 2001 Fiscal Impact Statement

1. **Patron** Plum

3. **Committee** House Finance

4. **Title** Income Tax: Solar Energy Equipment Tax  
Credit

2. **Bill Number** HB 2474

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

5. **Summary/Purpose:**

This bill would create an income tax credit equal to fifteen percent of all expenditures incurred purchasing and installing equipment that generates electricity from solar energy or uses solar energy to heat or cool a structure or provide hot water. This credit would be limited to \$1,000 per taxpayer per taxable year.

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

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

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2000-01	\$0	GF
2001-02	\$0	GF
2002-03	\$200,000	GF

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. Other administrative costs to implement this bill would be minimal.

This bill would reduce general fund revenues by \$200,000 in FY 2003. This estimate is based on an estimated number of solar heating systems sold in Virginia and the average price of such a system.

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

Department of Taxation  
Department of Mines, Minerals, and Energy

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

**11. Other comments:**

This bill would create an income tax credit equal to fifteen percent of all expenditures incurred purchasing and installing equipment that generates electricity from solar energy or uses solar energy to heat or cool a structure or provide hot water. This credit is limited to \$1,000 and is available to individuals and corporations. Individuals and corporations may one take one such credit per year. This credit may not exceed the taxpayer's tax liability. Any unused credits may be carried forward for up to five taxable years.

In order to receive this credit, each individual or corporation must apply to the Department of Mines, Minerals, and Energy (DMME). DMME would then certify to the Department of Taxation that the equipment provides a minimum of ten percent of the energy needs of the structure in which it is installed. Each credit would be available only in the taxable year in which the purchase and installation of the equipment is completed.

**Other Legislation**

**House Bill 2416** also creates an income tax credit for the costs of solar energy property. This credit would be equal to 35% of the costs of the property, but would not exceed \$250,000 per taxpayer or \$10 million in the aggregate.

cc: Secretary of Finance

**Date:** 1/16/01/CT

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