

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron** Plum

3. **Committee** Senate Finance

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

2. **Bill Number** HB 2474

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **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, but before January 1, 2006.

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:**

Administrative Costs – Department of Taxation

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.

Administrative Costs – Department of Mines, Mineral and Energy

The administrative costs the Department of Mines, Mineral and Energy (DMME) would incur to set up a certification system and for personnel to certify the credit would be funded 100% from a federal grant. If this grant ends however, DMME would need general funds to pay for the personnel time required to make the needed certifications.

Revenue Impact

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.

cc: Secretary of Finance

Date: 2/6/01/CT

Document: S:\2001leg\WorkInProgress\OTPwork\House Bills\HB2474F161.doc