

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** John M. O'Bannon, III

3. **Committee** House Finance

4. **Title** Energy Efficiency Tax Credit

2. **Bill Number** HB 613

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would grant an income tax credit to individuals who purchase energy efficient equipment for their homes. The amount of the credit equals 25% of such equipment expenditures, but not more than \$1,500 total.

This bill is effective for taxable years beginning on or after January 1, 2006.

6. **Fiscal Impact or Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:**

8. **Fiscal implications:**

This bill will lead to a revenue loss of an unknown amount. Two of the major devices using solar energy are solar thermal and solar photovoltaic. Based on data from the US Energy Information Administration on shipments of solar devices, and assuming that installation costs are equal to the price of the device, the estimated revenue impact would be about \$200,000 annually for solar thermal devices, and \$500,000 for solar photovoltaic devices. Data is not available on geothermal devices, but it appears that they are used much less than solar devices, and the installation of ground loops is a major component of the cost. It is not known what other forms of renewable energy would be approved by the Secretary of Natural Resources.

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Proposal

This bill would create a credit against individual income tax in the amount equal to 25% of the expenditures made after January 1, 2006 for energy efficient equipment installed in a personal residence.

For purposes of this bill, "energy efficient equipment" means equipment that uses solar or geothermal energy, or any form of renewable energy approved by the Secretary of Natural Resources through regulations, that is a substitute for traditional energy for water heating, active space heating and cooling, passive heating and generating electricity. "Energy efficient equipment" also includes related devices necessary for collecting storing exchanging conditioning or converting solar energy to other useful forms of energy.

This credit is nonrefundable. If there is a balance of credit available, such excess may be carried over for the next five taxable years. The amount of the credit claimed is limited to \$1,500 for any individual solar energy equipment expenditure. The credit for geothermal equipment is not limited.

Other Legislation

SB 63 would: 1) allow a refund of retail sales and use taxes for certain energy efficient property and products; 2) allow a refund of motor vehicle sales tax for motor vehicle using clean special fuels; 3) establish a Renewable Electricity Production Grant Program and allocate monies from such fund to corporations producing renewable electricity; and 4) establish a Photovoltaic, Solar, and Wind Energy Utilization Grant Program and allocate monies from such funds to individuals and corporations installing photovoltaic, solar, or wind energy generators.

SB 270 would: 1) exempt from the retail sales and use tax certain energy efficient products; 2) authorize motor vehicle sales tax refunds for motor vehicles using clean special fuels or hybrid motor vehicles; 3) establish a Renewable Electricity Production Grant Program and allocate moneys from such fund to corporations producing renewable electricity; and 4) establish a Photovoltaic, Solar, and Wind Energy Utilization Grant Program and allocate moneys from such funds to individuals and corporations installing photovoltaic, solar, or wind energy generators.

cc : Secretary of Finance

Date: 01/29/2006 PTR
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