

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

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

3. **Committee** House Finance

4. **Title** Individual Income Tax; Deduction for the  
Purchase of Certain Energy-Efficient  
Equipment

2. **Bill Number** HB 2160

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would create an income tax credit for individuals who purchase energy efficient equipment to be used for heating, cooling, and providing electricity to their residences. The credit would be equal to 30% of the expenditures made, up to \$1,500. The amount of expenditures would not be allowed to include the labor performed by the taxpayer.

This bill would be effective for taxable years beginning on and after January 1, 2007.

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

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

#### Administrative Costs

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.

#### Revenue Impact

The revenue loss associated with this bill is unknown, but likely not significant. Based on historical data provided by the Department of Mines, Minerals, and Energy, the revenue loss would total less than \$1,000,000 annually. This total does not include any impact

attributable to forms of renewable energy that may be approved by the Secretary of Natural Resources.

This estimate is based on DMME data for four types of solar and geothermal energy-efficient equipment used in Virginia: pool heating, solar water heating, photovoltaic heat pumps, and geothermal heat pumps.

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

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Current Law

Effective for taxable years beginning on and after January 1, 2007, individual income taxpayers may deduct 20% of the amount of sales tax paid for certain appliances meeting energy star efficiency requirements developed by the federal government and for fuel cells, heat pumps, air conditioners, boilers, furnaces, and water heaters meeting specified performance measures. This deduction is limited to \$500 in each taxable year.

Proposal

This bill would create an income tax credit for individuals who purchase energy efficient equipment to be used for heating, cooling, and providing electricity to their residences. The credit would be equal to 30% of the expenditures made, up to \$1,500. Unused amounts of the credit could be carried over for the next five taxable years. The amount of expenditures would not be allowed to include the labor performed by the taxpayer.

"Energy-efficient equipment" would be defined as equipment installed in a residence 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. The term would also include related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy.

Similar Legislation

**House Bill 1878** would provide an individual income tax deduction to those taxpayers who purchase energy-efficient equipment to be used for heating, cooling, and providing electricity to their residences. The amount of the deduction would be 50% of the expenditure amount, up to \$7,500.

**House Bill 3125** would create an income tax credit for individual and corporate taxpayers who purchase energy-efficient equipment for heating, cooling, and electricity generation

for their commercial property used in a business. The amount of the credit would be 25% of such equipment expenditures, but could not be more than \$7,500 total.

cc : Secretary of Finance

Date: 1/20/2007 AMS  
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