

# DEPARTMENT OF TAXATION

## 2008 Fiscal Impact Statement

1. **Patron** David J. Toscano

3. **Committee** House Finance

4. **Title** Individual Income Tax: Tax Credit for  
EarthCraft Houses

2. **Bill Number** HB 162

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would create an individual income tax credit for individuals who purchase and reside in a newly built house that has been constructed in accordance with and certified by the EarthCraft House Program and has received an EarthCraft House Certificate. The credit would be equal to \$750 and would be available in the taxable year in which the certified home was first occupied by the first purchaser.

This credit would be effective for taxable years beginning on January 1, 2008, and ending December 31, 2012.

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

#### 6b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2007-08	\$0	GF
2008-09	(\$1.88 million)	GF
2009-10	(\$3.75 million)	GF
2010-11	(\$3.75 million)	GF
2011-12	(\$3.75 million)	GF
2012-13	(\$3.75 million)	GF
2013-14	\$0	GF

7. **Budget amendment necessary:** Yes.

Page 1, Revenue Estimates

### 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

This credit would result in a revenue loss of \$1.88 million for FY 2009 and \$3.75 million for each of the following four fiscal years. This estimate was developed using forecasts provided by EarthCraft Virginia, LLC.

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

Department of Taxation

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

#### **11. Other comments:**

##### Background

EarthCraft House is a green building program that provides home builders with a set of guidelines that are used to construct energy-efficient and environmentally friendly homes. The program standards were developed in 1999 through a partnership between Southface Energy Institute and the Greater Atlanta Home Builders Association, government and environmental leaders.

To ensure quality, an EarthCraft House must pass a set of inspections. The inspections are based on a flexible point system that includes areas such as site planning, energy efficient techniques and equipment, resource efficient design, waste management, indoor air quality, and water conservation.

The Home Builders Association of Virginia and the Virginia Sustainable Building Network ("VSBN") introduced this program to Virginia. VSBN partnered with the Blue Ridge Home Builders Association to officially launch the EarthCraft House Virginia Single Family Program in September 2006. In September of 2007, the administration of the EarthCraft House Virginia Single Family Program moved from VSBN to EarthCraft Virginia, LLC, which was already administering the program for multi-family homes.

##### Proposal

This bill would create an individual income tax credit for individuals who purchase and reside in a newly built house that has been constructed in accordance with and certified by the EarthCraft House Program and has received an EarthCraft House Certificate. The credit would be equal to \$750 and would be available in the taxable year in which the certified home was first occupied by the first purchaser. The credit would not be allowed, however, to exceed the amount of tax imposed for the taxable year.

The taxpayer would be required to submit a copy of the EarthCraft House Certificate and any other documentation required by TAX with his income tax return.

This credit would be effective for taxable years beginning on January 1, 2008, and ending December 31, 2012.

#### Similar Legislation

**House Bill 239 and Senate Bill 174** would change the performance guidelines and standards that energy efficient buildings must meet or exceed to be classified as a separate class of real property. An energy efficient building would be defined as any building that meets or exceeds performance guidelines or standards under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, EarthCraft House program, or Energy Star program.

**Senate Bill 317** is similar to this bill, but the credit amount would be for \$500 and the availability of the credit would not end on December 31, 2012.

cc : Secretary of Finance

Date: 1/12/2008 AMS  
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