

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** C. Charles Caputo

3. **Committee** House Finance

4. **Title** Individual and Corporate Income Tax: Credit
for the Purchase of Certain Energy-Efficient
Equipment

2. **Bill Number** HB 732

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual and corporate income tax credit for taxpayers owning commercial property utilized for business purposes who purchase energy-efficient equipment to be used for heating, cooling, and providing electricity to their property. The credit would be equal to 25% of the expenditures made, up to \$7,500. Unused amounts of the credit could be carried over for the next five taxable years. Labor performed by the taxpayer would not be a qualifying expenditure.

This bill would be effective for taxable years beginning on and after January 1, 2008.

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

7. **Budget amendment necessary:** Yes. (See Line 8.)
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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 because data regarding Virginia expenditures on energy-efficient equipment for commercial properties is not available. To implement this credit, a reduction of an equal amount of general fund support from other areas in the introduced budget would be required.

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 individual and corporate income tax credit for taxpayers owning commercial property utilized for business purposes who purchase energy-efficient equipment to be used for heating, cooling, and providing electricity to their property. The credit would be equal to 25% of the expenditures made, up to \$7,500. Unused amounts of the credit could be carried over for the next five taxable years. Labor performed by the taxpayer would not be a qualifying expenditure.

The amount of any credit attributable to a partnership, limited liability company, or electing small business corporation (S corporation), would be required to be allocated among the individual partners, members, or shareholders, respectively, according to their ownership or interest in such business entities.

"Energy-efficient equipment" would be defined as equipment installed in commercial property 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 fossil fuel energy for water heating, active space heating and cooling, passive heating, and electricity generation. 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 744 would create an income tax deduction for individuals who purchase energy-efficient equipment for their residences. The amount of the deduction would be 50% of such equipment expenditures, but could not be more than \$7,500 total.

cc : Secretary of Finance

Date: 1/26/2008 TG
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