

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** L. Louise Lucas

2. **Bill Number** SB 1141

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Individual and Corporate Income Tax;
Renewable Energy Property Tax Credit

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an individual and corporate income tax credit for the purchase of qualifying renewable energy systems that are placed in service during the taxable year. The credit would not exceed \$2,000 for each kilowatt of a solar photovoltaic system; \$1,500 for each kilowatt of a wind-powered electrical generator; and \$1,000 for each kilowatt equivalent of a solar thermal system.

In addition, each credit would be limited to the total cost of the system or a specified dollar amount, whichever was less. For individuals, the specified dollar amounts would be \$8,000 for a solar photovoltaic system; \$6,000 for a wind-powered electrical generator; and \$4,000 for a solar thermal system. For corporations, the specified dollar amounts would be \$20,000 for a solar photovoltaic system; \$15,000 for a wind-powered electrical generator; and \$10,000 for a solar thermal system.

The aggregate of all eligible tax credits would be capped at \$2 million per taxable year, with \$1 million allocated to individual taxpayers and the remaining \$1 million allocated to corporate taxpayers. This bill would provide that the credits would be granted on a first come, first serve basis by the Department of Mines, Minerals and Energy ("DMME").

The credit would not be allowed to exceed the tax liability of the taxpayer. Taxpayers could carry over unused amounts of the credit for three taxable years. In addition, this proposal would allow the taxpayer to transfer unused allowable tax credits for use by another taxpayer.

This proposal would be effective for taxable years beginning on or after January 1, 2009.

This is an Executive bill.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

Department of Mines, Minerals, and Energy Administrative Costs

The Department of Mines, Minerals, and Energy would administer this tax credit with existing resources.

Department of Taxation Administrative Costs

As stand-alone legislation, TAX considers implementation of this bill as “routine,” and does not require additional funding.

Revenue Impact

The introduced Executive Budget incorporates the fiscal impact of this bill. The total amount of credits that could be claimed would be limited to \$2 million per year. Therefore, if this proposal is not passed, then General Fund revenue would be increased by \$2 million for FY 2010 through FY 2015.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Mines, Minerals, and Energy

10. Technical amendment necessary: Yes.

In order to maintain the same definitions and terminology that are used in the introduced bills to provide a retail sales and use tax exemption for this type of property (House Bill 2562 and Senate Bill 1216), the following technical amendments are recommended:

Page 1, Line 16, at the beginning of the line
Strike: “Photovoltaic property”
Insert: “Solar photovoltaic system”

Page 1, Line 21, after means
Strike: the remainder of the line through line 22
Insert: solar photovoltaic system, solar thermal system, or wind-powered electrical generator.

Page 1, Line 23, at the beginning of the line
Strike: “Solar water heating property”
Insert: “Solar thermal system”

Page 1, Line 28, after generator
Strike: property

Page 1, Line 28, after (i)
Strike: the remainder of the line through Line 33
Insert: has a capacity of not more than 10 kilowatts, (ii) uses wind as its total source of fuel, (iii) is intended primarily to offset all or part of the owner's electricity requirements, (iv) meets all applicable performance and quality standards specified by the Virginia Department of Mines, Minerals, and Energy, and (v) for units that are interconnected with the utility grid, complies with performance and safety standards established by the Virginia State Corporation Commission in accordance with § 56-594.

Page 1, Line 38, after kilowatt of
Strike: photovoltaic property
Insert: a solar photovoltaic system

Page 1, Line 42, after equivalent of
Strike: solar water heating property
Insert: a solar thermal system

Page 2, Line 64, at the beginning of the line
Strike: "Photovoltaic property"
Insert: "Solar photovoltaic system"

Page 2, Line 69, after means
Strike: the remainder of the line through line 70
Insert: solar photovoltaic system, solar thermal system, or wind-powered electrical generator.

Page 2, Line 71, at the beginning of the line
Strike: "Solar water heating property"
Insert: "Solar thermal system"

Page 2, Line 76, after generator
Strike: property

Page 2, Line 76, after (i)
Strike: the remainder of the line through Line 81
Insert: has a capacity of not more than 10 kilowatts, (ii) uses wind as its total source of fuel, (iii) is intended primarily to offset all or part of the owner's electricity requirements, (iv) meets all applicable performance and quality standards specified by the Virginia Department of Mines, Minerals, and Energy, and (v) for units that are interconnected with the utility grid, complies with performance and safety standards established by the Virginia State Corporation Commission in accordance with § 56-594.

Page 2, Line 86, after kilowatt of
Strike: photovoltaic property
Insert: a solar photovoltaic system

Page 2, Line 90, after equivalent of
Strike: solar water heating property
Insert: a solar thermal system

11. Other comments:

Proposal

This proposal would create an income tax credit for individuals and corporations that purchase qualifying renewable energy systems and place them in service during the taxable year. The credit would not exceed \$2,000 for each kilowatt of a solar photovoltaic system; \$1,500 for each kilowatt of a wind-powered electrical generator; and \$1,000 for each kilowatt equivalent of a solar thermal system.

In addition, each credit would be limited to the total cost of the system or a specified dollar amount, whichever was less. For individuals, the specified dollar amounts would be \$8,000 for a solar photovoltaic system; \$6,000 for a wind-powered electrical generator; and \$4,000 for a solar thermal system. For corporations, the specified dollar amounts would be \$20,000 for a solar photovoltaic system; \$15,000 for a wind-powered electrical generator; and \$10,000 for a solar thermal system.

The aggregate of all eligible tax credits would be capped at \$2 million per taxable year, with \$1 million allocated to individual taxpayers and the remaining \$1 million allocated to corporate taxpayers. This bill would provide that the credits would be granted on a first come, first serve basis by DMME.

Under the provisions of this proposal, DMME would be required to establish guidelines and forms for the applicant. In addition, DMME would be required to review the applications for the credits and make a determination within a fourteen day period.

The credit would not be allowed to exceed the tax liability of the taxpayer. Taxpayers could carry over unused amounts of the credit for three taxable years. In addition, this proposal would allow the taxpayer to transfer unused allowable tax credits for use by another taxpayer.

This proposal would specify that credits attributable to a partnership, electing small business corporation, or limited liability company be allocated to the partners, shareholders, or members, respectively, in proportion to their ownership or interest in such business entity.

As amended, "solar photovoltaic system" would mean an energy system or solar panel that collects or absorbs sunlight for conversion into electricity and that has been certified as meeting all applicable safety standards of Underwriters Laboratories. Systems that are interconnected with the utility grid would be required to comply with performance and safety standards established by the Virginia State Corporation Commission.

As amended, “solar thermal system” would mean a solar energy system that collects or absorbs solar energy to generate hot water or air for space heating or water heating. Solar water heating systems would be required to meet the operational guidelines for an OG-300 certified solar water heating system as established by the Solar Rating and Certification Corporation. Solar space heating panels that heat air would be required to meet the operational guidelines for an OG-100 certified solar panel.

As amended, “renewable energy property” would mean solar photovoltaic system, solar water thermal system, or wind-powered electrical generator.

As amended, “wind-powered electrical generator” would mean an electrical generating unit that (i) has a capacity of not more than 10 kilowatts, (ii) uses wind as its total source of fuel, (iii) is intended primarily to offset all or part of the owner's electricity requirements, (iv) meets all applicable performance and quality standards specified by the DMME, and (v) for units that are interconnected with the utility grid, complies with performance and safety standards established by the Virginia State Corporation Commission.

This proposal would be effective for taxable years beginning on or after January 1, 2009.

Other Legislation

House Bill 2094 is identical to this bill.

House Bill 2562 and Senate Bill 1216 would exempt from the retail sales and use tax solar photovoltaic systems, solar thermal systems, and wind-powered electrical generators purchased for installation in or on residential real property.

House Bill 2572 would create an income tax deduction for taxable years beginning on or after January 1, 2010, to individuals who purchase energy-efficient equipment, on or after January 1, 2009, used for heating, cooling, and providing electricity to their residences. The amount of the deduction equals 50% of the equipment expenditures, but not more than \$7,500 total.

House Bill 2573 would create an individual and corporate income tax credit for a taxpayer who purchases qualifying energy-efficient equipment that is installed in the taxpayer's commercial property. The credit would be equal to 25% of the expenditures made, up to \$7,500, on or after January 1, 2009 for the energy-efficient equipment.

Senate Bill 1231 would create an individual income tax credit for a taxpayer who purchases qualifying energy-efficient equipment that is installed in the personal residence of the taxpayer. The credit would be equal to 5% of the expenditures made, up to \$2,500, on or after January 1, 2009, for the energy-efficient equipment.

cc : Secretary of Finance

