LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 510** HLS 15RS 1100
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 29, 2015 9:05 AM **Author:** JAMES
Dept./Agy.: Revenue
Subject: Sunsets the solar credit on August 1, 2015 **Analyst:** Deborah Vivien

TAX CREDITS OR INCREASE GF RV See Note
Accelerates the sunset of the solar energy systems tax credit

Current law allows a refundable income tax credit based on a percentage of the purchase and installation of a solar electric, solar thermal or a combination on a single family residence. One credit is allowed per system per residence. No installations beyond December 31, 2017 will qualify for the credit. For a purchased system, the credit is 50% of eligible expenses up to $25,000 (maximum credit $12,500) and, for a leased system, the credit is 38% up to a certain size which establishes the maximum value ($4,680 per system by the end of FY 16). Systems must be sold and installed by a LA Licensed Contractor and parts must be ARRA compliant, primarily purchased in the USA. A similar federal credit is also available for an additional 30% of these costs.

Proposed law accelerates the date which system installations will no longer qualify for the credit from January 1, 2017 to July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total				**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department will continue to operate the program under its current structure until all pending claims are complete. Any net reduction in expenses due to the expiration of the program, expected to be minimal, will be redirected towards other agency activities.

REVENUE EXPLANATION

The proposed bill accelerates the elimination of solar credits by 2.5 years to 7/1/15, which would increase SGF by the amount claimed had solar credits continued until the current expiration of 1/1/18. Cost estimates are complicated by significant reductions to the leased system credits beginning 1/1/14, though data from US DOE indicates that installations have not slowed to date. Limiting the solar credits to those systems installed prior to 7/1/15 could increase SGF by roughly $16M in FY 16 and about $33M in each of FY 17 and FY 18 assuming about 5,000 systems continue to claim credits with 75% of those leased. Actual results could be significantly higher or lower than this depending on the actual utilization of the current credits. Due to the uncertainty, a specific impact is not reliable for budgetary purposes.

The estimate for FY 16 assumes that half the systems eligible for a credit under current law are no longer eligible since the program will end in the middle of tax year 2015. However, actual timing of installations is uncertain and could be concentrated in the early part of the year in anticipation of changes to the state solar credits. Purchased systems require the homeowner to provide funding for the cost of the system to obtain the credit so substitution between leased and purchased systems as the credits diverge is not expected.

In estimating future program costs, leased system credits are expected to decline as the eligible system size brings the maximum leased credit down to $4,560, though it is possible that a higher volume of installations could sustain current credit costs especially with lower material and installation costs. The responsiveness of leased system claims to the reduction in the credit calculation is extremely uncertain since the 38% credit combined with a federal credit of 30% is still a significant inducement to install a system. Also, financing arrangements for solar systems continue to allow a low or no cost installation option to the homeowner, which could help maintain credit realizations beyond those contemplated in this note.

Though installations are only eligible through tax year 2017 under current law, the last significant fiscal impact is expected in FY 18 as income tax returns are filed. However, some credits may be claimed in FY 19 as systems become operational after December 31, 2017. This note assumes all credits are claimed in the same year as the installation and that the federal credit that sunsets on 12/31/16 is renewed through 12/31/17 when the state solar credit expires.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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