

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 770** HLS 15RS 1088

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 29, 2015	12:15 PM	Author: STOKES
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Reduces refundable amount of solar credit to 50%		

TAX CREDITS

OR INCREASE GF RV See Note

Provides for the carry forward rather than the refund of a certain portion of the tax credit for solar energy systems

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 retains current law but only allows 50% of the credit to be refundable with carryforward of the balance against all subsequent income tax without a time limit, effective with tax year 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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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	DECREASE	DECREASE	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. It is assumed that LDR will accommodate this carryforward provision in the same manner as those on other taxes. However, the administrative provisions of this bill in concert with other bills enacted this session could require additional resources.

REVENUE EXPLANATION

This bill does not change the calculation of the solar tax credit but limits refundability of the credit to 50% with the remaining 50% becoming non-refundable against any future income tax liabilities without expiration. On average over the last 3 fiscal years, about 14% of the solar credits were claimed as an offset to an existing tax liability which translates to 86% refundability. If under this bill only 50% of the credit value is allowed to be refundable in FY 16 (year 1) about \$5.5M fewer credits will be paid by the state but allowed to be carried forward into future tax years. Due to the uncertainty in program costs given the recent changes to the program for which data has not yet become available, this magnitude is uncertain.

Given that such a small amount of tax liability is being offset with the credit, it is not likely that future credits will be utilized in full, though some credits will continued to be claimed in years beyond that within which the credit is earned. it is expected that the reduction in refundability will be greater in magnitude than the use of credits carried forward into subsequent years resulting in a net increase in SGF throughout the life of the program. However, the carryforward provision of the bill will allow a fiscal impact beyond the expiration of the credit, reducing revenue in FY 19 and FY 20 even though under current program provisions, there will be no new solar credit claims anticipated in FY 19 and FY 20.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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