

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 92** SLS 09RS 126
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 30, 2009	2:31 PM	Author: GAUTREAUX, N.
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Expands wind/solar credit beyond property owners		

TAX/TAXATION EG DECREASE GF RV See Note Page 1 of 1

Provides for the taxpayers who may claim the wind or solar energy systems tax credit and to require the disclosure of a previously claimed tax credit. (gov sig)

Current law provides a refundable income tax credit of 50% of the first \$25,000 of the cost of purchase and installation of wind or solar energy systems to residential structures located in the state, including apartments. The credit is available for both new and retrofitted installations to the owner of the structure. No other state credit can be claimed on the system.

Proposed law retains current law and expands the refundable credits to taxpayers that do not own the structures into which the systems will be installed. Proposed law also states that the system will not be eligible for additional credits upon resale and that past credits must be disclosed to the purchaser. The measure that prevents the taxpayer from receiving any other state tax benefit on this property if this credit is claimed is removed. The bill also removes the restriction that transference of energy must be through a separate apparatus. The proposed credit is applicable to eligible amounts paid on and after January 1, 2009. Effective upon governor's signature.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
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	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	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	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

State general fund revenue will likely decline by an indeterminable amount in Fiscal Year 2009-10 and thereafter due to the proposed legislation. A federal credit of 30% of the purchase price and installation costs for commercial and residential property implementation of wind or solar power systems has been available for some time but the \$2,000 cap was only recently removed in October, 2008. The federal credit is now available on systems operational before December 31, 2016. Any impact from this improved federal credit has not yet been established, but it could increase the demand for solar and wind energy systems. The current state credit for residential installations is available for the first time on tax year 2008 returns. The state credit being amended by this bill is refundable so any credits claimed will reduce state revenue collections regardless of the tax liability of the tax filer.

The current credit is limited to the lesser of 50% of the purchase and installation of a system or \$12,500. However, the Department of Revenue has found that larger systems can be split into smaller systems in order to qualify for a larger credit. There is no household maximum on credits. However, once determined as an eligible system, only one credit is allowed for that system.

Tax year 2008 marks the first year that the credits were available. According to the Department of Revenue, as of April 28, 2009, credits totaling \$648,509 have been claimed on 143 individual income tax forms with a final filing deadline of May 15. Extending this credit to non-owners and allowing the rental of systems will possibly increase the utilization of the credit but the increase cannot be established with certainty. Given the relatively small amount of use thus far, it is unlikely that annual revenue loss would increase drastically. However, without a pattern of utilization on the existing credit and the unknown impact of a recently uncapped 30% federal credit, it is possible that costs could increase substantially over the next few years.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Chief Economist