LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 480** HLS 15RS 602
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 7, 2015 3:51 PM **Author:** MORRIS, JAY
Dept./Agy.: Revenue
Subject: Lowers solar credits and sunsets program on July 1, 2017 **Analyst:** Deborah Vivien

TAX/INCOME-CREDIT OR INCREASE GF RV See Note
Reduces the amount and duration of the refundable income tax credit for a solar energy system

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 lowers the leased credit rate from 38% to 30% and the purchased credit rate from 50% to 40% and accelerates the expiration of the credit by one year from 1/1/18 to 1/1/17. Effective with tax periods beginning on or after August 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			
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 1 year to 1/1/17, which would increase SGF by the amount that would have been claimed as solar credits had the program continued to its current expiration of 1/1/18. The bill also lowers the credit rate for leased systems from 38% to 30% and for purchased systems from 50% to 40% of eligible costs on August 1, 2015 or roughly half of tax year 2015 (FY 16 would be the first year impacted). Current program caps remain in place, including size restrictions for leased system and a maximum credit of $12,500 for purchased systems. Cost estimates of the program are made complicated because the solar program is in the midst of significant reductions to the leased system credits, the market response of which is indeterminable. The cost estimate in the fiscal note is also hampered by the lack of year-to-date data to gauge the response to these changes, making the analysis less reliable than that expected for budgetary purposes. Using the information known and making reasonable assumptions, limiting the solar credits to those systems installed prior to the various dates in the bill, is estimated to increase SGF by roughly $3.5M in FY 16 , $7M in FY 17 and about $33M in FY 18. Actual results could be significantly higher or lower than this depending on the planned utilization of the current credits.

The estimate for FY 16 assumes that half the systems expected to be eligible for a credit under current law receive a lower credit as of the middle of tax year 2015. However, actual timing of installations is uncertain. Installations of both systems slow but do not cease in response to a lower credit rate. 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 to be perfect. Leased system credits are estimated to decline as the eligible system size brings the maximum leased credit down to $4,560. The responsiveness of leased system claims to the reduction in the credit calculation is extremely uncertain without corroborating data since the 30% credit combined with a federal credit of 30% is still a significant inducement to install a system. The same is true for a purchased system at 40% state credit with a 30% federal credit. Financing arrangements for solar systems may 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 2016 under current law, the last significant fiscal impact is expected in FY 17 as income tax returns are filed. However, some credits may be claimed in FY 18 as systems become operational after December 31, 2016. This note assumes all credits are claimed in the same year as the installation.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 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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