
DIGEST

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Ponti

HB No. 705

Abstract: Repeals the tax credit for wind energy systems; phases out tax credit for solar energy systems; and allows same phased out tax credit for solar thermal systems.

Present law provides for a tax credit for the purchase and installation of a wind energy system or solar energy system.

Proposed law repeals the tax credit for wind energy systems and changes the tax credit for solar energy systems to a tax credit for solar electric systems and solar thermal systems.

Present law authorizes the tax credits against the income tax for the cost of purchase and installation of a wind energy system or solar energy system, or both, by a taxpayer at his residence located in this state, by the owner of a residential rental apartment project, or by a taxpayer who purchases and installs such a system in a residence or a residential rental apartment project which is located in Louisiana. Present law further provides that the credit may be claimed in cases where the resident individual purchases a newly constructed home with such a system already installed or where such a system is purchased and installed at an existing home, or where such systems are installed in new or existing apartment projects.

Proposed law removes the tax credit for installations in a residential rental apartment project.

Proposed law requires each eligible system to be installed on the property of the residence to which the electrical, mechanical, or thermal energy is delivered.

Proposed law authorizes, with respect to each residence, only one credit for a solar electric system or one credit for a solar thermal system.

Present law provides that the credit shall be equal to 50% of the first \$25,000 of the cost of each wind energy system or solar energy system, including installation costs, that is purchased and installed on or after Jan. 1, 2008.

Proposed law deletes the present law tax credit for wind energy and provides that the credit for each solar electric system shall be equal to 50% of the first \$25,000 of the cost of purchase for each solar electric system, including installation costs, that is purchased and installed on or after Jan. 1, 2008, and before Dec. 31, 2016, by a taxpayer at his residence and by a third party taxpayer at a residence in this state through a lease with the owner of the residence.

Proposed law provides that the credit for each solar electric system shall be equal to 35% of the first \$25,000 of the cost of purchase for each solar electric system, including installation costs, that is purchased and installed on or after Jan. 1, 2017, and before Dec. 31, 2020, by a taxpayer at his residence and by a third party taxpayer at a residence in this state through a lease with the owner of the residence.

Proposed law provides that the credit for each solar thermal system shall be equal to 50% of the first \$10,000 of the cost of purchase for each solar thermal system, including installation costs, that is purchased and installed on or after Jan. 1, 2013, and before Dec. 31, 2016, by a taxpayer at his residence or by a third party taxpayer at a residence in this state through a lease with the owner of the residence.

Proposed law provides that the credit for each solar thermal system shall be equal to 35% of the first \$10,000 of the cost of purchase for each solar thermal system, including installation costs, that is purchased and installed on or after Jan. 1, 2017, and before Dec. 31, 2020, by a taxpayer at his residence or by a third party taxpayer at a residence in this state through a lease with the owner of the residence.

Proposed law provides that whenever, in return for the purchase price or as an inducement to make a purchase, marketing rebates or incentives are offered, the cost of purchase shall be reduced by the fair market value of the marketing rebate or incentive received. Marketing rebates or incentives include but are not limited to cash rebates, prizes, gift certificates, trips, additional energy efficiency items or services, except free energy audits, or any other thing of value given by the seller, installer, or equipment manufacturer to the taxpayer as an inducement to purchase a solar electric or solar thermal system.

Present law provides that, in the case of a taxpayer who purchases and installs a system in a residence or a residential rental apartment project which is located in Louisiana, the tax credit shall be claimed on the return for the taxable year in which such system is completed and placed in service. In the case of a taxpayer who purchases a newly constructed home or newly constructed residential rental apartment project with such a system, the tax credit shall be claimed on the return for the taxable year in which the act of sale takes place.

Proposed law retains present law but removes the tax credit for installations in a residential rental apartment project.

Present law defines "wind energy system" as a system of apparatus and equipment with the primary purpose of intercepting and converting wind energy into mechanical or electrical energy and transferring this form of energy by a separate apparatus to the point of use or storage.

Proposed law repeals present law.

Proposed law defines "cost of purchase" as the reasonable and prudent costs for the equipment and installation of the solar electric or solar thermal systems.

Present law defines "solar energy system" as an energy system with the primary purpose of collecting or absorbing sunlight for conversion into electricity or an energy system with the primary purpose of collecting or absorbing solar energy for conversion into heat for the purposes of space heating, space cooling, or water heating.

Proposed law repeals present law.

Proposed law defines "solar electric system" as a system consisting of photovoltaic panels with the primary purpose of converting sunlight to electrical energy and all equipment and apparatus necessary to connect, store, and process the electrical energy for connection to and use by an electrical load. "Solar electric system" shall include grid-connected net metering systems, grid-connected net metering systems with battery backup, standalone alternating current (AC) systems, and standalone direct current (DC) systems.

Proposed law further defines the eligible system components for a solar electric system to include the following:

- (1) For grid-connected, net metering solar electric systems, the components include photovoltaic panels, mounting systems, inverters, charge controllers, batteries, battery cases, alternating current (AC) and direct current (DC) disconnects, lightning and ground fault protection, junction boxes, remote metering display devices, and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load.
- (2) For stand-alone solar electric AC systems, the components include photovoltaic panels, mounting systems, inverters, charge controllers, batteries, battery cases, AC and DC disconnects, lightning and ground fault protection, junction boxes, remote metering display devices, and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load.
- (3) For stand-alone solar electric DC systems, the components include photovoltaic panels, mounting systems, charge controllers, batteries, battery cases, DC disconnects, lightning and ground fault protection, junction boxes, remote metering display devices, and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load.

Proposed law defines "solar thermal system" as a system consisting of a solar energy collector with the primary purpose of converting sunlight to thermal energy and all devices and apparatus necessary to transfer and store the collected thermal energy for the purposes of heating water, space heating, or space cooling.

Proposed law further defines the eligible system components for a solar thermal system to include solar thermal collectors, mounting systems, solar hot water storage tanks, timers, pumps, heat exchangers, drain back tanks, expansion tanks, controllers, sensors, valves, freeze protection devices, air elimination devices, photovoltaic panels for PV systems, piping, insulation, and other

related materials from the solar thermal collectors to the solar hot water storage tanks.

Present law provides that credits may be claimed in accordance with the following:

- (1) Any entity taxed as a corporation for La. income tax and franchise tax purposes shall claim any authorized credit on its corporation income and franchise tax return.
- (2) Any individual, estate, or trust shall claim any authorized credit on its income tax return.
- (3) Any entity not taxed as a corporation shall claim any authorized credit on the returns of the partners or members as follows:
 - (a) Corporate partners or members shall claim their share of the credit on their corporation income tax or franchise tax returns.
 - (b) Individual partners or members shall claim their share of the credit on their individual income tax or franchise tax returns.
 - (c) Partners or members that are estates or trusts shall claim their share of the credit on their fiduciary income tax returns.

Proposed law retains present law.

Present law requires the secretary of the Dept. of Revenue, in consultation with the secretary of the Dept. of Natural Resources, to promulgate such rules and regulations as may be necessary to carry out the provisions of present law.

Proposed law retains present law but repeals the requirement that the rules be promulgated in consultation with the secretary of the Dept. of Natural Resources.

Nothing in proposed law shall affect or defeat any claim, assessment, appeal, suit, right, or cause of action for taxes or refunds due or accrued under the income tax laws of this state before the date on which proposed law becomes effective, whether such claims, assessments, appeals, suits, or actions have been instituted before the date on which proposed law becomes effective or are instituted thereafter if such claim, assessment, appeal, suit, or action relates to a taxable period ending on or before the effective date of proposed law.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6030)