LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 705** HLS 13RS 988
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: May 28, 2013 10:01 AM
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Dept./Agy.: Revenue
Subject: Changes solar electric system income tax credits
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TAX CREDITS RE1 INCREASE GF RV See Note

Provides relative to solar energy systems tax credit and removes wind energy systems tax credit

Current law provides a refundable income tax credit of 50% of the purchase and installation of a residential wind or solar system up to $25,000 ($12,500 in credits) paid from income or franchise tax proceeds. The credit is allowed for single family and multi-family residence installations and is issued to the homeowner, installer, or a third party system lessor. The program cost is not capped and does not sunset. The credit is limited to one system per residence. The Department of Revenue and Natural Resources (DNR) promulgate rules.

Proposed law removes wind systems, encompasses owner-occupied homes and apartments through "residence" language, and terminates the credit in 2020. Base eligible expenses (purchase plus installation) remain capped at $25,000 for a solar system, whether electric, thermal or both. The credit rates for both solar electric and solar thermal systems remain at 50% of eligible expenses for owned systems and are reduced from 50% to 38% for leased systems (potentially retroactive to January 1, 2008). Credits can be received for installations through 2017; affecting FY 18. DNR is no longer consulted for rules. Effective January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	$0	INCREASE	INCREASE	INCREASE	INCREASE	**$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**

EXPENDITURE EXPLANATION

The bill generally requires similar administrative duties as the existing credit. Thus, there is no anticipated direct material effect on governmental expenditures as a result of this measure. Any additional expenses will be absorbed as part of normal agency operations.

REVENUE EXPLANATION

The bill retains the $25,000 cost cap ($12,500 credit) for systems, though it allows a system to include both a thermal and electric component, which is not allowed under current law. Since it appears that most system costs were approaching $25,000, adding two systems but retaining the cost cap for both systems combined is not expected to significantly impact the cost of the credit.

Assumptions are too general to determine an absolute effect but the net impact of the bill is expected to be a reduction in credits issued resulting in an increase in SGF receipts. However, base growth in the program is still likley to occur. Thus, program costs are still likley to be greater over time, but less than than they would be in the absence of this bill.

The credit for owned systems is the same (50%) through 2017. However, the credit for leased systems is reduced to 38% beginning January 1, 2014 (a 12 percentage point reduction from 50%), which will first impact in FY 15. In a simple model of the program, if every credit was $12,500, there would be 2,000 systems receiving credits under FY 12 figures. Based on various sources, 75% or 1,500 systems are assumed leased with eligible costs of $25,000, the credit rate reduction would result in program costs being $4.5 M smaller; reflected in an increase in SGF.

While the elimination of apartments was discussed in committee testimony as one of the goals of committee amendments, the committee report still included the general terminology of "residences" which does not distinguish owner-occupied from apartments. Thus, apartments are still assumed as included in the credit program. Should they be removed, annual program costs could be another $2.5 M to $3.75 M lower than they would otherwise be.

It may be possible to construe this credit rate reduction as applying retroactively to systems installed on or after January 1, 2008. It is not clear whether a recapture of credits is planned. This fiscal note does not assume a figure for the recapture of credits already issued under the provisions of current law.

There is no anticipated impact from the removal of wind systems since few if any systems were installed under the program. Components allowable as eligible expenses appear to mirror the current program, and the LFO has not been made aware of any differences, in wording or interpretation.

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

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