LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 779** HLS 15RS 1112
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 19, 2015 2:22 PM
Author: PONTI
Dept./Agy.: Revenue
Subject: Repeals leased and reduces purchased solar credit
Analyst: Deborah Vivien

TAX CREDITS OR INCREASE GF RV See Note
Provides with respect to the solar energy systems tax credit

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 repeals the credit for leased systems and thermal systems, lowers the maximum credit to $8,000 for eligible systems and limits financing to 48 months. The bill disallows a carryforward of the credit, specifies necessary documents for claiming the credit and details certain equipment not eligible for the credit. Effective upon signature.

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 bill will increase SGF significantly for several reasons, most prevalent being the elimination of leased systems from eligibility and a reduction of the maximum credit for purchased systems by $4,500 to $8,000 per system effective upon signature, assumed to be 7/1/15 for this note. The bill also disallows thermal systems, requires more stringent claims documentation and codifies the ineligibility of certain equipment, though this equipment could be disallowed in current practice. Data is not available to estimate these provisions with precision, but they can only serve to limit the credit further, which would increase SGF.

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 since filings are not complete, though data from net metering installations from the PSC indicates that installations have not slowed to date. According to US DOE data, leased systems make up roughly 75% of all installations and presumably credits claimed. The bill could increase SGF by roughly $10M in FY 16 and about $20M each of FY 17 and FY 18, assuming the number of purchased systems claiming the credit as its new maximum falls remains at 1,250 annually until the program expires. Actual results could be significantly higher or lower than this depending on the planned utilization of the current credits. Due to the uncertainty, a specific impact is not reliable for budgetary purposes.

The estimate for FY 16 assumes that half the leased systems eligible for a credit are no longer eligible since the program will end in the middle of tax year 2015. However, actual timing of installations is uncertain and could be concentrated in the early part of the year in anticipation of changes to the state solar credits. 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.

In estimating future program costs, leased system credits are expected to decline as the eligible system size brings the maximum leased credit down to $4,560, though it is possible that a higher volume of installations could sustain current credit costs, especially with lower material and installation costs. The responsiveness of leased system claims to the reduction in the credit calculation is extremely uncertain since the 38% credit combined with a federal credit of 30% is still a significant inducement to install a system. Also, financing arrangements for solar systems 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 2017 under current law, the last significant fiscal impact is expected in FY 18 as income tax returns are filed. However, some credits may be claimed in FY 19 as systems become operational after December 31, 2017. This note assumes all credits are claimed in the same year as the installation and that the federal credit that sunsets on 12/31/16 is renewed through 12/31/17 when the state solar credit expires.

Senate | Dual Referral Rules | House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 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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