

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 507** HLS 15RS 1151
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Extends the solar credit to multi-family homes		

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Provides relative to 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 expands the credit to include multi-family homes as defined as a dwelling by the International Residential Code, which presumably adds two-family homes but only allows one system per structure.

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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.	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>	\$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 expands eligibility for the solar tax credit to multi-family homes (one system per home, not per unit) which will decrease state general fund revenue to the extent that these types of homes install solar systems eligible for the tax credit. The bill allows the credit for multi-family homes as defined as a dwelling by the International Residential Code, which is presumably one- and two-family homes and townhomes. Since one-family homes are currently eligible, state general fund will decrease by the credits claimed to the extent that two-family homes have eligible solar systems installed prior to January 1, 2017 (maximum credit of \$12,500 per residence for purchased systems and decreasing maximum for leased systems). Estimates of the potential claims would be speculative, though the 2013 American Community Survey reports that in Louisiana over 80,000 two-unit residences exist in Louisiana. However, when the solar credit was amended during the 2013 Regular Session of the Legislature, it was estimated that the elimination of multi-family homes from credit eligibility increased SGF by \$2.5 million - \$3.75 million annually, although that change was not limited to only two-family homes. The impact could vary depending on actual, and unpredictable installation activity. It would take only 110 systems obtaining the smallest maximum credit of \$4,560 to reach a \$500,000 state revenue cost.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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