

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

## Legislative Fiscal Note

**BILL NUMBER:** Senate Bill 505 (First Edition)

**SHORT TITLE:** Income Tax Credit - Energy Efficient Homes.

**SPONSOR(S):** Senator Swindell

	FISCAL IMPACT				
	Yes ( )	No ( )	No Estimate Available ( )		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
<b>REVENUES:</b> (\$ Millions)	(2.0)	(2.2)	(2.5)	(2.8)	(3.2)
<b>EXPENDITURES:</b>					
<b>POSITIONS</b> (cumulative):					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Revenue					
<b>EFFECTIVE DATE:</b> January 1, 2007					

### BILL SUMMARY:

The bill provides for an income tax credit for the construction of a single- or multi-family home that is a federally qualified energy-efficient home or a state certified energy-efficient home. A federally qualified energy-efficient home is a residence, which qualified under the ENERGY STAR Program as administered by the United States Environmental Protection Agency. A State-certified energy-efficient home is a residence certified under the NC Healthy Built Homes Program as administered by the North Carolina Solar Center, the State Energy Office, and the North Carolina Office of Administration.

The bill enacts new G.S. 105-130.49 and new G.S. 105-151.31 to provide corporate and individual income tax credits for taxpayers that build or manufacture energy-efficient homes, as defined in the bill. The taxpayer must document the home's energy efficiency. The amount of credit is \$1,000 for a new federally qualified energy-efficient home, or \$2,000 for a new state-certified energy efficient home, but not both. The credit may not exceed the amount of corporate or individual income tax imposed for the taxable year reduced by the sum of all credits allowable, except tax

payments made by or on behalf of the taxpayer. Any unused portion of a credit may be carried forward for the succeeding five years.

Effective for taxable years beginning on or after January 1, 2007, and applies to homes that receive the qualification or certification on or after that date. Both new sections are repealed for taxable years beginning on or after January 1, 2012.

**ASSUMPTIONS AND METHODOLOGY:**

A fiscal estimate was developed using data provided by the State Energy Office. They stated that in 2006, 1,942 federally certified energy-efficient homes and 50 NC Healthy Built Homes were constructed. Based on this information plus information on new construction starts as projected by Moody's economy.com and previous year growth in the Federal Energy Star program, it was estimated that in FY2007-08 tax credits taken would equal \$2.0 million.

This estimate assumed that all tax credits generated by the bill would be taken in the tax year they were generated. It was also assumed that the tax credits would have a modest stimulative effect on the construction of energy-efficient homes. Finally, it was assumed that growth in the NC Healthy Built Home program would mirror growth in the federal Energy Star program.

**SOURCES OF DATA:** State Energy Office, U.S. Department of Energy, Moody's economy.com

**TECHNICAL CONSIDERATIONS:** None

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**DATE:** May 16, 2007



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