

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 512 (Third Edition)

**SHORT TITLE:** Incentives for Energy Conservation.

**SPONSOR(S):** Representatives Luebke, Holliman, and Harrison

<b>FISCAL IMPACT (\$ Millions)</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
<b>REVENUES</b>					
<b>General Fund</b>				<b>(\$1.0)</b>	<b>(\$1.0)</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> NC Department of Revenue					
<b>EFFECTIVE DATE:</b> January 1, 2009					

### **BILL SUMMARY:**

Current tax law awards an income tax credit to any taxpayer who constructs, purchases, or leases renewable energy property and places this property in service inside the state. The credit equals 35% of the cost of the property (with ceilings for certain technologies). In the case of renewable energy property that serves a single-family dwelling, the credit must be taken in the taxable year in which the property is placed in service. For all other renewable energy property, the entire credit must be taken in five equal installments, beginning with the taxable year in which the property is placed in service. House Bill 512 extends the sunset of the credit from January 1, 2011 to January 1, 2016 and clarifies the definition of nonresidential property.

### **ASSUMPTIONS AND METHODOLOGY:**

Extending the sunset of the credits will increase the length of time that the state awards the existing credits for new projects. The net impact of this will be a decrease in revenues starting in FY 2012-2013, the first year in which the credits would not have been completely active under existing legislation. According to the North Carolina Department of Revenue's Summaries of the Renewable Energy Credits for years 2003 through 2007, the amounts of the credits awarded for renewable energy property have been highly variable for the past five years but have not exceeded \$1 million. This report does not have the detail to indicate how much of the credits reflect new activity in recent years versus installments for past projects. Due to this variability and lack of complete information, this report assumes \$1 million as a rough estimate of the loss of revenues in FY 2012-13 and FY 2013-14 due to the extension of the sunset. The cost could exceed this amount if there is increased investment in renewable energy property. While the bill makes other changes, they are not expected to have a fiscal impact.

**SOURCES OF DATA:** NC Department of Revenue

**TECHNICAL CONSIDERATIONS:** None

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