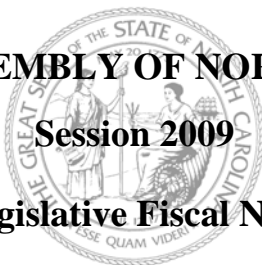


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 621 v.1

SHORT TITLE: Geothermal Heat Pump Tax Credit.

SPONSOR(S): Representatives Faison, Harrell, and K. Alexander

FISCAL IMPACT (\$ Millions)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
General Fund	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: Taxable years beginning on or after January 1, 2009					

BILL SUMMARY:

House Bill 621 adds an income tax credit to taxpayers for the installation of a geothermal heat pump within the state to the Renewable Energy Credits. The credit is equal to 30% of the cost of the property with a limit of \$6000 per installation and must be taken in the year in which the pump was purchased and installed. The tax credit expires for geothermal heat pumps placed in service beginning on or after January 1, 2016. The credit is non-refundable in cases where the amount of the credit exceeds tax liability

ASSUMPTIONS AND METHODOLOGY:

According to estimates from the North Carolina Solar Center, 20-30 geothermal heat pumps are currently installed each year. With the addition of an income tax credit, assuming that the recession will not impact purchasing decisions too greatly, this number is estimated to increase to 50 a year. The new bill would award an income tax credit equal to 30% of the cost of the heat pump credit with a ceiling of \$6000 of credit per installation. In North Carolina the cost of installation is estimated to range between \$17,500 and \$27,000. Assuming that the cost of installation is \$27,000, the amount of each credit would be the \$6000 ceiling. Multiplying the \$6000 credit by the estimated number of installations each year results in a \$300,000 loss in revenues for FY 2009-10 due to the inclusion of geothermal heat pumps in the tax credit. While

this credit is not refundable, due to the cost range of geothermal heat pumps, this analysis assumes that the amount of the credit will not exceed tax liability during the years the credit is offered.

SOURCES OF DATA: NC Solar Center

TECHNICAL CONSIDERATIONS: None

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DATE: March 18, 2009



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