

SUMMARY ANALYSIS OF AMENDED BILL

Author: Nakanishi Analyst: Jennifer Bettencourt Bill Number: AB 155
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: May 14, 2007
 Attorney: Daniel Biedler Sponsor: _____

SUBJECT: Energy Efficient Home Credit

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced January 18, 2007.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- _____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- _____ FURTHER AMENDMENTS NECESSARY.
- _____ DEPARTMENT POSITION CHANGED TO _____.
- REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 18, 2007, STILL APPLIES.
- _____ OTHER – See comments below.

SUMMARY

This bill would allow a tax credit for the construction of a qualified energy efficient home.

SUMMARY OF AMENDMENTS

The May 14, 2007, amendments added language that would do the following:

- Clarify definitions for “qualified taxpayer,” and qualified energy efficient home,”
- Assign a certifying agency,
- Provide a carryover provisions, and
- Establish a sunset date.

The May 14, 2007, amendments resolved the “Implementation Considerations” and “Policy Concerns” identified in the department’s analysis of the bill as introduced on January 18, 2007. Except for the “This Bill” and “Economic Impact” sections, the remainder of the department’s analysis of the bill as introduced on January 18, 2007, still applies.

Board Position:	Legislative Director	Date
_____ S	Brian Putler	5/21/07
_____ SA		
_____ N		
_____ NA		
_____ O		
_____ OUA		
_____ NP		
_____ NAR		
_____ X PENDING		

THIS BILL

For taxable years beginning on or after January 1, 2008, this bill would provide a credit for a qualified taxpayer, as defined, for the construction or acquisition of a qualified energy efficient home.

This bill would define the following terms:

- “Eligible contractor” means a person who constructs or manufactures a qualified energy efficient home.
- “Qualified taxpayer” means an eligible contractor who is a California taxpayer.

This bill would require that a “qualified energy efficient home” be a dwelling unit located in California and is certified by the Secretary of Energy (SOE). The qualified taxpayer would be required to provide a certificate, issued by the SOE, on or after January 1, 2008, to the Franchise Tax Board to certify that the home qualifies as an energy efficient home under Section 47L of Title 26 of the United States Code.

The credit amount would be based on the type of certification related to energy savings as follows:

A \$2,000 credit would be allowed for dwelling units that are certified to meet the following requirements:

- Have a level of annual heating and cooling energy consumption that is at least 50% below the annual level of heating and cooling energy consumption of a comparable dwelling unit,
- Have building envelope component (i.e., exterior walls, floor, roof) improvements that account for at least 1/5 of the 50% reduction in energy consumption,
- Are constructed in accordance with the standards of Chapter 4 of the 2003 International Energy Conservation Code, as that code is in effect on January 1, 2008,
- Contain the minimum heating and cooling equipment efficiencies pursuant to the National Appliance Energy Conservation Act of 1987, as it is in effect at the time of completion, and
- Conform to Section 3280 of Title 24 of the Code of Federal Regulations, if the dwelling is a manufactured home.

A \$1,000 credit would be allowed for dwelling units that are certified to meet the following requirements:

- The dwelling unit is a manufactured home that was manufactured in California.
- Conforms to Section 3280 of Title 24 of the Code of Federal Regulations, and
- Meets either of the following:
 - Has a level of annual heating and cooling energy consumption that is at least 30% below the annual level of heating and cooling energy consumption of a comparable dwelling and has envelope component improvements that account for at least one-third of the 30% reduction in energy consumption, or
 - Meets the requirements established by the Administrator of the United States Environmental Protection Agency under the Energy Star Labeled program.

This bill would allow excess credit amounts to be carried over to future tax liabilities for up to eight years, until the credit is exhausted. This credit would be repealed as of December 31, 2008.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 155 Effective On Or After January 1, 2008 Enactment Assumed After June 30, 2007 (\$ in Millions)			
Energy Efficient Home Credit	2007-08	2008-09	2009-10
	-\$3	-\$8	-\$2

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

Based on conversations with industry sources, it was projected that 10,000 qualifying energy efficient homes would be built in 2008. It is estimated that less than 5% of new manufactured homes would qualify for the \$1,000 credit allowed under this bill and would have minimal revenue impact. The credit amount of \$2,000 was applied to the number of homes for a total impact of \$20 million (10,000 homes x \$2,000 credit).

Of the \$20 million in credit generated in 2008, it was assumed that the builder would use \$10 million in the first year, and the remaining \$10 million would be carried over and applied ratably in the succeeding five years, or \$2 million each year.

A small portion of the \$10 million would appear in the 2007-08 fiscal year. The remainder of the credits claimed, plus some carryover, is in the 2008-09 fiscal year. In the third year, only carryover amounts would be reflected.

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