

Date of State Budget Office Approval: Tuesday, March 27, 2012

Date Requested: Friday, March 16, 2012

Date Due: Monday, March 26, 2012

Impact on Expenditures

FY 2012 n/a
 FY 2013 n/a
 FY 2014 n/a

Impact on Revenues

FY 2012 n/a
 FY 2013 \$(159,851)
 FY 2014 \$(169,834)

Explanation by State Budget Office:

This act would allow for a credit against the tax imposed by Rhode Island General Law Chapter 44-30 entitled "Personal Income Tax" for the installation and the placement in service of a residential renewable energy system as provided for in Rhode Island General Law Chapter 44-57 entitled "Residential Renewable Energy System Tax Credit".

The Residential Renewable Energy System Tax Credit is equal to 25.0 percent of the cost of various residential renewable energy systems such as: photovoltaic systems, solar domestic hot water systems, active solar heating systems, wind energy systems, and geothermal systems. The first \$15,000 of costs associated with the installation and use of photovoltaic systems, active solar heating systems, and wind energy systems are eligible for the credit resulting in a maximum credit of \$3,750. The first \$7,000 of costs associated with the installation and use of solar domestic hot water systems and geothermal systems are eligible for the credit resulting in a maximum credit of \$1,750.

Comments on Sources of Funds:

All personal income taxes are considered to be general revenues.

Summary of Facts and Assumptions:

The effective date of this act is upon passage but it is assumed that the implementation of the credit is for tax years beginning on or after January 1, 2012.

According to the Rhode Island Division of Taxation, 78 taxpayers (residents and non-residents) claimed \$132,722 of residential renewable energy system tax credits in TY 2009. It is assumed that tax year 2009 payments are realized in FY 2010. Rhode Island personal income tax collections in FY 2010 were \$898,113,113. Thus, residential renewable energy system tax credits are estimated to comprise 0.0147778 percent of the total personal income tax collections in FY 2010.

This percentage was applied to the November 2011 Revenue Estimating Conference personal income tax estimates for FY 2013 of \$1,081,700,000. It was also applied to the Budget Office's projection for FY 2014 of \$1,146,208,116 in personal income taxes collected. The application of this percentage yields the revenue loss estimates

noted above.

It is important to note that, as written, the act allows the residential renewable energy system tax credit on a retroactive basis (i.e., it applies the credit to income earned in periods prior to the passage of the act). This will cause problems with the administration of the personal income tax system and likely result in legal action against the state. The act's retroactivity should be eliminated.

It should be noted that the Rhode Island General Assembly repealed the use of the residential renewable energy system tax credit in June 2010 as a part of the comprehensive personal income tax reform bill.

*Summary of Fiscal
Impact:*

FY 2012: Not applicable given the assumed implementation date of the act.

FY 2013: A revenue loss of \$159,851 is forecast.

FY 2014: A revenue loss of \$169,384 is forecast.

Fiscal Advisor's Approval:

Signature:

