

LC 563 (ODOE LC 2)
Residential Energy Tax Credit
10/4/06

Bill Summary

1. Allow use of the RETC more than once in the same years, e.g. for a solar water heater and for a solar electric system.
2. Increase the tax credit for fuel cells fueled by any source and for wind generation, similar to the increase in solar electric systems last session.
3. Effective retroactive to 1/1/07.

Relating to renewable energy.

316.116. Credit for alternative energy device, alternative fuel vehicle, wind, or solar electric system. (1)(a) A resident individual shall be allowed a credit against the taxes otherwise due under this chapter for costs paid or incurred for construction or installation of an alternative energy device **or devices** in a dwelling.

(b) A resident individual shall be allowed a credit against the taxes otherwise due under this chapter for costs paid or incurred to modify or purchase an alternative fuel vehicle or related equipment.

(c) A resident individual shall be allowed a credit against the taxes otherwise due under this chapter for costs paid or incurred for construction or installation of a solar electric system in a dwelling.

(2)(a) Except in the case of an alternative fuel device, **[or] a solar or wind electric system, or a fuel cell**, the credit shall be based upon the first year energy yield of the alternative energy device that qualifies under ORS 469.160 to 469.180. The amount of the credit shall be the same whether for collective or noncollective investment.

(b) The credit allowed under this section for each dwelling shall not exceed the lesser of:
(A) \$1,500 or the first year energy yield in kilowatt hours per year multiplied by 60 cents per dwelling utilizing the alternative energy device used for space heating, cooling, electrical energy or domestic water heating for tax years beginning on or after January 1, 1990, and before January 1, 1996.

(B) \$1,200 or the first year energy yield in kilowatt hours per year multiplied by 48 cents per dwelling utilizing the alternative energy device used for space heating, cooling, electrical energy or domestic water heating for tax years beginning on or after January 1, 1996, and before January 1, 1998.

(C) \$1,500 or the first year energy yield in kilowatt hours per year multiplied by 60 cents per dwelling utilizing the alternative energy device **for each system** used for space heating, cooling, electrical energy or domestic water heating for tax years beginning on or after January 1, 1998.

(c) For an alternative energy device used for swimming pool, spa or hot tub heating, the credit allowed under this section shall be based upon 50 percent of the cost of the device

or the first year's energy yield in kilowatt hours per year multiplied by 15 cents, whichever is lower, up to:

(A) \$1,500 for tax years beginning on or after January 1, 1990, and before January 1, 1996.

(B) \$1,200 for tax years beginning on or after January 1, 1996, and before January 1, 1998.

(C) \$1,500 for tax years beginning on or after January 1, 1998.

(d) For an alternative fuel device, the credit allowed under this section is 25 percent of the cost of the alternative fuel device but the total credit shall not exceed \$750 if the device is placed in service on or after January 1, 1998.

(e)(A) For a solar electric **or fuel cell** system, the credit allowed under this section shall equal \$3 per watt of installed output, but the installed output that is used to determine the amount of credit under this paragraph may not exceed 2,000 watts.

(B) For a wind electric system, the credit allowed under this section shall not exceed the lesser of \$6,000 or the first year energy yield in kilowatt-hours multiplied by \$1.20.

([B]C) Notwithstanding subparagraphs (A **and B**) of this paragraph, the amount of the credit allowed in any one tax year may not exceed the tax liability of the taxpayer or \$1,500, whichever is less. Unused credit amounts may be carried forward as provided in subsection (7) of this section, but may not be carried forward to a tax year that is more than five tax years following the first tax year for which any credit was allowed with respect to the solar **or wind** electric **or fuel cell** system that is the basis for the credit.

([C]D) Notwithstanding subparagraphs (A **and B**) of this paragraph, the total amount of the credit allowed under this paragraph may not exceed 50 percent of the total installed cost of the solar **or wind** electric **or fuel cell** system.

(3)(a) In the case of a credit for an alternative energy device that is an energy efficient appliance, the credit allowed to a resident individual under this section shall equal:

(A) 48 cents per first year kilowatt hour saved, or the equivalent for other fuel saved, not to exceed \$1,200 for each tax year beginning on or after January 1, 1998, and before January 1, 1999; and

(B) 40 cents per kilowatt hour saved, or the equivalent for other fuel saved, not to exceed \$1,000 for each tax year beginning on or after January 1, 1999.

(b) Notwithstanding paragraph (a) of this subsection, the credit allowed for an energy efficient appliance shall not exceed 25 percent of the cost of the appliance.

(4) To qualify for a credit under this section, all of the following are required:

(a) The alternative energy device or solar electric system must be purchased, constructed, installed and operated in accordance with ORS 469.160 to 469.180 and a certificate issued thereunder.

(b) Except for credits claimed for alternative fuel devices **or** new homes constructed with renewable alternative energy devices, the taxpayer who is allowed the credit must be the owner or contract purchaser of the dwelling or dwellings served by the alternative energy device, [or] solar **or wind** electric system, **or fuel cell**, or the tenant of the owner or of the contract purchaser and must:

(A) Use the dwelling or dwellings served by the alternative energy device, solar **or wind** electric system **or fuel cell** as a principal or secondary residence; or

(B) Rent or lease, under a residential rental agreement, the dwelling or dwellings to a tenant who uses the dwelling or dwellings as a principal or secondary residence, unless the basis for the credit is the installation of an energy efficient appliance. If the basis for the credit is the installation of an energy efficient appliance, the credit shall be allowed only to the taxpayer who actually occupies the dwelling as a principal or secondary residence.

(c) In the case of an alternative fuel device, if the device is a fueling station necessary to operate an alternative fuel vehicle, unless the verification form and certificate are transferred as authorized under ORS 469.170 (8), the taxpayer who is allowed the credit must be the contractor who constructs the dwelling that incorporates the fueling station into the dwelling or installs the fueling station in the dwelling. If the alternative energy device is an alternative fuel vehicle, the credit must be claimed by the owner as defined under ORS 801.375 or contract purchaser. If the alternative energy device is related equipment, the credit may be claimed by the owner or contract purchaser.

(d) In the case of a renewable alternative energy device, the credit may be claimed by the owner or contract purchaser of the dwelling or dwellings served by the renewable alternative energy device, solar or wind electric system or fuel cell, or the tenant of the owner or of the contract purchaser who occupies the dwelling as a principal or secondary residence.

[(d)] (e) The credit must be claimed for the tax year in which the alternative energy device, [or] solar **or wind** electric system, **or fuel cell** was purchased if the device or system is operational by April 1 of the next following tax year.

(5) The credit provided by this section does not affect the computation of basis under this chapter.

(6) The credit allowed under this section in any one year may not exceed the tax liability of the taxpayer.

(7) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding tax year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding tax year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

(8) A nonresident shall be allowed the credit under this section in the proportion provided in ORS 316.117.

(9) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the credit allowed by this section shall be prorated or computed in a manner consistent with ORS 314.085.

(10) If a change in the status of a taxpayer from resident to nonresident or from nonresident to resident occurs, the credit allowed by this section shall be determined in a manner consistent with ORS 316.117.

(11) A husband and wife who file separate returns for a taxable year may each claim a share of the tax credit that would have been allowed on a joint return in proportion to the

contribution of each. However, a husband or wife living in a separate principal residence may claim the tax credit in the same amount as permitted a single person.

(12) As used in this section, unless the context requires otherwise:

(a) "Collective investment" means an investment by two or more taxpayers for the acquisition, construction and installation of an alternative energy device for one or more dwellings.

(b) "First year energy yield" has the meaning given in ORS 469.160.

(c) "Noncollective investment" means an investment by an individual taxpayer for the acquisition, construction and installation of an alternative energy device for one or more dwellings.

(13) As used in this section, "taxpayer" includes a transferee of a verification form under ORS 469.170 (8).

(14) Notwithstanding any provision of subsection (1) or (2) of this section, the sum of the credit allowed under subsection (1) of this section plus any similar credit allowed for federal income tax purposes shall not exceed the cost to the taxpayer for the acquisition, construction and installation of the alternative energy device, [or] solar **or wind** electric system, **or fuel cell**.

SECTION __. The amendments to ORS 316.116 by section __ of this 2007 Act apply to income tax years beginning on or after January 1, 2007.