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Income tax; provide a credit for certain energy efficiency improvements to homestead property.				

MISSISSIPPI LEGISLATURE

2010 Regular Session

To: Ways and Means

By: Representatives Jones (111th), Barker

## House Bill 1569

AN ACT TO AUTHORIZE AN INCOME TAX CREDIT FOR CERTAIN COSTS AND EXPENSES INCURRED BY A TAXPAYER FOR CERTAIN ENERGY EFFICIENCY IMPROVEMENTS TO PROPERTY USED AS A DWELLING BY THE TAXPAYER AND UPON WHICH HOMESTEAD EXEMPTION IS GRANTED; TO AUTHORIZE AN INCOME TAX CREDIT FOR CERTAIN EXPENSES INCURRED FOR THE INSTALLATION OF A WIND OR SOLAR ENERGY SYSTEM IN THE RESIDENCE OF THE TAXPAYER OR AT A RESIDENTIAL RENTAL APARTMENT COMPLEX OWNED BY THE TAXPAYER; TO EXEMPT FROM AD VALOREM TAXATION THE TRUE VALUE ADDED TO A RESIDENCE OR A RESIDENTIAL RENTAL APARTMENT COMPLEX AS A RESULT OF THE INSTALLATION OF A WIND ENERGY SYSTEM OR A SOLAR ENERGY SYSTEM THAT IS ELIGIBLE FOR THE TAX CREDIT; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

**SECTION 1.** (1) As used in this section:

(a) "Qualified energy efficiency improvements" means any energy efficient building envelope component which meets the prescriptive criteria for such component established by the 2000 International Energy Conservation Code, as such code (including supplements) is in effect on the effective date of this section (or, in the case of a metal roof with appropriate pigmented coatings which meet the Energy Star program requirements), if:

- (i) The component is installed in or on a dwelling unit;
- (ii) The original use of the component commences with the taxpayer; and
- (iii) The component reasonably can be expected to remain in use for at least five (5) years.

(b) "Building envelope component" means:

(i) Any insulation material or system which is specifically and primarily designed to reduce the heat loss or gain of a dwelling unit when installed in or on such dwelling unit;

(ii) Exterior windows (including skylights);

(iii) Exterior doors; and

(iv) Any metal roof installed on a dwelling unit, but only if such roof has appropriate pigmented coatings which are specifically and primarily designed to reduce the heat gain of such dwelling unit.

(c) "Dwelling unit" means property located in Mississippi used for residential purposes owned by the taxpayer and upon which homestead exemption is granted.

(d) "Residential energy property expenditures" means expenditures made by the taxpayer for qualified energy property which is:

(i) Installed on or in connection with a dwelling unit; and

(ii) Originally placed in service by the taxpayer.

The term "residential energy property expenditures" includes expenditures for labor costs properly allocable to the on-site preparation, assembly or original installation of the property.

(e) "Qualified energy property" means:

(i) Energy-efficient building property;

(ii) A qualified natural gas, propane, or oil furnace or hot water boiler; or

(iii) An advanced main air circulating fan.

(f) "Energy-efficient building property" means:

(i) An electric heat pump water heater which yields an energy factor of at least 2.0 in the standard United States Department of Energy test procedure;

(ii) An electric heat pump which has a heating seasonal performance factor (HSPF) of at least nine (9), a seasonal energy efficiency ratio (SEER) of at least fifteen (15), and an energy efficiency ratio (EER) of at least thirteen (13);

(iii) A geothermal heat pump which:

1. In the case of a closed loop product, has an energy efficiency ratio (EER) of at least 14.1 and a heating coefficient of performance (COP) of at least 3.3;

2. In the case of an open loop product, has an energy efficiency ratio (EER) of at least 16.2 and a heating coefficient of performance (COP) of at least 3.6; and

3. In the case of a direct expansion (DX) product, has an energy efficiency ratio (EER) of at least fifteen (15) and a heating coefficient of performance (COP) of at least 3.5.

(iv) A central air conditioner which achieves the highest efficiency tier established by the Consortium for Energy Efficiency; and

(v) A natural gas, propane, or oil water heater which has an energy factor of at least 0.80.

(g) "Qualified natural gas, propane, or oil furnace or hot water boiler" means a natural gas, propane, or oil furnace or hot water boiler which achieves an annual fuel utilization efficiency rate of not less than ninety-five (95).

(h) "Advanced main air circulating fan" means a fan used in a natural gas, propane, or oil furnace and which has an annual electricity use of no more than two percent (2%) of the total annual energy use of the furnace (as determined in the standard United States Department of Energy test procedures).

(2) (a) Qualified energy property as defined in subsection (1)(e) of this section shall meet the performance and quality standards, and the certification requirements (if any), which:

(i) Have been prescribed by the State Tax Commission by regulations after consultation with the Department of Environmental Quality; and

(ii) Are in effect at the time of the acquisition of the property, or at the time of the completion of the construction, reconstruction, or erection of the property, as the case may be.

(b) The standards and requirements prescribed by the State Tax Commission under paragraph (a) of this subsection:

(i) In the case of the energy efficiency ratio (EER) for central air conditioners and electric heat pumps:

1. Shall require measurements to be based on published data which is tested by manufacturers at ninety-five (95) degrees Fahrenheit; and

2. May be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency, and

(ii) In the case of geothermal heat pumps:

1. Shall be based on testing under the conditions of ARI/ISO Standard 13256-1 for Water Source Heat Pumps or ARI 870 for Direct Expansion GeoExchange Heat Pumps (DX), as appropriate; and

2. Shall include evidence that water heating services have been provided through a desuperheater or integrated water heating system connected to the storage water heater tank.

(3) There shall be allowed as a credit against the taxes imposed by this chapter for the taxable year an amount equal to the sum of:

(a) Ten percent (10%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed in a dwelling unit during the taxable year; and

(b) The amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year.

(4) Except as otherwise provided in subsections (5) and (6) of this section, the credit allowed under this section with respect to any taxpayer for any taxable year shall not exceed the excess (if any) of Five Hundred Dollars (\$500.00) over the aggregate credits allowed under this section with respect to such taxpayer for all prior taxable years.

(5) In the case of amounts paid or incurred for exterior windows or skylights by any taxpayer for any taxable year, the credit allowed under this section with respect to such amounts for such year shall not exceed the excess (if any) of Two Hundred Dollars (\$200.00) over the aggregate credits allowed under this section with respect to such amounts for all prior taxable years.

(6) The amount of the credit allowed under this section by reason of subsection (3)(b) of this section shall not exceed:

(a) Fifty Dollars (\$50.00) for any advanced main air circulating fan;

(b) One Hundred Fifty Dollars (\$150.00) for any qualified natural gas, propane, or oil furnace or hot water boiler; and

(c) Three Hundred Dollars (\$300.00) for any item of energy-efficient building property.

**SECTION 2.** (1) As used in this section:

(a) "Wind energy system" means a system of apparatus and equipment with the primary purpose of intercepting and converting wind energy into mechanical or electrical energy and transferring this form of energy by a separate apparatus to the point of use or storage.

(b) "Solar energy system" means a system of apparatus and equipment with the primary purpose of collecting or absorbing sunlight for conversion into electricity or an energy system with the primary purpose of collecting or absorbing solar energy for conversion into heat for the purpose of space heating, space cooling or water heating.

(c) "Residence" means property located in Mississippi used for residential purposes by the taxpayer that is eligible for homestead exemption.

(2) There shall be allowed against the taxes imposed by this chapter an amount equal to fifty percent (50%) of the first Twenty-five Thousand Dollars (\$25,000.00) paid or incurred by a taxpayer for the installation of each wind energy or solar energy system, or both, that is installed after January 1, 2010, at the residence of the taxpayer or at a residential rental apartment complex owned by the taxpayer. The credit may be claimed in cases where the taxpayer purchases a newly constructed home with such a system already installed or where such a system is purchased and installed in an existing home, or where such systems are installed in new or existing apartment projects. A taxpayer shall not receive any other state tax credit, exemption, exclusion, deduction or any other tax benefit for property for which the taxpayer has received a tax credit under this section. Any unused portion of the credit may be carried forward for five (5) consecutive years from the close of the tax year in which the wind or solar energy system was installed.

(3) In the case of an individual who purchases and installs such a system, the tax credit shall be claimed on the return for the taxable year in which such system is completed and placed in service. In the case of an individual who purchases a newly constructed home with such a system, the tax credit shall be claimed on the return for the taxable year in which the act of sale of the house takes place. In the case of an apartment project owner who purchases and installs such systems, the tax credit shall be claimed in the taxable year in which the system is completed and placed in service.

**SECTION 3.** The true value added to a residence or a residential rental apartment complex as a result of the installation of a wind energy system or a solar energy system that is eligible for the tax credit authorized by Section 2 of this act, shall be exempt from ad valorem taxation.

**SECTION 4.** The provisions of Sections 1 and 2 of this act shall be codified in Chapter 7, Title 27, Mississippi Code of 1972.

**SECTION 5.** This act shall take effect and be in force from and after January 1, 2010.