

LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 794** HLS 22RS 1026  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 22, 2022	4:06 PM	<b>Author:</b> JORDAN
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> 100% rebate for all solar system purchases and installation		<b>Analyst:</b> Deborah Vivien

TAX/TAX REBATES OR DECREASE GF RV See Note Page 1 of 1  
Authorizes a rebate for certain costs associated with the purchase and installation of solar electric systems

Proposed law provides an unlimited rebate for 100% of the purchase and installation of a qualified solar electric system located in Louisiana on residential or commercial property. Qualified systems would be nearly any solar electric system for new or retrofitted systems. Louisiana residents will apply for the rebate with the Department of Revenue, which may promulgate rules. The Department will also be responsible for recapture if an applicant is subsequently deemed ineligible. The rebate is not capped for the individual or in the aggregate and is not subject to a sunset.

Effective upon signature

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$578,567	\$524,484	\$540,218	\$556,425	\$573,117	\$2,772,811
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$578,567	\$524,484	\$540,218	\$556,425	\$573,117	\$2,772,811


REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	(\$121,000,000)	(\$121,000,000)	(\$121,000,000)	(\$121,000,000)	(\$121,000,000)	(\$605,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$121,000,000)	(\$121,000,000)	(\$121,000,000)	(\$121,000,000)	(\$121,000,000)	(\$605,000,000)

**EXPENDITURE EXPLANATION**  
The bill mandates a significant new program to be implemented by the Department of Revenue, with detailed eligibility requirements and the potential for a large number of applicants and high degree of review. It is likely the Department will require significant resources, including 3 tax specialists with 1 being supervisory (\$509,207 in FY 23 growing by 3% annually) as well as one-time system modifications in FY 23 of \$69,360. The bill does not specify a means of finance for the additional costs, therefore the costs are assumed to be paid with state general fund.

**REVENUE EXPLANATION**  
**This bill could cause a significant reduction in state general fund revenue, which may be required early in the program since almost all existing and new solar systems appear to be eligible. LDR gauges the cost estimate on the highest cost per year under the expired state solar tax credit (\$60.5 M) but indicates that this program could cost twice as much as the old program given the broad parameters and 100% of cost coverage.** The rebate will be paid without an appropriation and will presumably be paid from state tax revenue beginning in FY 23. With this bill, the state will effectively be purchasing a solar electric system(s) for any resident or business, including systems to heat pools or provide power for things other than a home or workplace, for as many systems as residents or businesses submit applications. Without an identified start date to allowable installations, certain interpretations of the bill could also include a rebate for any system that has ever been installed, which would further increase the reduction in SGF revenue.

The bill contains no cost caps for either the individual applicant or to the state program in the aggregate. Thus, any eligible application would become an immediate state obligation and could lead to cash flow issues or even mid-year deficits, should the program reach its full capacity. The cost of purchase will not include any inducements such as rebates, or other things of value given by a seller, but it does not seem to preclude the applicant from receiving federal tax credits or even past state tax credits for the same system.

It is notable that a state tax credit was in place from 2008 to 2015 offering a refundable income tax credit for up to \$12,500 for the purchase and installation price of one residential solar system per household as defined in statute. With no state cost constraints, the program quickly became prohibitively expensive for the state and was scaled back in 2015. Subsequent litigation required the state to pay out additional credits to all applicants. **The rebate program in this bill is significantly broader than the expired state tax credit for solar systems, which ultimately cost the state \$261 M in state general fund over the life of the program.**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	Alan M. Boxberger
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Interim Legislative Fiscal Officer