

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 862

Session of
1981

INTRODUCED BY PITTS, E. Z. TAYLOR, LEHR, E. H. SMITH AND REBER,
MARCH 16, 1981

REFERRED TO COMMITTEE ON FINANCE, MARCH 16, 1981

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," providing a personal and corporate income tax
11 credit for renewable energy systems.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
15 the "Tax Reform Code of 1971," is amended by adding sections to
16 read:

17 Section 315. Renewable Energy Systems.--(a) As used in this
18 section and sections 402.1 and 502.1:

19 (1) "Business property" means real property in Pennsylvania
20 used primarily for the operation of the taxpayer's trade or
21 business or held primarily for the production of income.

22 Property used both as a dwelling and as business property shall

be considered a dwelling unless more than fifty per cent of the floor space qualifies as business property.

(2) Completed installation" means that the necessary components of the system are in place and operational.

(3) "Dwelling" means the building in Pennsylvania used by the taxpayer as a regular place of abode.

(4) "Qualifying costs" means amounts actually paid or, in the case of a taxpayer who uses the accrual method of accounting for tax purposes, amounts actually incurred for the purchase and installation of equipment forming all or part of the renewable energy system. The term "qualifying costs" includes amounts paid for the purchase and installation of the principal components of such system, but does not include costs of ordinary architectural components such as insulation, skylights, drapes, or windows, or any allowance for labor performed by the taxpayer.

(5) "Renewable energy system" means a system which provides heating or cooling, generates electrical power or produces mechanical power by the use of solar, wood, water or wind power. The term "renewable energy system" does not include a fireplace or similar device capable of being operated in an open configuration, or a wood stove but does include a wood furnace, which operates a central heating system, whether or not such furnace is capable of burning other fuel and does include a coal-burning stove or furnace.

(6) "Resident individual" means, for any taxable year, an individual qualifying for residency in this Commonwealth for the entirety of that taxable year.

(b) Any resident individual taxpayer who completes installation of a renewable energy system for such taxpayer's

1 dwelling between January 1, 1981, and July 1, 1986, shall be
2 entitled to a credit against such taxpayer's Pennsylvania income
3 tax liability in an amount equal to twenty-five per cent of the
4 qualifying costs of such system, but in no event shall such
5 credit exceed one thousand dollars (\$1,000). Where a residence
6 is owned by more than one person, the credit shall be divided
7 among the owners according to their ownership share, but in no
8 event shall the total of credits with respect to the
9 installation of any one system exceed one thousand dollars
10 (\$1,000). A husband and wife owning a residence as tenants by
11 the entirety or joint tenants may claim the entire credit on a
12 joint return, or, if separate returns are filed, may divide the
13 credit, but in no event shall the total credits exceed one
14 thousand dollars (\$1,000). Such tax credit shall be deducted
15 from the taxpayer's income tax liability for the taxable year in
16 which the installation of the renewable energy system was
17 completed. If the amount of such tax credit exceeds the
18 taxpayer's income tax liability for such taxable year, the
19 amount thereof which exceeds such tax liability may be carried
20 over for deduction from the taxpayer's income tax liability in
21 the next succeeding taxable year or years until the total amount
22 of the credit has been used. However, no such tax credit shall
23 be carried over for deduction after the fourth taxable year
24 succeeding the taxable year in which installation of the
25 renewable energy system was completed.

26 (c) Any taxpayer who completes installation of a renewable
27 energy system upon business property located in this
28 Commonwealth between January 1, 1981, and July 1, 1986, shall be
29 entitled to claim an income tax credit in an amount equal to
30 twenty-five per cent of the qualifying costs, or three thousand

1 dollars (\$3,000), whichever is less. A taxpayer who installs
2 more than one renewable energy system may claim a credit in the
3 amount of twenty-five per cent of the total qualifying costs of
4 all such systems, but in no event may the taxpayer claim a total
5 credit of more than three thousand dollars (\$3,000), for
6 installations in a single year. Such tax credit shall be
7 deducted from the taxpayer's tax liability for the taxable year
8 in which the installation of such system is completed. If the
9 amount of such tax credit exceeds the taxpayer's income tax
10 liability for such taxable year, the amount thereof which
11 exceeds such tax liability may be carried over for deduction
12 from the taxpayer's income tax liability in the next succeeding
13 taxable year or years until the total amount of the tax credit
14 has been deducted from tax liability. However, no such tax
15 credit shall be carried for deduction after the fourth taxable
16 year succeeding the taxable year in which the renewable energy
17 system was acquired. Credits earned by a partnership shall be
18 passed through the individuals on the basis of their share of
19 profits and losses as shown on Federal income tax partnership
20 tax return.

21 (d) Taxpayers who install more than one system in a taxable
22 year may claim a credit in the amount of twenty-five per cent of
23 the total costs of all such systems installed. However, where
24 credits are claimed only for installations on dwellings, total
25 credit claimed in any taxable year shall not exceed one thousand
26 dollars (\$1,000). Where all installations are on business
27 property, the total credit claimed in any taxable year shall not
28 exceed three thousand dollars (\$3,000). Where credits are
29 claimed for installations on both dwellings and business
30 properties, the total credit claimed in any taxable year shall

1 not exceed four thousand dollars (\$4,000).

2 (e) Alterations to any existing renewable energy system
3 shall be eligible for the credit in the year in which the
4 alterations are completed and the qualifying costs are paid or
5 accrued, if such alterations are in the nature of capital
6 improvements, and not repairs.

7 Section 402.1. Credit for Renewable Energy Systems.--Each
8 corporation subject to the tax imposed by section 401 may deduct
9 from such tax the qualifying cost of renewable energy systems
10 upon corporate property located in the Commonwealth to the same
11 extent and subject to the same qualifications as relate to
12 business property in section 315.

13 Section 502.1. Credit for Renewable Energy Systems.--Each
14 corporation subject to the tax imposed by section 502 may deduct
15 from such tax the qualifying cost of renewable energy systems
16 upon corporate property located in the Commonwealth to the same
17 extent and subject to the same qualifications as relate to
18 business property in section 315.

19 Section 2. This act shall take effect immediately and shall
20 apply to the calendar year 1981 and fiscal years beginning in
21 1981 and each calendar and fiscal year thereafter.