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To: House Committee on Energy and Environment

From: Maureen Bock
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Subject: House Bill 2437 – Tax Credits for Energy Efficient Homes

Introduction

HB 2437 creates a new tax credit program for energy efficient homes that the Oregon Department of Energy (ODOE) would be required to administer.

What the bill does

Energy efficient homes are defined in this bill as owner-occupied single-family residential dwellings that were constructed or renovated on or after January 1, 2013 and before January 1, 2019. The bill contains several requirements that must be met to obtain eligibility for the tax credit, including:

- an energy efficient home tax credit has not been claimed before ,
- the home has a HERS index rating of 50 or lower, and
- there is a certificate of occupancy.

The new tax credit uses the Home Energy Rating System (HERS) index to determine the amount of the credit. HERS performance scores indicate relative energy use. The performance scale is 0 to 150, with 100 as the score given to the energy use of a new home built to a HERS 2004 International Energy Conservation Code design and a 0 score indicating the home uses no net purchased energy. The Residential Energy Services Network, which developed HERS, indicates a typical resale or existing home is rated at 130. HERS is used to score energy performance in homes but not commercial buildings.

HB 2437 defines homeowner as the purchaser, owner occupant of an energy efficient home and excludes subsequent purchasers from being able to claim this tax credit once it has been claimed. In other words, once a credit has been used at a particular home, no additional energy efficient home tax credit can be used by a subsequent owner for the same home.

The tax credits range from $4,000 to $8,000 depending on the HERS index rating. The bill as written authorizes the Department of Energy to issue a certificate of eligibility. A homeowner claiming the tax credit can only claim it in the year in which the home is purchased. A taxpayer claiming the credit cannot also claim a residential energy tax credit for an alternative energy device at the same home during the same year. Homeowners have one year to apply for the credit. Examples of alternative energy devices that are eligible for a residential energy tax credit include solar photovoltaic systems, wind systems, heat pump water heaters, ductless heat pumps and other energy efficient home heating or cooling devices.

Discussion
This bill would require ODOE to track information such as homes by address, the HERS index rating scores, when the score was assigned, the person to whom the tax credit was issued and date of issuance. ODOE administers a number of tax credit programs and offers some suggested considerations to ensure consistency and ease of administration.

- It is not clear when taxpayers can claim the tax credit if the home is renovated. If homeowners can only claim the tax credit in the year homes are purchased, then it may make sense that they could only claim a tax credit for a home renovation in the year the home was renovated. Section 3(2) could be amended to make that clearer.
- It is not clear whether this is a transferable tax credit. Most of the tax credits administered by the department may be transferred upon a cash payment equal to the net present value of the credit. The bill is silent on whether this is a refundable tax credit. None of the other tax credits administered by the Department are refundable; this should be clarified.
- There is no language in the bill indicating that this tax credit may be carried forward if portions of it are unused. Most of the tax credits issued by ODOE can be carried forward and this needs clarification
- There is a need to clarify the timing of getting a tax credit and claiming it. Section 2(5) states that the taxpayer may only claim the tax credit in the year in which they purchase the home but Section (3) allows a taxpayer to apply for the credit for one year following the calendar year in which they purchase the home. Typically, people cannot claim a tax credit before they apply for it and receive a certificate of eligibility.
- The bill requires taxpayers to submit a certificate of occupancy at the time they apply for a certificate of eligibility. Generally, only new homes receive a certificate of occupancy, so this requirement applied to renovated homes would need to be amended.
- The HERS rating scale ranges from 0 to 150, but the bill only uses range of 0 to 100. Other rating scales are used by different groups, even within Oregon. For example, Energy Trust of Oregon uses the Earth Advantage rating system for its voluntary program. Having multiple ratings in use, could cause consumer confusion. This tax credit does not have a revocation provision.
- For renovations, it may be desirable to include language that a tax credit cannot exceed the cost of the renovation.

Summary
HB 2437 creates a new tax credit program for homeowners who purchase or renovate energy efficient homes. The bill uses the HERS index to determine the amount of the tax credit and requires the Oregon Department of Energy to administer the program.