

AN ACT relating to energy efficiency tax credits.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 141.435 is amended to read as follows:

As used in KRS 141.435 to 141.437:

- (1) "Active solar space-heating system" means a system that:
 - (a) Consists of solar energy collectors that collect and absorb solar radiation combined with electric fans or pumps to transfer and distribute that solar heat;
 - (b) May include an energy storage space-heating system to provide heat when the sun is not shining; and
 - (c) Is installed by a certified installer;
- (2) "Certified installer" means an installer who has satisfied the professional certification standards established by the North American Board of Certified Energy Practitioners (NABCEP) and who has been certified as a NABCEP Certified Solar PV Installer or a NABCEP Certified Solar Thermal Installer;
- (3) "Combined active solar space-heating and water-heating system" means a system that meets the requirements of both an active solar space-heating system and a solar water-heating system and is installed by a certified installer;
- (4) "Commonwealth" means the Commonwealth of Kentucky;
- (5) "Dwelling unit" includes a manufactured home as defined in KRS 100.348;
- (6) "Energy-efficient interior lighting system" means an interior lighting system that meets the maximum reduction in lighting power density requirements for the federal energy efficient commercial building deduction under 26 U.S.C. sec. 179D, as in effect December 31, 2007;
- (7) "Energy-efficient heating, cooling, ventilation, or hot water system" means a heating, cooling, ventilation, or hot water system that meets the requirements for the federal energy-efficient commercial building deduction under 26 U.S.C. sec. 179D, as in effect December 31, 2007;

- (8) "Energy-efficient windows and storm doors" means windows and storm doors that are:
- (a) ENERGY STAR-labeled; and
 - (b) Certified by the National Fenestration Rating Council as meeting the North-Central U.S. climate zone performance standards for U-factor (nonsolar heat conductance), solar heat gain coefficient, air leakage, visible-light transmittance, and condensation resistance;
- (9) "ENERGY STAR" shall have the same meaning as in KRS 56.770;
- (10) "Installed cost" means the following, less any discounts, rebates, sales tax, installation-assistance credits, name-referral allowances, or other similar reductions:
- (a) The purchase cost of equipment, components, and associated design; and
 - (b) Labor costs properly allocable to the on-site preparation, assembly, and original installation of the property, including piping or wiring to interconnect such property to the dwelling unit, *on-farm poultry or livestock raising facility*, or commercial property;
- (11) *"On-farm poultry or livestock raising facility" means an on-farm facility used exclusively for raising poultry or livestock as provided in KRS 139.480(15);*
- (12) "Passive solar space-heating system" means a system that:
- (a) Takes advantage of the warmth of the sun through the use of design features such as large south-facing windows and materials in the floors or walls that absorb warmth during the day and release that warmth at night;
 - (b) Includes one (1) or more of the following designs:
 - 1. Direct gain which stores and slowly releases heat energy collected from the sun shining directly into the building and warming materials such as tile or concrete;
 - 2. Indirect gain which uses materials that are located between the sun and the living space such as a wall to hold, store, and release heat; or

3. Isolated gain which collects warmer air from an area that is remote from the living space, such as a sunroom attached to a house, and the warmer air flows naturally to the rest of the house; and

(c) Meets the guidelines and technical requirements for passive solar design established by administrative regulation pursuant to KRS 141.436~~(8)~~~~(7)~~;

~~(13)~~~~(12)~~ "Qualified energy property" means the following property that meets the performance, quality, and certification standards of and that would have been eligible for the federal tax credit for residential energy property expenditures under 26 U.S.C. sec. 25C, as it existed on December 31, 2007:

- (a) An electric heat pump water heater;
- (b) An electric heat pump;
- (c) A closed loop geothermal heat pump;
- (d) An open loop geothermal heat pump;
- (e) A direct expansion (DX) geothermal heat pump;
- (f) A central air conditioner;
- (g) A natural gas, propane, or oil furnace or hot water heater;
- (h) A hot water boiler including outdoor wood-fired boiler units; or
- (i) An advanced main air circulating fan;

~~(14)~~~~(13)~~ "Solar photovoltaic system" means a system for electricity generation that:

- (a) Includes solar photovoltaic panels, structural attachments, electrical wiring, inverters for converting direct current output to alternating current, and appropriate controls and safety measures for output monitoring;
- (b) Meets the requirements of Article 690 of the National Electrical Code;
- (c) Uses solar photovoltaic panels and inverters that are rated and listed by Underwriters Laboratories; and
- (d) Is installed by a certified installer;

~~(15)~~~~(14)~~ "Solar water-heating system" means a system that:

- (a) Uses solar-thermal energy to heat water;
- (b)
 - 1. Is an indirect pressurized glycol system that uses propylene glycol; or
 - 2. Is an indirect drainback system that uses distilled water or propylene glycol;
- (c) Uses OG-100 solar thermal collectors that are:
 - 1. Certified by the Solar Rating and Certification Corporation; and
 - 2. Covered by a manufacturer's warranty of not less than five (5) years;
- (d) Is installed by a certified installer; and
- (e) Is warranted by the certified installer for a period of not less than two (2) years;

(16)~~(15)~~ "Upgraded insulation" means insulation with the following R-value ratings:

- (a) Attic insulation rated R-38 or higher;
- (b) Exterior wall, crawl space, and basement exterior wall insulation rated R-13 or higher; and
- (c) Floor insulation rated R-19 or higher; and

(17)~~(16)~~ "Wind turbine" or "wind machine" means a turbine or machine used for generating electricity that:

- (a) Is certified as meeting the United States Wind Industry Consensus Standards developed by the American Wind Energy Association in partnership with the United States Department of Energy;
- (b) Is covered by a manufacturer's warranty of not less than five (5) years;
- (c) Is in compliance with all relevant building codes, height restriction variances, other special code requirements, and zoning ordinances;
- (d) Has been installed in accordance with all building codes and all permits were received prior to the start of construction and installation;
- (e) Is in compliance with all applicable Federal Aviation Administration regulations;

- (f) Meets all requirements of Article 705 of the National Electrical Code for electrical components and installations; and
- (g) Is rated and listed by Underwriters Laboratories.

➔Section 2. KRS 141.436 is amended to read as follows:

- (1) (a) For taxable periods beginning after December 31, 2008, and beginning before January 1, 2016, there is hereby created a nonrefundable credit against the tax imposed under KRS 141.020 or 141.040, and KRS 141.0401, with the ordering of credits as provided in KRS 141.0205. The credit shall apply if one (1) or more of the items listed in paragraph (b) of this subsection is installed during the taxable year in a dwelling unit located in the Commonwealth that is owned by the taxpayer and used by the taxpayer as:
 - 1. The taxpayer's principal place of residence; or
 - 2. A single-family or multifamily residential rental unit.
 - (b) The tax credit shall equal thirty percent (30%) of the installed costs of:
 - 1. Upgraded insulation, not to exceed one hundred dollars (\$100);
 - 2. Energy-efficient windows and storm doors, not to exceed two hundred fifty dollars (\$250); or
 - 3. Qualified energy property, not to exceed two hundred fifty dollars (\$250).
 - (c) In no case shall the total credits provided under this subsection exceed five hundred dollars (\$500) per taxpayer.
- (2) (a) For taxable years beginning after December 31, 2008, and beginning before January 1, 2016, there is hereby created a nonrefundable credit against the tax imposed under KRS 141.020 or 141.040, and KRS 141.0401, with the ordering of credits as provided in KRS 141.0205, if one (1) or more of the items listed in paragraph (b) of this subsection is installed during the taxable year on a dwelling unit located in the Commonwealth, or on property located

in the Commonwealth that is owned and used by the taxpayer as commercial property.

- (b) The tax credit shall equal:
1. Thirty percent (30%) of the installed costs of:
 - a. An active solar space-heating system;
 - b. A passive solar space-heating system;
 - c. A combined active solar space-heating and water-heating system;
 - d. A solar water-heating system; and
 - e. A wind turbine or wind machine; or
 2. Three dollars (\$3) per watt direct current (DC) of rated capacity of a solar photovoltaic system.
- (c) In no case shall the total tax credits provided in this subsection exceed:
1. Five hundred dollars (\$500) per taxpayer if installed on a dwelling unit located in the Commonwealth that is owned by the taxpayer and used by the taxpayer as:
 - a. The taxpayer's principal place of residence; or
 - b. A single-family residential rental unit; or
 2. One thousand dollars (\$1,000) per taxpayer if installed on property located in the Commonwealth that is owned and used by the taxpayer as:
 - a. A multifamily residential rental unit; or
 - b. Commercial property;
- (3) (a) For taxable years beginning after December 31, 2008, and beginning before January 1, 2016, there is hereby created a nonrefundable credit against the tax imposed under KRS 141.020 or 141.040, and KRS 141.0401, with the ordering of credits as provided in KRS 141.0205, if one (1) or more of the following is installed during the taxable year on property located in the Commonwealth that is owned and used by the taxpayer as commercial

property:

1. An energy-efficient interior lighting system; and
 2. An energy-efficient heating, cooling, ventilation, or hot water system.
- (b) The tax credit shall equal thirty percent (30%) of the installed costs of:
1. An energy-efficient interior lighting system, not to exceed five hundred dollars (\$500) per taxpayer; and
 2. An energy-efficient heating, cooling, ventilation, or hot water system, not to exceed five hundred dollars (\$500) per taxpayer.
- (c) In no case shall the total tax credits provided in this subsection exceed one thousand dollars (\$1,000) per taxpayer.
- (d) For purposes of the tax credit provided by this subsection, "commercial property" shall not include single-family or multifamily residential units.
- (4) **(a) For taxable years beginning on or after January 1, 2016, but before January 1, 2020, a nonrefundable credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205, shall be permitted if one (1) or more of the items listed in paragraph (b) of this subsection is installed during the taxable year on property located in the Commonwealth that is owned and used by the taxpayer as an on-farm poultry or livestock raising facility.**
- (b) The tax credit shall equal:**
- 1. Thirty percent (30%) of the installed costs of:**
 - a. Upgraded insulation;**
 - b. Energy-efficient windows and storm doors;**
 - c. Qualified energy property;**
 - d. An active solar space-heating system;**
 - e. A passive solar space-heating system;**
 - f. A combined active solar space-heating and water-heating**

system;

g. A solar water-heating system;

h. A wind turbine or wind machine;

i. An energy-efficient interior lighting system; or

j. An energy-efficient heating, cooling, ventilation, or hot water system; or

2. Three dollars (\$3) per watt direct current (DC) of rated capacity of a solar photovoltaic system.

(c) In no case shall the total credits provided in this subsection exceed five thousand dollars (\$5,000) per taxpayer.

(5) The tax credits provided under this section shall apply in the tax year in which the installation is completed. If the credit cannot be taken in full in the year in which the installation is completed, the tax credit may be carried forward one (1) year.

~~(6)~~(5) The department may request copies of invoices, purchase receipts, installation contracts, proof of installer's NABCEP certification, and any other information that the department determines necessary to verify credits taken.

~~(7)~~(6) If the taxpayer has taken the ENERGY STAR home or the ENERGY STAR manufactured home tax credit provided under KRS 141.437, the tax credits provided under this section shall not apply.

~~(8)~~(7) The department shall establish, by administrative regulation, the guidelines and technical requirements for items that are eligible for the tax credits provided under subsections~~subsection~~ (2) and (4) of this section, including but not limited to requirements for capacity, siting, plumbing, collector mountings, and pressurization. The department shall enlist the assistance, cooperation, and recommendations of the Department for Energy Development and Independence and the Kentucky Pollution Prevention Center at the University of Louisville in determining those guidelines and technical requirements and may enlist their

assistance in evaluating the eligibility of credits taken under this section.

(8) On or before December 1, 2010, and on or before every December 1 thereafter as long as the credits are permitted, the department shall report to the Legislative Research Commission the total number and gross amount of each type of tax credit claimed on returns processed during the fiscal year ending prior to the December reporting date.

(9) The purpose of subsection (4) of this section is to assist in the financing of the rehabilitation of on-farm poultry or livestock raising facilities in the Commonwealth.