

**ASSEMBLY BILL**

**No. 25**

---

---

**Introduced by Assembly Member Horton**

May 17, 2001

---

---

An act to add Section 65863.13 to the Government Code, and to add Sections 17052.88, 17210, and 24371 to the Revenue and Taxation Code, relating to energy conservation.

LEGISLATIVE COUNSEL'S DIGEST

AB 25, as introduced, Horton. Energy conservation: low-income rental housing: income tax credits and deductions.

Existing law, known as Section 8 of the United States Housing Act of 1937, provides for housing assistance payments pursuant to contract to aid low-income families, and authorizes loans, insurance, and interest reduction payments to assist in the provision of housing. Section 8 imposes specified duties on the owner of an assisted dwelling unit.

This bill, to the extent permitted by federal law, would require an owner of a multifamily rental housing development that applies for governmental assistance under Section 8 of the United States Housing Act of 1937, on or after January 1, 2001, to also certify to the Department of Housing and Community Development that each rental unit in the multifamily rental housing development is energy efficient, as defined. The bill would require the department to adopt regulations to be used to determine if the rental units in a multifamily rental housing development are energy efficient.

The Personal Income Tax Law authorizes various credits against the taxes imposed by those laws.

This bill would authorize a refundable credit against those taxes for each taxable year beginning on or after January 1, 2001, in an amount equal to 25%, but not to exceed \$500, of the amount paid or incurred during the taxable or income year for the purchase of energy efficient residential appliances, as defined. This bill would condition the payment of the refundable portion of the credit upon an appropriation by the Legislature.

The Personal Income Tax Law and the Bank and Corporation Tax Law allow various deductions in computing the income that is subject to the taxes imposed by those laws.

This bill would authorize a deduction under those laws, not to exceed \$5,000, for the costs paid or incurred during the taxable year for the installation of energy conservation measures, as defined.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 65863.13 is added to the Government  
2 Code, to read:

3 65863.13. (a) To the extent permitted by federal law, an  
4 owner of a multifamily rental housing development that applies  
5 for governmental assistance under Section 8 of the United States  
6 Housing Act of 1937, as amended (42 U.S.C. Sec. 1437f), on or  
7 after January 1, 2001, shall, at the time of making that application,  
8 also certify to the Department of Housing and Community  
9 Development that each rental unit in the multifamily rental  
10 housing development is energy efficient.

11 (b) The Department of Housing and Community Development  
12 shall adopt regulations to be used to determine if the rental units  
13 in a multifamily rental housing development are energy efficient.

14 (c) For purposes of this section, “energy efficient” includes,  
15 but is not limited to, the installation, to the extent appropriate, of  
16 all of the following energy conservation measures in a functionally  
17 operative state:

- 18 (1) Ceiling, wall, and floor insulation.
- 19 (2) Weatherstripping of doors and windows.
- 20 (3) Caulking or sealing all major cracks, joints, and other
- 21 openings in building exteriors to reduce loss of heated or cooled
- 22 air.



- 1 (4) External hot water insulation or blankets.
- 2 (5) Insulation of heating and cooling systems located in areas
- 3 that are not normally insulated.
- 4 (6) Ventilation cooling fans and attic ventilators.
- 5 (7) Exterior storm or thermal windows and doors.
- 6 (8) An energy management system to reduce peak lighting and
- 7 HVAC loads.
- 8 (9) Heating and air-conditioning systems that meet or exceed
- 9 the applicable ENERGY STAR efficiency requirements
- 10 developed by the United States Environmental Protection Agency
- 11 and the United States Department of Energy.
- 12 (10) Appliances, including refrigerators, washing machines,
- 13 clothes dryers, hot water heaters, microwave ovens, and
- 14 dishwashers, that are certified to meet the applicable ENERGY
- 15 STAR efficiency requirements developed by the United States
- 16 Environmental Protection Agency and the United States
- 17 Department of Energy.
- 18 (d) Nothing in this section shall be construed to restrict the
- 19 granting of assistance under Section 8 of the United States
- 20 Housing Act of 1937 or to modify any regulatory agreement
- 21 established pursuant to that act.
- 22 SEC. 2. Section 17052.88 is added to the Revenue and
- 23 Taxation Code, to read:
- 24 17052.88. (a) For each taxable year beginning on or after
- 25 January 1, 2001, there shall be allowed as a credit against the “net
- 26 tax,” as defined in Section 17039, an amount equal to 25 percent
- 27 of the amount paid or incurred during the taxable year, not to
- 28 exceed five hundred dollars (\$500), for the purchase of energy
- 29 efficient residential appliances that are purchased as a replacement
- 30 for an existing appliance.
- 31 (b) For purposes of this section:
- 32 (1) “Appliances” includes refrigerators, washing machines,
- 33 clothes dryers, hot water heaters, microwave ovens, convection
- 34 ovens, dishwashers, space heaters, and portable air-conditioning
- 35 systems.
- 36 (2) “Energy efficient” means any appliance that is certified to
- 37 meet the applicable ENERGY STAR efficiency requirements
- 38 developed by the United States Environmental Protection Agency
- 39 and the United States Department of Energy.



1 (c) The credit provided under this section may not be allowed  
2 unless the taxpayer is able to verify that he or she properly disposed  
3 of the appliance replaced by the purchase of the qualified  
4 appliance. Verification should be in the form of a signed statement,  
5 from a representative or owner of a business or site that specializes  
6 in refuse collection and disposal, stating that the replaced  
7 appliance was properly disposed of.

8 (d) No other credit and no deduction may be allowed under this  
9 part for the purchase of energy efficient residential appliances for  
10 which a credit is allowed under this section.

11 (e) The credit authorized by this section shall not be allowed to  
12 a taxpayer who receives a grant, loan, or rebate from the State  
13 Energy Resources Conservation and Development Commission,  
14 or any other state or local agency, for the purchase of energy  
15 efficient residential appliances that would otherwise be eligible for  
16 the credit.

17 (f) In the case of a taxpayer whose credit provided under this  
18 section exceeds the taxpayer’s liability computed under this part,  
19 the excess shall be credited against other amounts due, if any, from  
20 the taxpayer and the balance, if any, shall, upon appropriation by  
21 the Legislature, be refunded to the taxpayer.

22 SEC. 3. Section 17210 is added to the Revenue and Taxation  
23 Code, to read:

24 17210. (a) For each taxable year beginning on or after  
25 January 1, 2001, there shall be allowed as a deduction, as  
26 computed under subdivision (b), an amount, not to exceed five  
27 thousand dollars (\$5,000), for costs paid or incurred during the  
28 taxable year for the installation of energy conservation measures  
29 in a taxpayer’s residence or place of business.

30 (b) The deduction allowed under this section shall be computed  
31 by reducing the maximum allowable deduction of five thousand  
32 dollars (\$5,000) by the dollar amount determined by multiplying  
33 the taxpayer’s “adjusted gross income,” as defined in Section  
34 17072, by 2 percent.

35 (c) For purposes of this section:

36 (1) “Installed” means placed in position in a functionally  
37 operative state.

38 (2) “Energy conservation measures” include the following,  
39 when installed in response to recommendations suggested in an  
40 energy conservation audit or survey provided by a utility company



1 or conducted by an energy conservation rater certified under  
2 guidelines set forth by the California Public Utilities Commission:

- 3 (A) Ceiling, wall, and floor insulation.
- 4 (B) Weather-stripping of doors and windows.
- 5 (C) Caulking or sealing all major cracks, joints, and other  
6 openings in building exteriors to reduce loss of heated or cooled  
7 air.
- 8 (D) External hot water insulation or blankets.
- 9 (E) Insulation of heating and cooling systems located in areas  
10 that are not normally insulated.
- 11 (F) Ventilation cooling fans and attic ventilators.
- 12 (G) Exterior storm or thermal windows and doors.
- 13 (H) Energy Management Systems to reduce peak lighting and  
14 HVAC loads.

15 (I) Central heating and air-conditioning systems that meet or  
16 exceed the applicable ENERGY STAR efficiency requirements  
17 developed by the United States Environmental Protection Agency  
18 and the United States Department of Energy.

19 (J) Whole house fans.

20 (d) The deduction authorized by this section shall be claimed  
21 for the taxable year in which the energy conservation measure is  
22 fully installed, and may include any costs paid or incurred in any  
23 prior taxable year related to the installation of the energy  
24 conservation measure.

25 (e) Any credit or depreciation otherwise allowed under this part  
26 for any amount paid or incurred by the taxpayer for which a  
27 deduction is allowed under this section shall be reduced by the  
28 amount of that deduction.

29 (f) The deduction authorized by this section may not be  
30 allowed to a taxpayer who receives a grant, loan, or rebate from the  
31 State Energy Resources Conservation and Development  
32 Commission, or any other state or local agency, for the purchase  
33 of energy efficient residential appliances that would otherwise be  
34 eligible for the deduction.

35 SEC. 4. Section 24371 is added to the Revenue and Taxation  
36 Code, to read:

37 24371. (a) For each taxable year beginning on or after  
38 January 1, 2001, there shall be allowed a deduction, as computed  
39 under subdivision (b), an amount, not to exceed five thousand  
40 dollars (\$5,000), for costs paid or incurred during the taxable year



1 for the installation of energy conservation measures in a taxpayer’s  
2 place of business.

3 (b) The deduction allowed under this section shall be computed  
4 by reducing the maximum allowable deduction of five thousand  
5 dollars (\$5,000) by the dollar amount determined by multiplying  
6 the taxpayer’s “net income” as defined in Section 24341,  
7 computed without regard to the deduction allowable under this  
8 section, by 2 percent.

9 (c) For purposes of this section:

10 (1) “Installed” means placed in position in a functionally  
11 operative state.

12 (2) “Energy conservation measures” include the following,  
13 when installed in response to recommendations suggested in an  
14 energy conservation audit or survey provided by a utility company  
15 or conducted by an energy conservation rater certified under  
16 guidelines set forth by the California Public Utilities Commission:

- 17 (A) Ceiling, wall, and floor insulation.
- 18 (B) Weather-stripping of doors and windows.
- 19 (C) Caulking or sealing all major cracks, joints, and other  
20 openings in building exteriors to reduce loss of heated or cooled  
21 air.
- 22 (D) External hot water insulation or blankets.
- 23 (E) Insulation of heating and cooling systems located in areas  
24 that are not normally insulated.
- 25 (F) Ventilation cooling fans and attic ventilators.
- 26 (G) Exterior storm or thermal windows and doors.
- 27 (H) Energy Management Systems to reduce peak lighting and  
28 HVAC loads.
- 29 (I) Central heating and air-conditioning systems that meet or  
30 exceed the applicable ENERGY STAR efficiency requirements  
31 developed by the United States Environmental Protection Agency  
32 and the United States Department of Energy.

33 (d) The deduction authorized by this section shall be claimed  
34 for the taxable year in which the energy conservation measure is  
35 fully installed and may include any costs paid or incurred in any  
36 prior taxable year related to the installation of the energy  
37 conservation measure.

38 (e) Any credit or depreciation otherwise allowed under this part  
39 for any amount paid or incurred by the taxpayer for which a



1 deduction is allowed under this section shall be reduced by the  
2 amount of that deduction.

3 (f) The deduction authorized by this section may not be  
4 allowed to a taxpayer who receives a grant, loan, or rebate from the  
5 State Energy Resources Conservation and Development  
6 Commission, or any other state or local agency, for the purchase  
7 of energy efficient residential appliances that would otherwise be  
8 eligible for the deduction.

O

