

Senate Bill No. 75

CHAPTER 5

An act to amend Section 17073 of, and to add Section 17208.1 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor September 28, 2001. Filed with Secretary of State October 1, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

SB 75, Ortiz. Income taxes: deduction: interest.

The Personal Income Tax Law allows various deductions in computing income that is subject to taxation.

This bill would allow as a deduction the amount of interest paid or incurred by a taxpayer on any loan or other indebtedness incurred in acquiring and installing any energy efficient product or equipment, as defined, installed or applied to a qualified residence located in this state.

This bill would take effect immediately as a tax levy.

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

SECTION 1. Section 17073 of the Revenue and Taxation Code is amended to read:

17073. (a) Section 63 of the Internal Revenue Code, relating to taxable income defined, shall apply, except as otherwise provided.

(b) The deduction allowed by Section 17208.1, relating to interest on loans or financed indebtedness obtained from a publicly owned utility for the purchase and installation of energy efficient products or equipment, shall not be treated as a miscellaneous itemized deduction under Section 67(a) of the Internal Revenue Code, relating to the 2-percent floor on miscellaneous deductions.

(c) For individuals who do not itemize deductions, the standard deduction computed in accordance with Section 17073.5 shall be allowed as a deduction in computing taxable income.

SEC. 2. Section 17208.1 is added to the Revenue and Taxation Code, to read:

17208.1. (a) There shall be allowed as a deduction the amount of interest paid or incurred by a taxpayer during the taxable year on any loan or financed indebtedness obtained from a publicly owned utility company for the purpose of acquiring and installing any energy efficient product or equipment to a qualified residence located in this state.



(b) For purposes of this section:

(1) “Energy efficient product or equipment” means any product or equipment certified by a publicly owned utility company that will improve the energy efficiency, as defined by paragraph (2) of subdivision (a) of Section 399.4 of the Public Utilities Code, of a qualified residence on which the product or equipment is installed or applied.

(2) “Energy efficient product or equipment” shall include, but not be limited to, heating, ventilation, air-conditioning, lighting, solar, advanced metering of energy usage, windows, insulation, zone heating products, and weatherization systems.

(3) “Zone heating products” mean gas room heaters certified by the California Energy Commission or wood fueled stoves certified by the federal Environmental Protection Agency.

(4) “Publicly owned utility company” has the same meaning as set forth in subdivision (d) of Section 9604 of the Public Utilities Code.

(5) “Qualified residence” has the same meaning as set forth in Section 163(h)(4)(A) of the Internal Revenue Code.

(6) “Publicly owned utility company loan or financial indebtedness” means any amount borrowed from a publicly owned utility company to finance the acquisition and installation of energy efficient products and equipment installed or applied to a qualified residence located in this state.

(c) Any interest amount that is allowed as a deduction pursuant to this section (and the application of Section 17072) may not otherwise be allowed as a deduction for purposes of this part.

(d) The publicly owned utility company shall issue a federal income tax Form 1098, or similar form, for the purpose of notifying the taxpayer of his or her eligibility for the deduction allowed by this section.

(e) The deduction allowed by this section shall be in lieu of any credit allowed by this part for interest paid or incurred by the taxpayer in connection with the purchase of energy efficient equipment.

(f) The Legislature finds and declares that many taxpayers may be unaware that they may deduct interest paid or incurred pursuant to this section. The Legislature further finds that it is important to inform taxpayers of this deduction. Therefore, it is the intent of the Legislature to encourage all publicly owned utility companies to inform their customers in writing that they may deduct interest paid or incurred pursuant to this section. It is the further intent of the Legislature to encourage all publicly owned utility companies that are unable to offer customer financing to acquire or install energy efficient products and equipment to inform their customers in writing that interest on a home



equity or home improvement loan used to purchase energy efficient products and equipment may also be tax deductible.

(g) It is the intent of the Legislature to inquire with the Internal Revenue Service as to whether the loan program administered by the Sacramento Municipal Utility District qualifies for an interest deduction in compliance with the Internal Revenue Code and the regulations thereunder.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

