

**TAX CREDITS FOR ENERGY EFFICIENT  
RESIDENCES**

2008 GENERAL SESSION  
STATE OF UTAH

**Chief Sponsor: Fred R. Hunsaker**

Senate Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill amends the Corporate Franchise and Income Taxes chapter and the Individual Income Tax Act to provide tax credits.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ enacts corporate and individual nonrefundable tax credits for an energy efficient new residence;
- ▶ enacts corporate and individual nonrefundable tax credits for energy efficient retrofits;
- ▶ grants rulemaking authority to the Utah Geological Survey; and
- ▶ requires the Utah Tax Review Commission to study the tax credits.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill coordinates with S.B. 31, Income Tax Amendments, to provide for apportionment of tax credits.

**Utah Code Sections Affected:**

ENACTS:



- 28           **59-7-614.2**, Utah Code Annotated 1953
- 29           **59-7-614.3**, Utah Code Annotated 1953
- 30           **59-10-1017**, Utah Code Annotated 1953
- 31           **59-10-1018**, Utah Code Annotated 1953



33 *Be it enacted by the Legislature of the state of Utah:*

34           Section 1. Section **59-7-614.2** is enacted to read:

35           **59-7-614.2. Nonrefundable tax credit for energy efficient new residence.**

36           (1) As used in this section:

37           (a) "Contractor" means a taxpayer that is:

38           (i) a general building contractor as defined in Section 58-55-102 that, in accordance  
39 with an agreement with a purchaser, constructs a new residence for the purchaser; or

40           (ii) a residential and small commercial contractor as defined in Section 58-55-102 that,  
41 in accordance with an agreement with a purchaser, constructs a new residence for the  
42 purchaser.

43           (b) "Purchaser" means a taxpayer that purchases a new residence from a contractor.

44           (c) "Residence" means a single or multiple family dwelling of up to four units.

45           (d) "Tier 1 energy efficiency rating" means that, as established by the Utah Geological  
46 Survey, a new residence:

47           (i) is constructed to 30% or more, but less than 40% above current statewide standards  
48 for energy conservation in envelope design, mechanical systems, and lighting systems, through:

49           (A) design methods;

50           (B) building methods;

51           (C) materials; and

52           (D) techniques; and

53           (ii) exceeds statewide energy efficiency standards by:

54           (A) complying with nationally recognized thermal bypass guidelines;

55           (B) having right-sized:

56           (I) cooling equipment; and

57           (II) heating equipment;

58           (C) receiving a certification of energy efficiency by a person, other than the Utah

59 Geological Survey, who is qualified to rate a new residence for energy efficiency as determined  
60 by the Utah Geological Survey; and

61 (D) meeting standards established by the Utah Geological Survey for residential energy  
62 use.

63 (e) "Tier 2 energy efficiency rating" means that, as established by the Utah Geological  
64 Survey, a new residence:

65 (i) is constructed to 40% or more, but less than 50% above current statewide standards  
66 for energy conservation in envelope design, mechanical systems, and lighting systems, through:

67 (A) design methods;

68 (B) building methods;

69 (C) materials; and

70 (D) techniques; and

71 (ii) exceeds statewide energy efficiency standards by:

72 (A) complying with nationally recognized thermal bypass guidelines;

73 (B) having right-sized:

74 (I) cooling equipment; and

75 (II) heating equipment;

76 (C) receiving a certification of energy efficiency by a person, other than the Utah

77 Geological Survey, who is qualified to rate a new residence for energy efficiency as determined  
78 by the Utah Geological Survey; and

79 (D) meeting standards established by the Utah Geological Survey for residential energy  
80 use.

81 (f) "Tier 3 energy efficiency rating" means that, as established by the Utah Geological  
82 Survey, a new residence:

83 (i) is constructed to 50% or more above current statewide standards for energy  
84 conservation in envelope design, mechanical systems, and lighting systems, through:

85 (A) design methods;

86 (B) building methods;

87 (C) materials; and

88 (D) techniques; and

89 (ii) exceeds statewide energy efficiency standards by:

90 (A) complying with nationally recognized thermal bypass guidelines;  
91 (B) having right-sized:  
92 (I) cooling equipment; and  
93 (II) heating equipment;  
94 (C) receiving a certification of energy efficiency by a person, other than the Utah  
95 Geological Survey, who is qualified to rate a new residence for energy efficiency as determined  
96 by the Utah Geological Survey; and

97 (D) meeting standards established by the Utah Geological Survey for residential energy  
98 use.

99 (g) "Utah Geological Survey" means the Utah Geological Survey established in Section  
100 63-73-5.

101 (2) For taxable years beginning on or after January 1, 2009, a taxpayer may claim a  
102 nonrefundable tax credit for the construction of an energy efficient new residence as provided  
103 in this section.

104 (3) Subject to Subsection (4), the amount of the tax credit is:

105 (a) for a residence having a tier 1 energy efficiency rating:

106 (i) for the first 2,000 square feet of the residence, the product of:

107 (A) the number of square feet of the residence, not to exceed 2,000; and

108 (B) \$.60; and

109 (ii) for square footage of the residence that is greater than 2,000 but does not exceed

110 3,000, the product of:

111 (A) the difference between:

112 (I) the number of square feet of the residence, not to exceed 3,000; and

113 (II) 2,000; and

114 (B) \$.18;

115 (b) for a residence having a tier 2 energy efficiency rating:

116 (i) for the first 2,000 square feet of the residence, the product of:

117 (A) the number of square feet of the residence, not to exceed 2,000; and

118 (B) \$.90; and

119 (ii) for square footage of the residence that is greater than 2,000 but does not exceed

120 3,000, the product of:

- 121 (A) the difference between:  
122 (I) the number of square feet of the residence, not to exceed 3,000; and  
123 (II) 2,000; and  
124 (B) \$.27; or  
125 (c) for a residence having a tier 3 energy efficiency rating:  
126 (i) for the first 2,000 square feet of the residence, the product of:  
127 (A) the number of square feet of the residence, not to exceed 2,000; and  
128 (B) \$1.20; and  
129 (ii) for square footage of the residence that is greater than 2,000 but does not exceed  
130 3,000, the product of:  
131 (A) the difference between:  
132 (I) the number of square feet of the residence, not to exceed 3,000; and  
133 (II) 2,000; and  
134 (B) \$.36.  
135 (4) A taxpayer may not claim a tax credit under this section for the portion of square  
136 footage of a residence that exceeds 3,000 square feet.  
137 (5) A taxpayer may claim a tax credit under this section for the taxable year in which  
138 the contractor completes construction of the residence if:  
139 (a) the Utah Geological Survey certifies in writing that:  
140 (i) the residence has a:  
141 (A) tier 1 energy efficiency rating;  
142 (B) tier 2 energy efficiency rating; or  
143 (C) tier 3 energy efficiency rating; and  
144 (ii) construction of the residence is complete; and  
145 (b) the taxpayer is a:  
146 (i) contractor; or  
147 (ii) purchaser, if the contractor described in Subsection (5)(b)(i) assigns the tax credit  
148 to the purchaser:  
149 (A) in writing; and  
150 (B) on a form provided by the Utah Geological Survey.  
151 (6) A taxpayer may carry forward a tax credit under this section for a period that does

152 not exceed the next four taxable years if:

153 (a) the taxpayer is allowed to claim a tax credit under this section for the taxable year;

154 and

155 (b) the amount of the tax credit exceeds the taxpayer's tax liability under this chapter

156 for that taxable year.

157 (7) A tax credit under this section is in addition to any other tax credit allowed by this

158 chapter.

159 (8) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the

160 Utah Geological Survey shall, on or before October 1, 2008:

161 (a) establish standards for determining whether a residence has a:

162 (i) tier 1 energy efficiency rating;

163 (ii) tier 2 energy efficiency rating; or

164 (iii) tier 3 energy efficiency rating;

165 (b) establish a certification process for determining whether a residence has a:

166 (i) tier 1 energy efficiency rating;

167 (ii) tier 2 energy efficiency rating; or

168 (iii) tier 3 energy efficiency rating;

169 (c) establish standards for a new residence to receive a certification of energy

170 efficiency by a person, other than the Utah Geological Survey, who is qualified to rate a new

171 residence for energy efficiency;

172 (d) make rules for determining when the construction of a residence is complete; and

173 (e) make rules for a contractor to assign a tax credit under this section to a purchaser.

174 (9) (a) On or before October 1, 2012, and every five years after October 1, 2012, the

175 Utah Tax Review Commission shall review the tax credit allowed by this section and make

176 recommendations to the Revenue and Taxation Interim Committee concerning whether the tax

177 credit should be continued, modified, or repealed.

178 (b) The Utah Tax Review Commission's report under Subsection (9)(a) shall include

179 information concerning the cost of the tax credit, the purpose and effectiveness of the tax

180 credit, and the state's benefit from the tax credit.

181 Section 2. Section **59-7-614.3** is enacted to read:

182 **59-7-614.3. Nonrefundable tax credit for energy efficient retrofits.**

183 (1) As used in this section:

184 (a) "Annual fuel utilization efficiency" means the ratio of heat output of a furnace or  
185 boiler compared to the total energy consumed by the furnace or boiler.

186 (b) "Efficient natural gas boiler" means a natural gas boiler with an annual fuel  
187 utilization efficiency rating of 85% or higher as determined by the Utah Geological Survey.

188 (c) "Efficient natural gas furnace" means a natural gas furnace with an annual fuel  
189 utilization efficiency rating of 95% or higher as determined by the Utah Geological Survey.

190 (d) "Efficient tankless electric water heater" means a tankless electric water heater that  
191 has an efficiency rating determined by the Utah Geological Survey.

192 (e) "Efficient tankless gas water heater" means a tankless gas water heater that has an  
193 efficiency rating of .80 energy factor or higher as determined by the Utah Geological Survey.

194 (f) "Efficient window" means a window with an efficiency rating of .35 U-factor or  
195 higher as determined by the Utah Geological Survey.

196 (g) "Eligible retrofit" means the installation of one or more of the following in an  
197 existing residence:

198 (i) air sealing;

199 (ii) duct insulation;

200 (iii) duct sealing;

201 (iv) an efficient natural gas boiler;

202 (v) an efficient natural gas furnace;

203 (vi) insulation of:

204 (A) an attic;

205 (B) a floor; or

206 (C) a wall;

207 (vii) an energy efficient and water efficient premium whole-house evaporative cooling  
208 system;

209 (viii) an efficient tankless:

210 (A) electric water heater; or

211 (B) gas water heater; or

212 (ix) an efficient window.

213 (h) "Energy factor" means a water heater's overall energy efficiency determined on the

214 basis of the amount of hot water produced per unit of fuel consumed over a typical day.

215 (i) "Purchaser" means a taxpayer that purchases the installation of an eligible retrofit.

216 (j) "Residence" means a single or multiple family dwelling of up to four units.

217 (k) "U-factor" means the rate of heat loss of a window.

218 (l) "Utah Geological Survey" means the Utah Geological Survey established in Section  
219 63-73-5.

220 (2) For taxable years beginning on or after January 1, 2009, a purchaser may claim a  
221 nonrefundable tax credit for the installation of an eligible retrofit as provided in this section.

222 (3) Subject to Subsection (4), the amount of the tax credit is:

223 (a) for the installation of air sealing, the product of:

224 (i) the cost of the installation and materials; and

225 (ii) 20%;

226 (b) for the installation of duct insulation, the product of:

227 (i) the cost of the installation and materials, including the cost of the insulation; and

228 (ii) 20%;

229 (c) for the installation of duct sealing, the product of:

230 (i) the cost of the installation and materials; and

231 (ii) 20%;

232 (d) for the installation of an efficient natural gas boiler, the product of:

233 (i) the cost of the installation and materials, including the cost of the efficient natural  
234 gas boiler; and

235 (ii) 20%;

236 (e) for the installation of an efficient natural gas furnace, the product of:

237 (i) the cost of the installation and materials, including the cost of the efficient natural  
238 gas furnace; and

239 (ii) 20%;

240 (f) for the installation of insulation of an attic, a floor, or a wall, the product of:

241 (i) the cost of the installation and materials, including the cost of the insulation; and

242 (ii) 20%;

243 (g) for the installation of an energy efficient and water efficient premium whole-house  
244 evaporative cooling system, the product of:

245 (i) the cost of the installation and materials, including the cost of the energy efficient  
246 and water efficient premium whole-house evaporative cooling system; and

247 (ii) 20%;

248 (h) for an efficient tankless electric water heater or efficient tankless gas water heater,  
249 the product of:

250 (i) the cost of the installation and materials, including the cost of the efficient tankless  
251 electric water heater or efficient tankless gas water heater; and

252 (ii) 20%; or

253 (i) for the installation of an efficient window, the product of:

254 (i) the cost of the installation and materials, including the cost of the efficient window;

255 and

256 (ii) 20%.

257 (4) For a taxable year a tax credit may not exceed:

258 (a) for purposes of Subsection (3)(a), \$225;

259 (b) for purposes of Subsection (3)(b), \$75;

260 (c) for purposes of Subsection (3)(c), \$100;

261 (d) for purposes of Subsection (3)(d), \$150;

262 (e) for purposes of Subsection (3)(e), \$150;

263 (f) for purposes of Subsection (3)(f), \$250;

264 (g) for purposes of Subsection (3)(g), \$250;

265 (h) for purposes of Subsection (3)(h), \$150;

266 (i) for purposes of Subsection (3)(i), \$100; or

267 (j) for purposes of this section, a total of \$1,000.

268 (5) A purchaser may claim a tax credit under this section for the taxable year in which  
269 the installation of the eligible retrofit is complete.

270 (6) A purchaser may carry forward a tax credit under this section for a period that does  
271 not exceed the next four taxable years if:

272 (a) the purchaser is allowed to claim a tax credit under this section for the taxable year;

273 and

274 (b) the amount of the tax credit exceeds the purchaser's tax liability under this chapter  
275 for that taxable year.

276 (7) A tax credit under this section is in addition to any other tax credit allowed by this  
277 chapter.

278 (8) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the  
279 Utah Geological Survey shall, on or before October 1, 2008:

280 (a) make rules defining what constitutes the installation of:

281 (i) air sealing;

282 (ii) duct insulation;

283 (iii) duct sealing;

284 (iv) an efficient natural gas boiler;

285 (v) an efficient natural gas furnace;

286 (vi) insulation of:

287 (A) an attic;

288 (B) a floor; or

289 (C) a wall;

290 (vii) an energy efficient and water efficient premium whole-house evaporative cooling  
291 system;

292 (viii) an efficient tankless:

293 (A) electric water heater; or

294 (B) gas water heater; or

295 (ix) an efficient window;

296 (b) establish standards for determining whether:

297 (i) an efficient natural gas boiler has an annual fuel utilization efficiency rating of 85%  
298 or higher;

299 (ii) an efficient natural gas furnace has an annual fuel utilization efficiency rating of  
300 95% or higher;

301 (iii) an efficient tankless gas water heater has an efficiency rating of .80 energy factor  
302 or higher; or

303 (iv) an efficient window has an efficiency rating of .35 U-factor or higher;

304 (c) establish an efficiency rating for an efficient tankless electric water heater; and

305 (d) make rules for determining when the installation of an eligible retrofit is complete.

306 (9) (a) On or before October 1, 2012, and every five years after October 1, 2012, the

307 Utah Tax Review Commission shall review the tax credit allowed by this section and make  
308 recommendations to the Revenue and Taxation Interim Committee concerning whether the tax  
309 credit should be continued, modified, or repealed.

310 (b) The Utah Tax Review Commission's report under Subsection (9)(a) shall include  
311 information concerning the cost of the tax credit, the purpose and effectiveness of the tax  
312 credit, and the state's benefit from the tax credit.

313 Section 3. Section **59-10-1017** is enacted to read:

314 **59-10-1017. Nonrefundable tax credit for energy efficient new residence.**

315 (1) As used in this section:

316 (a) "Contractor" means a claimant, estate, or trust that is:

317 (i) a general building contractor as defined in Section 58-55-102 that, in accordance  
318 with an agreement with a purchaser, constructs a new residence for the purchaser; or

319 (ii) a residential and small commercial contractor as defined in Section 58-55-102 that,  
320 in accordance with an agreement with a purchaser, constructs a new residence for the  
321 purchaser.

322 (b) "Purchaser" means a claimant, estate, or trust that purchases a new residence from a  
323 contractor.

324 (c) "Residence" means a single or multiple family dwelling of up to four units.

325 (d) "Tier 1 energy efficiency rating" means that, as established by the Utah Geological  
326 Survey, a new residence:

327 (i) is constructed to 30% or more, but less than 40% above current statewide standards  
328 for energy conservation in envelope design, mechanical systems, and lighting systems, through:

329 (A) design methods;

330 (B) building methods;

331 (C) materials; and

332 (D) techniques; and

333 (ii) exceeds statewide energy efficiency standards by:

334 (A) complying with nationally recognized thermal bypass guidelines;

335 (B) having right-sized:

336 (I) cooling equipment; and

337 (II) heating equipment;

338 (C) receiving a certification of energy efficiency by a person, other than the Utah  
339 Geological Survey, who is qualified to rate a new residence for energy efficiency as determined  
340 by the Utah Geological Survey; and

341 (D) meeting standards established by the Utah Geological Survey for residential energy  
342 use.

343 (e) "Tier 2 energy efficiency rating" means that, as established by the Utah Geological  
344 Survey, a new residence:

345 (i) is constructed to 40% or more, but less than 50% above current statewide standards  
346 for energy conservation in envelope design, mechanical systems, and lighting systems, through:

347 (A) design methods;

348 (B) building methods;

349 (C) materials; and

350 (D) techniques; and

351 (ii) exceeds statewide energy efficiency standards by:

352 (A) complying with nationally recognized thermal bypass guidelines;

353 (B) having right-sized:

354 (I) cooling equipment; and

355 (II) heating equipment;

356 (C) receiving a certification of energy efficiency by a person, other than the Utah  
357 Geological Survey, who is qualified to rate a new residence for energy efficiency as determined  
358 by the Utah Geological Survey; and

359 (D) meeting standards established by the Utah Geological Survey for residential energy  
360 use.

361 (f) "Tier 3 energy efficiency rating" means that, as established by the Utah Geological  
362 Survey, a new residence:

363 (i) is constructed to 50% or more above current statewide standards for energy  
364 conservation in envelope design, mechanical systems, and lighting systems, through:

365 (A) design methods;

366 (B) building methods;

367 (C) materials; and

368 (D) techniques; and

- 369 (ii) exceeds statewide energy efficiency standards by:  
370 (A) complying with nationally recognized thermal bypass guidelines;  
371 (B) having right-sized:  
372 (I) cooling equipment; and  
373 (II) heating equipment;  
374 (C) receiving a certification of energy efficiency by a person, other than the Utah  
375 Geological Survey, who is qualified to rate a new residence for energy efficiency as determined  
376 by the Utah Geological Survey; and  
377 (D) meeting standards established by the Utah Geological Survey for residential energy  
378 use.  
379 (g) "Utah Geological Survey" means the Utah Geological Survey established in Section  
380 63-73-5.  
381 (2) For taxable years beginning on or after January 1, 2009, a claimant, estate, or trust  
382 may claim a nonrefundable tax credit for the construction of an energy efficient new residence  
383 as provided in this section.  
384 (3) Subject to Subsection (4), the amount of the tax credit is:  
385 (a) for a residence having a tier 1 energy efficiency rating:  
386 (i) for the first 2,000 square feet of the residence, the product of:  
387 (A) the number of square feet of the residence, not to exceed 2,000; and  
388 (B) \$.60; and  
389 (ii) for square footage of the residence that is greater than 2,000 but does not exceed  
390 3,000, the product of:  
391 (A) the difference between:  
392 (I) the number of square feet of the residence, not to exceed 3,000; and  
393 (II) 2,000; and  
394 (B) \$.18;  
395 (b) for a residence having a tier 2 energy efficiency rating:  
396 (i) for the first 2,000 square feet of the residence, the product of:  
397 (A) the number of square feet of the residence, not to exceed 2,000; and  
398 (B) \$.90; and  
399 (ii) for square footage of the residence that is greater than 2,000 but does not exceed

400 3,000, the product of:  
401 (A) the difference between:  
402 (I) the number of square feet of the residence, not to exceed 3,000; and  
403 (II) 2,000; and  
404 (B) \$.27; or  
405 (c) for a residence having a tier 3 energy efficiency rating:  
406 (i) for the first 2,000 square feet of the residence, the product of:  
407 (A) the number of square feet of the residence, not to exceed 2,000; and  
408 (B) \$1.20; and  
409 (ii) for square footage of the residence that is greater than 2,000 but does not exceed  
410 3,000, the product of:  
411 (A) the difference between:  
412 (I) the number of square feet of the residence, not to exceed 3,000; and  
413 (II) 2,000; and  
414 (B) \$.36.  
415 (4) A claimant, estate, or trust may not claim a tax credit under this section for the  
416 portion of square footage of a residence that exceeds 3,000 square feet.  
417 (5) A claimant, estate, or trust may claim a tax credit under this section for the taxable  
418 year in which the contractor completes construction of the residence if:  
419 (a) the Utah Geological Survey certifies in writing that:  
420 (i) the residence has a:  
421 (A) tier 1 energy efficiency rating;  
422 (B) tier 2 energy efficiency rating; or  
423 (C) tier 3 energy efficiency rating; and  
424 (ii) construction of the residence is complete; and  
425 (b) the claimant, estate, or trust is a:  
426 (i) contractor; or  
427 (ii) purchaser, if the contractor described in Subsection (5)(b)(i) assigns the tax credit  
428 to the purchaser:  
429 (A) in writing; and  
430 (B) on a form provided by the Utah Geological Survey.

431 (6) A claimant, estate, or trust may carry forward a tax credit under this section for a  
432 period that does not exceed the next four taxable years if:

433 (a) the claimant, estate, or trust is allowed to claim a tax credit under this section for  
434 the taxable year; and

435 (b) the amount of the tax credit exceeds the claimant's, estate's, or trust's tax liability  
436 under this chapter for that taxable year.

437 (7) A tax credit under this section is in addition to any other tax credit allowed by this  
438 chapter.

439 (8) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the  
440 Utah Geological Survey shall, on or before October 1, 2008:

441 (a) establish standards for determining whether a residence has a:

442 (i) tier 1 energy efficiency rating;

443 (ii) tier 2 energy efficiency rating; or

444 (iii) tier 3 energy efficiency rating;

445 (b) establish a certification process for determining whether a residence has a:

446 (i) tier 1 energy efficiency rating;

447 (ii) tier 2 energy efficiency rating; or

448 (iii) tier 3 energy efficiency rating;

449 (c) establish standards for a new residence to receive a certification of energy  
450 efficiency by a person, other than the Utah Geological Survey, who is qualified to rate a new  
451 residence for energy efficiency;

452 (d) make rules for determining when the construction of a residence is complete; and

453 (e) make rules for a contractor to assign a tax credit under this section to a purchaser.

454 (9) (a) On or before October 1, 2012, and every five years after October 1, 2012, the  
455 Utah Tax Review Commission shall review the tax credit allowed by this section and make  
456 recommendations to the Revenue and Taxation Interim Committee concerning whether the tax  
457 credit should be continued, modified, or repealed.

458 (b) The Utah Tax Review Commission's report under Subsection (9)(a) shall include  
459 information concerning the cost of the tax credit, the purpose and effectiveness of the tax  
460 credit, and the state's benefit from the tax credit.

461 Section 4. Section **59-10-1018** is enacted to read:

462 **59-10-1018. Nonrefundable tax credit for energy efficient retrofits.**

463 (1) As used in this section:

464 (a) "Annual fuel utilization efficiency" means the ratio of heat output of a furnace or  
465 boiler compared to the total energy consumed by the furnace or boiler.

466 (b) "Efficient natural gas boiler" means a natural gas boiler with an annual fuel  
467 utilization efficiency rating of 85% or higher as determined by the Utah Geological Survey.

468 (c) "Efficient natural gas furnace" means a natural gas furnace with an annual fuel  
469 utilization efficiency rating of 95% or higher as determined by the Utah Geological Survey.

470 (d) "Efficient tankless electric water heater" means a tankless electric water heater that  
471 has an efficiency rating determined by the Utah Geological Survey.

472 (e) "Efficient tankless gas water heater" means a tankless gas water heater that has an  
473 efficiency rating of .80 energy factor or higher as determined by the Utah Geological Survey.

474 (f) "Efficient window" means a window with an efficiency rating of .35 U-factor or  
475 higher as determined by the Utah Geological Survey.

476 (g) "Eligible retrofit" means the installation of one or more of the following in an  
477 existing residence:

478 (i) air sealing;

479 (ii) duct insulation;

480 (iii) duct sealing;

481 (iv) an efficient natural gas boiler;

482 (v) an efficient natural gas furnace;

483 (vi) insulation of:

484 (A) an attic;

485 (B) a floor; or

486 (C) a wall;

487 (vii) an energy efficient and water efficient premium whole-house evaporative cooling  
488 system;

489 (viii) an efficient tankless:

490 (A) electric water heater; or

491 (B) gas water heater; or

492 (ix) an efficient window.

493 (h) "Energy factor" means a water heater's overall energy efficiency determined on the  
494 basis of the amount of hot water produced per unit of fuel consumed over a typical day.

495 (i) "Purchaser" means a claimant, estate, or trust that purchases the installation of an  
496 eligible retrofit.

497 (j) "Residence" means a single or multiple family dwelling of up to four units.

498 (k) "U-factor" means the rate of heat loss of a window.

499 (l) "Utah Geological Survey" means the Utah Geological Survey established in Section  
500 63-73-5.

501 (2) For taxable years beginning on or after January 1, 2009, a purchaser may claim a  
502 nonrefundable tax credit for the installation of an eligible retrofit as provided in this section.

503 (3) Subject to Subsection (4), the amount of the tax credit is:

504 (a) for the installation of air sealing, the product of:

505 (i) the cost of the installation and materials; and

506 (ii) 20%;

507 (b) for the installation of duct insulation, the product of:

508 (i) the cost of the installation and materials, including the cost of the insulation; and

509 (ii) 20%;

510 (c) for the installation of duct sealing, the product of:

511 (i) the cost of the installation and materials; and

512 (ii) 20%;

513 (d) for the installation of an efficient natural gas boiler, the product of:

514 (i) the cost of the installation and materials, including the cost of the efficient natural  
515 gas boiler; and

516 (ii) 20%;

517 (e) for the installation of an efficient natural gas furnace, the product of:

518 (i) the cost of the installation and materials, including the cost of the efficient natural  
519 gas furnace; and

520 (ii) 20%;

521 (f) for the installation of insulation of an attic, a floor, or a wall, the product of:

522 (i) the cost of the installation and materials, including the cost of the insulation; and

523 (ii) 20%;

524 (g) for the installation of an energy efficient and water efficient premium whole-house  
525 evaporative cooling system, the product of:

526 (i) the cost of the installation and materials, including the cost of the energy efficient  
527 and water efficient premium whole-house evaporative cooling system; and

528 (ii) 20%;

529 (h) for an efficient tankless electric water heater or efficient tankless gas water heater,  
530 the product of:

531 (i) the cost of the installation and materials, including the cost of the efficient tankless  
532 electric water heater or efficient tankless gas water heater; and

533 (ii) 20%; or

534 (i) for the installation of an efficient window, the product of:

535 (i) the cost of the installation and materials, including the cost of the efficient window;

536 and

537 (ii) 20%.

538 (4) For a taxable year a tax credit may not exceed:

539 (a) for purposes of Subsection (3)(a), \$225;

540 (b) for purposes of Subsection (3)(b), \$75;

541 (c) for purposes of Subsection (3)(c), \$100;

542 (d) for purposes of Subsection (3)(d), \$150;

543 (e) for purposes of Subsection (3)(e), \$150;

544 (f) for purposes of Subsection (3)(f), \$250;

545 (g) for purposes of Subsection (3)(g), \$250;

546 (h) for purposes of Subsection (3)(h), \$150;

547 (i) for purposes of Subsection (3)(i), \$100; or

548 (j) for purposes of this section, a total of \$1,000.

549 (5) A purchaser may claim a tax credit under this section for the taxable year in which  
550 the installation of the eligible retrofit is complete.

551 (6) A purchaser may carry forward a tax credit under this section for a period that does  
552 not exceed the next four taxable years if:

553 (a) the purchaser is allowed to claim a tax credit under this section for the taxable year;

554 and

555 (b) the amount of the tax credit exceeds the purchaser's tax liability under this chapter  
556 for that taxable year.

557 (7) A tax credit under this section is in addition to any other tax credit allowed by this  
558 chapter.

559 (8) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the  
560 Utah Geological Survey shall, on or before October 1, 2008:

561 (a) make rules defining what constitutes the installation of:

562 (i) air sealing;

563 (ii) duct insulation;

564 (iii) duct sealing;

565 (iv) an efficient natural gas boiler;

566 (v) an efficient natural gas furnace;

567 (vi) insulation of:

568 (A) an attic;

569 (B) a floor; or

570 (C) a wall;

571 (vii) an energy efficient and water efficient premium whole-house evaporative cooling  
572 system;

573 (viii) an efficient tankless:

574 (A) electric water heater; or

575 (B) gas water heater; or

576 (ix) an efficient window;

577 (b) establish standards for determining whether:

578 (i) an efficient natural gas boiler has an annual fuel utilization efficiency rating of 85%  
579 or higher;

580 (ii) an efficient natural gas furnace has an annual fuel utilization efficiency rating of  
581 95% or higher;

582 (iii) an efficient tankless gas water heater has an efficiency rating of .80 energy factor  
583 or higher; or

584 (iv) an efficient window has an efficiency rating of .35 U-factor or higher;

585 (c) establish an efficiency rating for an efficient tankless electric water heater; and

586 (d) make rules for determining when the installation of an eligible retrofit is complete.

587 (9) (a) On or before October 1, 2012, and every five years after October 1, 2012, the  
588 Utah Tax Review Commission shall review the tax credit allowed by this section and make  
589 recommendations to the Revenue and Taxation Interim Committee concerning whether the tax  
590 credit should be continued, modified, or repealed.

591 (b) The Utah Tax Review Commission's report under Subsection (9)(a) shall include  
592 information concerning the cost of the tax credit, the purpose and effectiveness of the tax  
593 credit, and the state's benefit from the tax credit.

594 **Section 5. Coordinating H.B. 199 with S.B. 31 -- Modifying substantive language.**

595 If this H.B. 199 and S.B. 31, Income Tax Amendments, both pass, it is the intent of the  
596 Legislature that the Office of Legislative Research and General Counsel, in preparing the Utah  
597 Code database for publication, modify Section 59-10-1002.2, which is renumbered and  
598 amended in S.B. 31, so that citations to the statutory sections enacted in Sections 3 and 4 in this  
599 H.B. 199 are included in the list of sections in:

600 (1) Subsection 59-10-1002.2(1); and

601 (2) Subsection 59-10-1002.2(2).

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**Legislative Review Note**  
**as of 2-11-08 3:43 PM**

**Office of Legislative Research and General Counsel**

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**H.B. 199 - Tax Credits for Energy Efficient Residences**

**Fiscal Note**

2008 General Session

State of Utah

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**State Impact**

Enactment of this bill could reduce the Education Fund by \$830,000 in FY 2009 and by \$955,000 in FY 2010. The Tax Commission would require an appropriation of \$28,000 in FY 2010 to implement provisions of the bill.

	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2010</u> <u>Approp.</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>	<u>FY 2010</u> <u>Revenue</u>
Education Fund	\$0	\$0	\$28,000	\$0	(\$830,000)	(\$955,000)
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,000</b>	<b>\$0</b>	<b>(\$830,000)</b>	<b>(\$955,000)</b>

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**Individual, Business and/or Local Impact**

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for local governments. Individuals could claim income tax credits for certain energy efficiency improvements in their homes.