

Arizona Solar Energy Industries Association

Arizona Legislative Update

HB2429 - solar energy tax incentives

This past week was not kind to solar energy in Arizona- especially to homeowners in Arizona who would like to install multiple solar technologies. HB2429 - solar energy tax incentives failed to pass the Senate Natural Resources and Rural Affairs Committee on Wednesday. The bill failed by a 4 to 2 margin. Senators Rebecca Rios and committee Chair Jake Flake voted in favor of the bill. (They should be commended for their votes.) The remaining members, Senators Blendu, Cannell, Bee, and newly installed Senator Gray, voted against the bill. Gray was a supporter in the House of Representatives before being sworn in to take the place of Senator Marilyn Jarrett, who passed away last week. (She was a supporter of the bill) His opposition to a bill that he once favored was his first action as a Senator.

The Senators had a problem with the changes to the residential tax credit. Those who voted against it, led by Senator Blendu, wanted a cap on the residential portion of the credit. Blendu said he was a supporter of solar, but it was obvious that he was not. We have heard that tired old line before. He talked about the high cost of solar technologies and also asked, "Where is the opposition to this bill?" He was distrustful of the testimony of the bills supporters and evidently wanted to hear the other side. He was unable to understand that the traditional opposition to the solar energy and the bill...the utilities... was in the room, only they were supporting the bill.

We did not cap that portion of the bill because it would create an unwieldy process to monitor the credits. There are thousands of tax credits taken every year. The vast majority are not for solar water heating systems or photovoltaic systems, but for solar daylighting devices, primarily solar tubes, which qualify for the residential solar tax credit. They are covered under the statutory definition of a solar energy device. Keeping track of a residential cap and developing a system to confirm reservations would require a great deal of time and money, in effect creating more government bureaucracy. However, not only would placing a cap on the residential tax credit create an administrative nightmare, capping the residential tax credit would also initiate a Prop 108, which would require a $\frac{3}{4}$ vote of the House and Senate.... not an easy task. In fact, we would not have passed the House if this were the case.

The good news is that Senator Flake, the committee chair, has the ability to bring the bill back, and since he voted for the bill, he expressed his willingness to do so. In fact, he gave quite a speech in favor of the bill before he cast his vote.

It looked like he almost swayed some other committee members. In fact some of those who voted against the bill, later expressed regret over the situation when explained the realities of the problems with a cap.

We have considered our options and unfortunately for Arizona's homeowners, the only option is to eliminate the residential portion of the bill. This would leave Arizona's residential tax credit intact, a one-time credit of 25% with a \$1000 maximum.

For the most part, those who voted against the bill will support it if we remove the residential tax credit. We will be on the Natural Resources and Rural Affairs Committee agenda for Wednesday, March 29. In the meantime, we have scheduled meetings with committee members to make sure that we are on track.

We will keep you informed on our progress and on what you can do to help. If you have any questions or comments, please feel free to call. Thanks to those of you who have written and called your legislators.

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