

**PUBLIC ROUNDTABLE ON  
BILL 16-461, “RESIDENTIAL ENERGY  
CONSERVATION TAX CREDIT ACT OF 2005”**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia**

**The Honorable Jack Evans, Chairman**

**November 17, 2005, 11:00 a.m.  
Council Chambers, Room 500, John A. Wilson Building**



**Testimony of  
Matthew Braman  
Director of Operations  
Office of Tax and Revenue**

**Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Matthew Braman, Director of Operations for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 16-461, the “Residential Energy Conservation Tax Credit Act of 2005.”

Bill 16-461 would establish income tax credits for those District residential homeowners and renters who install certain energy conservation devices in or make energy conservation improvements to their homes. The credits allowed for existing homes under Bill 16-461 are as follows:

- 25% of an eligible taxpayer’s energy conservation expenses for triple-pane thermal storm windows, insulation for exterior and interior doors of a residence, and the caulking and weather-stripping of any windows and doors, in an amount not to exceed \$200;
- 20% of an eligible taxpayer’s energy conservation expenses for the purchase and installation of high energy efficient water, heating or cooling system, or insulation for existing hot water heaters, or insulation of existing duct work, or piping in non-heated areas, in an amount not to exceed \$200;
- 20% of an eligible taxpayer’s energy conservation expenses for the purchase and installation of insulation for floors, walls, and ceilings, in an amount not to exceed \$200
- 20% of an eligible taxpayer’s energy conservation expenses for the purchase and installation of high energy efficient major home appliances or for ceiling fans, in an amount not to exceed \$100;

- 15% of an eligible taxpayer's energy conservation expenses for the replacement of energy inefficient lighting fixtures with permanent high energy efficient light fixtures, in an amount not to exceed \$100; and
- 10% of an eligible taxpayer's energy conservation expenses for the purchase and installation of any programmable or set-back thermostat or lighting switch, in an amount not to exceed \$50.

Bill 16-461 establishes a maximum overall amount for these credits at \$500. For an eligible taxpayer who is a homeowner of a residence constructed after January 1, 2004, the bill also allows for a credit of 5% of the purchase price of the residence, if the residence is certified at the time of the closing to be at least 50% more energy-efficient than the 1995 residential model energy code. The maximum amount for this "new home" credit is \$2,000.

Overall, the Office of the Chief Financial Officer supports the objectives of Bill 16-461. We are concerned, however, that the bill, as currently drafted, would create considerable burdens to District tax administration. The Office of Tax and Revenue (OTR) would be responsible for preparing the applicable tax credit form; revising the related income tax forms and instructions; re-programming OTR's computer system to accept the new credit; tracking the credit and determining who is eligible; and recruiting staff auditors with the requisite technical knowledge to evaluate the various energy-efficient measures in the bill, such as triple-pane thermal storm windows and caulking and weather-stripping, in order to determine the validity of taxpayer credits taken.

Furthermore, two of the definitions provided in Bill 16-461 should be revised to make the legislative language consistent with the intent of Bill 16-461 as we understand it. First, in proposed § 47-1806.11a(1), the definition of “eligible taxpayer” refers to the broad definition of “taxpayer” found in § 47-1801.04(7), which includes corporations and partnerships, yet Bill 16-461’s focus is on “residential energy conservation.” We recommend that the legislation make clear that the definition of “eligible taxpayer” is limited to individual resident taxpayers of the District.

Second, in proposed § 47-1806.11a(4), the definition of “high energy efficient” needs to be more specific as the current definition refers only to “energy savings requirements” developed by the federal Environmental Protection Agency and Department of Energy. We would be pleased to work with this committee on refining this definition for inclusion in the Code, so that taxpayers and administrators alike understand the meaning of “high energy efficient.”

With respect to the structure of the credit, we recommend that in proposed § 47-1806.11b, instead of listing the various energy conservation measures with their own individual credits, the bill should consolidate them into one provision with an overall ceiling of credit not to exceed a certain amount. If the legislation retains the full list of energy-efficient appliances, however, we recommend that energy-efficient washer/dryers and refrigerators be added, since renters are often required to purchase these appliances themselves. In proposed § 47-1806.11c(b), the maximum credit for energy conservation measures in new homes is \$2,000, but in proposed § 47-1806.11d, the maximum credit for energy conservation measures in existing homes is \$500;

we recommend that this disparity be eliminated and that the maximum credit be the same for all individual residential taxpayers.

Proposed § 47-1806.11h also provides that these tax credits be refundable; we recommend elimination of the refundability provision and, instead, suggest that the taxpayer be allowed to carry-forward the credit for three years.

Generally, each taxpayer should also be allowed only one credit per home under this bill and not be allowed multiple credits per home.

In addition, we recommend that certain technical amendments be made to the legislation. I have appended them to the written version of this testimony.

#### **Fiscal Impact of Bill 16-461**

The Office of Revenue Analysis has analyzed the fiscal impact of Bill 16-461 and estimates the cost of this bill to be approximately \$4.15 million for FY 2006, and the total for FY 2006 through FY 2009 would be approximately \$16.6 million. These amounts include approximately \$450,000 in annual additional operating costs for the publication of forms and instructions; District tax system computer software design and programming; and additional audit staff that would have the technical expertise to cover the residential energy conservation measures described in this bill.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.

## APPENDIX

### Proposed Amendments to Bill 16-461

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In Section 2 of the bill:

1. The second sentence of § 47-1806.11b should read “Subject to the provisions of sections § 47-1806.11a, and § 47-1806.11c through § 47-1806.11i,” instead of “Subject to § 47-1806.11i(a) and § 47-1806.11d . . .”
2. The last sentence of § 47-1806.11e(a) should read, “For tax year 2006, this form shall be developed by April 1, 2006” instead of “For tax year 2005, this form shall be developed by April 1, 2006.”
3. The second Code citation in § 47-1806.11h should read “§ 47-1806.11c” instead of “§ 27-1806.11d.”