

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** Chris S. Runion

3. **Committee** House Finance

4. **Title** Income Tax: Energy Efficient Homes Tax Credit

2. **Bill Number** HB 760

House of Origin:

 X **Introduced**
 Substitute
 Engrossed

Second House:

 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would establish a nonrefundable individual and corporate income tax credit for energy-efficient homes and extra-efficient homes. The credit may be claimed by either:

- An eligible contractor for the construction of an energy-efficient home (\$2,500 credit) or an extra-efficient home (\$5,000 credit); OR
- An eligible purchaser for the purchase of an energy-efficient home (\$1,000 credit) or an extra-efficient home (\$2,000 credit); but
- Not both.

Only one credit per dwelling unit may be claimed. The total amount of all credits that may be issued under this bill would be capped at \$10 million per year, and taxpayers may claim no more than \$250,000 in credits in any taxable year.

The bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

6. Budget amendment necessary: Yes

Item(s): 261 and 263 Department of Taxation

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2026-27	\$541,130	1	GF
2027-28	\$88,800	1	GF
2028-29	\$88,800	1	GF
2029-30	\$88,800	1	GF
2030-31	\$88,800	1	GF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2026-27	(\$10 million)	GF
2027-28	(\$10 million)	GF
2028-29	(\$10 million)	GF
2029-30	(\$10 million)	GF
2030-31	(\$10 million)	GF

8. Fiscal implications:

Administrative Costs

The Department of Taxation ("the Department") would incur estimated expenditures as shown above. Such costs would primarily consist of updating the Department's forms and systems to implement the credit and the hiring of one new full-time employee.

Because of the implementation and release schedule for the Integrated Revenue Management System ("IRMS") replacement project, this legislation will not be impacted by such project if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

Revenue Impact

This bill would have a negative General Fund revenue impact as shown on line 7b. Based on data from the federal new energy efficient home tax credit the Department estimates that this credit would be oversubscribed, meaning the amount of credits requested would exceed the credit cap on an annual basis.

9. Specific agency or political subdivisions affected:

Department of Taxation; Department of Energy

10. Technical amendment necessary: No.

11. Other comments:

New Energy Efficient Home Credit

New Energy Efficient Home Credit ("45L credit") was originally enacted by § 1332(a) of the Energy Policy Act of 2005 to provide a credit for the construction of new energy efficient homes. It is codified in section 45L of the Internal Revenue Code. The 45L credit has been amended several times, and most recently the Inflation Reduction Act of 2022 ("the IRA").

After the IRA, the credit had the following limitations:

- The maximum credit increased to \$2,500 per unit for Energy Star certification and \$5,000 per unit for Zero Energy Ready Homes.

- The height restriction was lifted, allowing high-rise apartments (4 stories or higher) to qualify.
- Homes had to meet certain Environmental Protection Agency and Department of Energy standards.

2025 H.R. 1 (Public Law 119-21) ended this tax credit as of June 30, 2026.

Proposal

This bill would establish a nonrefundable individual and corporate income tax credit for energy-efficient homes and extra-efficient homes. The credit may be claimed by either:

- An eligible contractor for the construction of an energy-efficient home (\$2,500 credit) or an extra-efficient home (\$5,000 credit); OR
- An eligible purchaser for the purchase of an energy-efficient home (\$1,000 credit) or an extra-efficient home (\$2,000 credit); but
- Not both.

Only one credit per dwelling unit may be claimed. The total amount of all credits that may be issued under this bill would be capped at \$10 million per year, and taxpayers may claim no more than \$250,000 in credits in any taxable year. If more than \$10 million in credits are requested the Department would allocate the credit on a pro-rata basis.

The amount of the credit claimed in any single taxable year cannot exceed the taxpayer's income tax liability for that taxable year, but taxpayers would be allowed to carry forward any unused credit amount for up to five years.

"Construction" would mean substantial reconstruction and rehabilitation.

"Eligible contractor" would mean the person that (i) constructed the energy-efficient home or extra-efficient home and owned the home during its construction or (ii) in the case of an energy-efficient home or extra-efficient home that is a manufactured home, the person that produced the home and owned the home during its production.

"Eligible purchaser" would mean the first person that purchased a new energy-efficient home or extra-efficient home from an eligible contractor.

"Energy-efficient home" would mean a dwelling unit located in the Commonwealth, the construction of which is completed during the taxable year, that meets (i) the energy-saving requirements of the United States Code and is not certified as a zero energy ready home or (ii) a maximum HERS index score, before any onsite power production, of 45 in climate zone 3A, 47 in climate zone 4A, and 51 in climate zone 5A.

"Home energy rating system" or "HERS" would mean the energy rating index, as defined in the 2022 ANSI/RESNET/ICC 301 Standard for the Calculation and Labeling of the Energy Performance of Dwelling and Sleeping Units using an Energy Rating Index, developed by the Residential Energy Services Network.

“Extra-efficient home” would mean a dwelling until located in the Commonwealth, the construction of which is completed during the taxable year, that meets (i) the energy-saving requirements of the United States Code and is certified as a zero energy ready home under the Zero Energy Ready Home program of the U.S. Department of Energy as such program was in effect on January 1, 2023, (or any successor program determined by the U.S. Secretary of Labor) or (ii) a maximum HERS index, before any onsite power production, of 43 in climate zone 3A, 45 in climate zone 4A, and 47 in climate zone 5A.

The Department would be required, in consultation with the Department of Energy, to develop guidelines for claiming the credit created by the bill.

The bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

cc : Secretary of Finance

Date: 02/04/2026 ALS
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