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State of South Carolina  
Department of Revenue  
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SC INFORMATION LETTER #06-23

**SUBJECT:** New Energy Conservation Tax Incentives for Individuals

**DATE:** October 5, 2006

**REFERENCE:** S. C. Code Ann. Section 12-6-3377 (Enacted June 1, 2006)  
S. C. Code Ann. Section 12-6-3587 (Enacted June 14, 2006)  
House Bill 4810, Part IB, Section 72, Proviso 72.113(A) (Act No. 397) (Enacted June 14, 2006)

**AUTHORITY:** S. C. Code Ann. Section 12-4-320 (2000)  
S.C. Code Ann. Section 1-23-10(4) (2005)  
SC Revenue Procedure #05-2

**SCOPE:** An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

The General Assembly enacted several energy conservation tax incentives during the 2006 session. While all these incentives are available to business, the following new energy conservation tax incentives are also available to individuals:

**(1) Alternative Motor Vehicle Income Tax Credit**

South Carolina resident taxpayers who are eligible for, and claim, the federal credit allowed under Internal Revenue Code Section 30B may claim a credit against income taxes for 20% of the federal income tax credit. If the amount of the credit exceeds the taxpayer's liability for the tax year, any unused credit may be carried forward and claimed in the 5 succeeding tax years.

Internal Revenue Code Section 30B provides an alternative motor vehicle credit equaling the total of the: (1) qualified fuel cell motor vehicle credit, (2) advanced lean burn technology motor vehicle credit, (3) qualified hybrid motor vehicle credit, and (4) qualified alternative fuel motor vehicle credit.

The credit allowed is calculated without regard to the phaseout period limits of Internal Revenue Code Section 30B(f), and the provisions of Internal Revenue Code Section 30B are deemed permanent law for purposes of the credits allowed under South Carolina income tax law (Code Section 12-6-3377).

An income tax form for this credit, TC-35, will be available on the Department's website in 2007.

This incentive became law with the enactment of House Bill 4312 (Act No. 312), which can be found at [http://www.scstatehouse.net/sess116\\_2005-2006/bills/4312.htm](http://www.scstatehouse.net/sess116_2005-2006/bills/4312.htm), and applies for taxable years beginning after 2005.

### **(2) Income Tax Credit for the Installation of a Solar Energy Heating and/or Cooling System**

Taxpayers may claim an income tax credit equal to 25% of the costs incurred by the taxpayer in the installation of a solar energy heating or cooling system, or both, in a building owned by the taxpayer. The credit may not be claimed before the completion of the installation, and must be claimed for the year that the costs are incurred. The amount of the credit may not exceed \$3,500 or 50% of the taxpayer's tax liability for that taxable year, whichever is less. If the amount of the credit exceeds \$3,500, the taxpayer may carry forward the excess for up to 10 years.

The law provides that a "system" includes all controls, tanks, pumps, heat exchangers, and other equipment used directly and exclusively for the conversion of solar energy for heating or cooling. It does not include any land or structural elements of the building such as walls and roofs or other equipment ordinarily contained in the structure.

An income tax form for this credit, TC-38, will be available on the Department's website in 2007.

This incentive became law with the enactment of Senate Bill 1245, Section 37 (Act No. 386), which can be found at [http://www.scstatehouse.net/sess116\\_2005-2006/bills/1245.htm](http://www.scstatehouse.net/sess116_2005-2006/bills/1245.htm), and applies to installation costs incurred in taxable years beginning on or after January 1, 2006.

### **(3) Alternative Fuel Vehicles - Sales Tax Rebate**

Purchasers of certain alternative fuel vehicles are entitled to a sales tax rebate of up to \$300. In order to obtain this rebate, the following requirements must be met:

1. The vehicle must be purchased between July 1, 2006 and June 30, 2007.
2. The purchase must be an in-state purchase of the vehicle.

3. The rebate request must be submitted to the Department on a form created by the Department.
4. The vehicle purchased must be one of the following types of alternative fuel vehicles:
  - a. Flex-Fuel Vehicles (FFV) capable of operating on E85 motor fuel. Eligible vehicles for each model year are those models identified by the manufacturer as being flexible-fuel vehicles capable of operating on E85 motor fuel. E85 motor fuel is a fuel comprised of 85% ethanol fuel and 15% gasoline fuel.
  - b. Hydrogen fuel cell vehicles. A hydrogen fuel cell vehicle is any vehicle classified by the United States Department of Energy as a hydrogen fuel cell vehicle.
  - c. Plug-in hybrid gasoline-electric vehicles. A plug-in hybrid gasoline-electric vehicle is a vehicle classified by the United States Department of Energy as a hybrid gasoline-electric vehicle capable of being propelled by both a gasoline-fueled internal combustion engine and an electric motor powered by a battery that can be recharged by being plugged into an external source of electricity.

In addition to the rebate for in-state purchases of the above fuel-efficient automobiles, a rebate of up to \$500 is available for persons who purchase equipment used in the conversion of a conventional hybrid gasoline-electric vehicle to a plug-in hybrid gasoline-electric vehicle. In order to qualify for this rebate, equipment must also be purchased between July 1, 2006 and June 30, 2007, and the rebate request must be submitted to the Department on a form created by the Department. It is not required that the purchase of the equipment be an in-state purchase.

The form for requesting either of these rebates from the Department of Revenue (Form ST-447) will be available to automobile dealers and the Department of Motor Vehicles as well as the public.

This incentive became law with the enactment of House Bill 4810, Part IB, Section 72, Proviso 72.113(A) (Act No. 397), which can be found at [http://www.scstatehouse.net/sess116\\_2005-2006/appropriations2006/tap1b.htm#s72](http://www.scstatehouse.net/sess116_2005-2006/appropriations2006/tap1b.htm#s72).

This temporary proviso is effective for State fiscal year July 1, 2006 through June 30, 2007. Unless reenacted by the General Assembly in the next legislative session, the provisions of this proviso expire on June 30, 2007.