

AMENDED IN SENATE JULY 3, 2001  
AMENDED IN SENATE JUNE 20, 2001

CALIFORNIA LEGISLATURE—2001-02 SECOND EXTRAORDINARY SESSION

**SENATE BILL**

**No. 75**

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**Introduced by Senator Ortiz**

May 17, 2001

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An act to amend Section 17072 of, and to add Section 17208.1 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 75, as amended, Ortiz. Income taxes: deduction: interest.

The Personal Income Tax Law allows various deductions in computing income that is subject to taxation.

This bill would allow as a deduction, in computing adjusted gross income, the amount of interest paid or incurred by a taxpayer on any loan or other indebtedness incurred in acquiring and installing any energy efficient product or equipment, as defined, installed or applied to a qualified residence located in this state.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17072 of the Revenue and Taxation
- 2 Code is amended to read:

1 17072. (a) Section 62 of the Internal Revenue Code, relating  
2 to adjusted gross income defined, shall apply, except as otherwise  
3 provided.

4 (b) The amendments to Section 62 of the Internal Revenue  
5 Code, made by Section 13213 of the Revenue Reconciliation Act  
6 of 1993 (P.L. 103-66), relating to modifications to deduction for  
7 moving expenses, shall apply to taxable years beginning on or after  
8 January 1, 1996.

9 (c) The deduction allowed by Section 17204, relating to  
10 interest on education loans, shall be allowed in computing adjusted  
11 gross income.

12 (d) The deduction allowed by Section 17208.1, relating to  
13 interest on loans or financed indebtedness obtained from a ~~private~~  
14 ~~or~~ publicly owned utility company for the purchase and  
15 installation of energy efficient products or equipment, shall be  
16 allowed in computing adjusted gross income.

17 SEC. 2. Section 17208.1 is added to the Revenue and Taxation  
18 Code, to read:

19 17208.1. (a) There shall be allowed as a deduction the  
20 amount of interest paid or incurred by a taxpayer during the taxable  
21 year on any loan or financed indebtedness obtained from a ~~private~~  
22 ~~or~~ publicly owned utility company for the purpose of acquiring  
23 and installing any energy efficient product or equipment to a  
24 qualified residence located in this state.

25 (b) For purposes of this section:

26 (1) “Energy efficient product or equipment” means any  
27 product or equipment certified by a ~~private~~ ~~or~~ publicly owned  
28 utility company that will improve the energy efficiency, as defined  
29 by paragraph (2) of subdivision (a) of Section 399.4 of the Public  
30 Utilities Code, of a qualified residence on which the product or  
31 equipment is installed or applied.

32 (2) “Energy efficient product or equipment” shall include, but  
33 not be limited to, heating, ventilation, air-conditioning, lighting,  
34 solar, advanced metering of energy usage, window, insulation,  
35 zone heating products, and weatherization systems.

36 (3) “Zone heating products” mean gas room heaters certified  
37 by the California Energy Commission or wood fueled stoves  
38 certified by the federal Environmental Protection Agency.



1 (4) “Publicly owned utility company” has the same meaning  
2 as set forth in subdivision (d) of Section 9604 of the Public Utilities  
3 Code.

4 (5) “Qualified residence” has the same meaning as set forth in  
5 Section 163(h)(4)(A) of the Internal Revenue Code.

6 (6) ~~“Private or publicly~~ “Publicly owned utility company loan  
7 or financial indebtedness” means any amount borrowed from a  
8 ~~private or~~ publicly owned utility company to finance the  
9 acquisition and installation of energy efficient products and  
10 equipment installed or applied to a qualified residence located in  
11 this state.

12 (c) Any interest amount that is allowed as a deduction pursuant  
13 to this section (and the application of Section 17072) may not  
14 otherwise be allowed as a deduction for purposes of this part.

15 (d) The Legislature finds and declares that many taxpayers may  
16 be unaware that they may deduct interest paid or incurred pursuant  
17 to this section. The Legislature further finds that it is important to  
18 inform taxpayers of this deduction. Therefore, it is the intent of the  
19 Legislature to encourage all ~~private or~~ publicly owned utility  
20 companies to inform their customers in writing that they may  
21 deduct interest paid or incurred pursuant to this section. It is the  
22 further intent of the Legislature to encourage all ~~private and~~  
23 publicly owned utility companies, that are unable to offer  
24 customer financing to acquire or install energy efficient products  
25 and equipment, to inform their customers in writing that interest  
26 on a home equity or home improvement loan used to purchase  
27 energy efficient products and equipment may also be tax  
28 deductible.

29 SEC. 3. This act provides for a tax levy within the meaning of  
30 Article IV of the Constitution and shall go into immediate effect.

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