



Appeal of George H. and Alyce P. Bratt

The sole issue presented for our determination by this appeal is whether respondent properly disallowed appellants' claimed solar energy tax credit for the year in issue.

In 1977, appellants installed a large exterior shade screen on their residence to block sunlight from their glass and concrete northeast wall. This screen was not installed in conjunction with a "solar energy system" (as that term is defined in Revenue and Taxation Code section 17052.5, subdivision (i)(G)(A).) On their joint California personal income tax return for 1977, appellants claimed a solar energy tax credit in the amount of \$465.00 (55% of the cost of the shade screen). Upon examination of their return, respondent determined that appellants' purchase and installation of the shade screen did not entitle them to a solar energy tax credit.

Revenue and Taxation Code section 17052.5 provides for a tax credit equal to 55 percent of the cost of certain solar energy devices installed on premises located in California which are owned and controlled by the taxpayer claiming the credit, up to a maximum credit of \$3,000. The same section also provides that the Energy Resources Conservation and Development Commission (hereinafter referred to as the "Energy Commission") is responsible for establishing guidelines and criteria for solar energy systems which are eligible for the solar energy tax credit. Pursuant to subdivision (a)(5) of section 17052.5, energy conservation measures applied in conjunction with solar energy systems to reduce the total cost or backup energy requirements of such systems are also eligible for the tax credit.

In order to substantiate their claimed solar energy tax credit, appellants provided respondent with extensive documentation relative to the energy saving characteristics of their shade screen. Unable to properly analyze this technical data, respondent forwarded it to the Energy Commission to ascertain whether the shade screen constituted a "solar energy system" within the Commission's guidelines. After reviewing appellants' data, the Energy Commission concluded that the shade screen was not a solar energy system but rather a "conservation device" which would be eligible for the solar energy tax credit only if installed in conjunction with a solar energy system.

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After reviewing the record on appeal, we must conclude that respondent properly disallowed appellants' claimed solar energy tax credit. Notwithstanding the purported energy saving characteristics of their shade screen, appellants' conservation device simply did not satisfy the statutory requirements for eligibility for the solar energy tax credit. The statutory requirements are specific in this regard; the solar energy tax credit is available only for solar energy systems or for conservation measures installed in conjunction with a solar energy system. Energy Commission regulations in effect for the year in issue clearly provided that exterior shade screens were not, by themselves, eligible for the tax credit and would qualify for the credit only when installed as part of a direct or indirect thermal space conditioning system. (Former Cal. Admin. Code, tit. 20, reg. 2604, subd. (h), repealed Sept. 19, 1979.) Since it was not installed in conjunction with such a solar energy system, appellants' shade screen simply did not satisfy the statutory eligibility requirements for the solar energy tax credit.

