



## Financial Incentives

### FEDERAL

#### Residential

- 30% tax credit for the purchase and installation of solar electric (PV) system
- 30% tax credit for purchase and installation of domestic solar hot water (thermal) systems
  - Solar pool heating does not qualify for this credit
- 30% tax credit for purchase and installation of small wind system

Credits are taken for each system separately, so it is possible to qualify for several credits. These credits **reduce tax liability**. They are not reductions to income. If tax liability in the installation year is less than the credit, the difference can be carried over to the succeeding years' tax liability.

#### Commercial

- 30 % tax credit for the purchase and installation of solar electric (PV) system
- 30% tax credit for the purchase and installation of solar hot water (thermal) system
  - Solar pool heating does not qualify for this credit
- 30% tax credit for purchase and installation of small wind system

Credits are taken for each system separately, so it is possible to qualify for several credits. These credits **reduce tax liability**. They are not reductions to income. If tax liability in the installation year is less than the credit, the difference can be carried over to the succeeding years' tax liability.

PV and solar hot water systems were 5-year properties for the purpose of depreciation in 2008. This has just been extended through 2010. Further, under a special rule in the Internal Revenue Code, the depreciation basis for PV and solar hot water systems is only reduced by **half** of the federal tax credit. That's right! A business that installs a solar thermal or PV system (or both) gets a tax credit of 30% and can also depreciate 85% of the cost of its system(s) over only 5 years.

### American Recovery and Reinvestment Act (HR 1)

The stimulus act has the following provision:

- **GRANT** toward purchase and installation of renewable energy technologies placed in service in 2009 or 2010 may be taken instead of tax credit. It appears that this grant is only available for commercial installations, but we are hoping for a definitive ruling soon. The Treasury Department is responsible for implementing this. No word yet on how long before grants will be available and what the application process will entail.

## STATE

### Current Incentives

- Purchase and installation of PV, solar hot water, and wind systems are all sales tax exempt
  - Expires June 30, 2009 unless extended.
- Grid-tied PV and wind systems are eligible for production incentive payments ranging from 12 to 18 cents per kWh as follows:
  - 18 cents only inverter manufactured in WA
  - 15 cents no components manufactured in WA
  - 15 cents wind generator with blades manufactured in WA
  - 12 cents all other wind generation
    - Capped at \$2000 per year.
    - 'Solar' year runs from July 1 through June 30
    - Expires June 2014 unless extended

### Pending Legislation

- Myriad bills this session. A few key ones:
  - HB 1009 extends sales tax exemption for solar PV and wind through 2020
  - HB 1188 extends sales tax exemption for solar hot water through 2015
  - SB 5429 extends production incentives through June, 2025
  - HB 1134/SB 5198 creates rebates of up to \$4000 for solar thermal installations
  - HB 1112 prohibits apartment, condo, & homeowners associations from impairing solar PV and thermal installations
  - HB 1008 sets limits on how restrictive wind ordinances may be
  - HB 1399 provides a framework and incentives for community solar projects

See the link to WSU below for more bills and more information. Contact your legislators!

### FOR MORE INFORMATION

[www.whidbeysunwind.com/incentive.html](http://www.whidbeysunwind.com/incentive.html)

WSW's incentive web page

[www.dsireusa.org](http://www.dsireusa.org)

State and federal incentive database

<http://www.irs.gov/pub/irs-pdf/p946.pdf>

IRS publication 946. Pg 30 references above tax code. Pg 33 lists energy systems as 5-year property for depreciation. For businesses.

[http://seia.org/galleries/pdf/exec\\_summary\\_of\\_final\\_bill\\_2\\_17\\_09.pdf](http://seia.org/galleries/pdf/exec_summary_of_final_bill_2_17_09.pdf)

SEIA analysis of American Recovery and Reinvestment Act

<http://www.energy.wsu.edu/library/bills/energybilltracking.cfm#bill>

WSU energy-related bill tracking for Washington State Legislature 2009

[http://www.law.cornell.edu/uscode/search/display.html?terms=energy%20credit%20basis&url=/uscode/html/uscode26/usc\\_sec\\_26\\_00000050----000-.html](http://www.law.cornell.edu/uscode/search/display.html?terms=energy%20credit%20basis&url=/uscode/html/uscode26/usc_sec_26_00000050----000-.html)

Tax code, Title 26, Subtitle A, Chapter 1, Subchapter A, Part IV, Subpart E, Section 50. Scroll down to Section C for the special rule concerning basis adjustment and the energy credit for businesses.