



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) system
 - Solar pool heating does not qualify for this credit
- 30% tax credit for purchase and installation of small wind system
- 30% tax credit for purchase and installation of geothermal heat pump

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 – same as for residential systems – see above

A provision for businesses to receive a grant in lieu of the tax credit was passed in the American Recovery and Reinvestment Act. This grant is for renewable energy technologies placed in service in 2009 or 2010. The Treasury Department is not accepting applications yet, but expects to be shortly. To learn more about the grant program visit <http://www.treas.gov/recovery/1603.shtml> and read the guidance document, terms and conditions, and sample application.

Whether a business opts for the tax credit or grant, PV and solar hot water systems are 5-year properties for the purpose of depreciation. This applies to systems installed 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. Small businesses are eligible for even faster depreciation.

STATE

Sales Tax Exemption

- Purchase and installation of PV systems smaller than 10 kW is exempt from sales tax through 6/30/2013
- Purchase and installation of wind and many other renewable technologies is exempt from sales tax through 6/30/2011 provided the system is rated at or above 1 kW
- Purchase and installation of PV systems larger than 10 kW, wind systems, and other renewable technologies is eligible for a 75% sales tax 'remittance' from 7/1/2011 through 6/30/2013

Production Incentives

- **Grid-tied** PV and wind systems are eligible for production incentive payments as follows:
 - 15 cents PV system, no components manufactured in WA
 - 18 cents PV system, inverter manufactured in WA
 - 36 cents PV system, modules manufactured in WA
 - 54 cents PV system, both inverter and modules manufactured in WA
 - 12 cents wind generator, no components manufactured in WA
 - 15 cents wind generator with blades manufactured in WA

- Capped at \$5000 per year
 - 'Solar' year for production incentive runs from July 1 through June 30
 - ,Expires 6/30/2020
- *WA-made modules are not currently available*
- *WA-made inverters are only available for battery-based systems*
- Community solar projects are eligible for double the production incentive amounts listed above.
 - Capped at \$5000 per year *per applicant*
 - *The Department of Revenue has not yet released details concerning the implementation of the community solar production incentive. Program details are expected in the fall.*

RECs/GREEN TAGS

- Represent the environmental attributes of the power produced from renewable energy projects
- 1 REC = 1 mWh of 'green' power
- Northwest Solar Coop's most recent price for the purchase of solar RECs was 2 cents/kWh. They are currently maintaining a waiting list for future contracts.

FOR MORE INFORMATION

www.whidbeysunwind.com/incentive.html

WSW's incentive web page

www.dsireusa.org

Database of State Incentives for Renewables & Efficiency

In spite of its name, this is **THE** website for federal and state incentives.

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

IRS publication 946. Pg 36 references above tax code. Pg 38 lists energy systems as 5-year property for depreciation. For businesses.

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) Basis adjustment to investment credit property, for the special rule concerning basis adjustment and the energy credit for businesses.

http://seia.org/galleries/pdf/exec_summary_of_final_bill_2_17_09.pdf

SEIA analysis of American Recovery and Reinvestment Act

<http://www.solaroregon.org/get-involved/northwest-solar-coop>

Northwest Solar Co-op