



The Tax Incentives Assistance Project (TIAP)

www.energytaxincentives.org

On-Site Renewables Tax Incentives

Solar Energy Systems - Small Wind Systems - Geothermal Heat Pumps

Solar Energy Systems

What are the tax incentives for solar systems?

Businesses are eligible for tax credits for qualified solar water heating and photovoltaic systems, and for certain solar lighting systems. Qualifying equipment will either use solar energy to generate electricity, to heat/cool or provide hot water to a structure, or will use solar energy to illuminate the inside of a building by means of fiber-optic distributed sunlight (tube systems and passive solar are not eligible). The credits are available for systems "placed in service" between January 1, 2006 and December 31, 2016.

Note: This is a basic guide to the credit. For more detailed information, go to www.seia.org and download the Guide to Federal Tax Incentives for Solar Energy, or click here for recent FAQs regarding the new legislation.

Who is eligible for the tax incentives?

The tax credits go to businesses that install solar equipment for their use, and to individuals who install qualifying systems on homes they use as a residence.

In the case of cooperative apartment buildings owned by a corporation, SEIA states that "if the corporation spends money on installing qualified solar property, each shareholder is allowed to claim residential solar tax credits on his or her share of the spending."

In the case of condominiums, SEIA reports that when the condominium management association "spends money on installing qualified solar property, each member of the association can claim the residential solar tax credits on his or her share of that spending," so long as the management association qualifies as a homeowners' association under the law, and the majority of the units in the condominium are used as dwelling units.

What are the incentives and how do they work?

The tax credits are for 30% of the cost of the system. For individuals the maximum credit is \$2000 for photovoltaic systems and \$2000 for solar water heating systems in any tax year. After December 31, 2008, the cap on photovoltaic systems ONLY will be removed. To qualify, residential systems must meet certain criteria as follows:

- Solar water heating:
 - System must be certified for performance by the Solar Rating Certification Corporation (SRCC) or a comparable entity endorsed by the state government in which the system is located. SRCC is an organization set up by the solar industry to test and certify equipment so purchasers have an independent assessment of system performance www.solar-rating.org

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- At least half of the energy used by the system to heat the water must be solar energy. The credit is not available for expenses for swimming pools or hot tubs.

- Photovoltaic systems:

- System must provide electricity for the residence, and must meet applicable fire and electrical code requirement.

Alternative Minimum Tax and the Residential Solar Tax Credit

According to SEIA, the new legislation passed in October of 2008 "allows individual taxpayers to use the credit to offset AMT liability, and to carry unused credits forward to the next succeeding taxable year."

What do I have to do to qualify for these incentives?

To qualify, tax payers will probably need to have evidence regarding:

- the cost of the system (including labor and piping or wiring to connect the system to a home's plumbing and/or electrical systems),
- when it was placed in service,
- whether the system meets the qualifying criteria discussed above.

Where can I learn more about qualifying products?

Good sources of information about these systems include:

- Florida Solar Energy Center
- Solar Energy Industries Association (SEIA)
- SEIA Guide to Federal Tax Incentives for Solar Energy
- FindSolar.com

Small Wind Systems

What are the tax incentives for on-site wind systems?

On October 3, 2008, the Emergency Economic Stabilization Act of 2008, H.R. 1424, was enacted into law and includes a new federal-level investment tax credit to help consumers purchase small wind turbines for home, farm, or business use. The credit will be available for equipment installed through December 31, 2016. This legislation marks the first federal incentive for small wind systems since 1985. Industry members say the credit could foster U. S. market growth of 40% or more annually.

Who is eligible for the tax incentives?

Home-owners, farmers, and businesses that install wind turbines with not more than 100 kilowatts of nameplate capacity are eligible for the incentive.

What are the incentives and how do they work?

Owners of small wind systems with 100 kilowatts (kW) of capacity and less can receive a credit for 30% of the total installed cost of the system, not to exceed \$4,000. For turbines used for homes, the credit is additionally limited to the lesser of \$4,000 or \$500 per ½ kW of rated capacity.

What do I have to do to qualify for these incentives?

TBD.

For more information regarding on-site small wind systems:

- American Wind Energy Association (AWEA)

Geothermal Heat Pumps

What are the tax incentives for geothermal heat pumps?

As part of the Emergency Economic Stabilization Act of 2008, an incentive was added for geothermal heat pump property installed at a taxpayer's residence. The incentive for businesses is available from Oct. 3, 2008 through December 31, 2016, and for residential installations the incentive is available for units placed in service starting January 1, 2008 until December 31, 2016.

What are the incentives and how do they work?

The incentive covers 30% of the expenditures in the year the incentive is taken, up to a cap of \$2,000. Qualified geothermal heat pump property refers to any equipment which uses the ground or ground water as a thermal energy source to heat the taxpayer's residence, or as a thermal energy sink to cool the residence. The unit must meet the requirements of the Energy Star program which are in effect when the heat pump is purchased.

What do I have to do to qualify for these incentives?

TBD.

For more information regarding on-site small wind systems:

- Geothermal Heat Pump Consortium

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**** While we have made great effort to describe these tax incentives accurately, we cannot provide tax advice and suggest you contact a tax professional with any questions specific to your situation.***