



Tax Incentives For Cleantech Businesses – Q&A*

Are there any tax beaks available for clean energy businesses and consumers?

Yes, currently there are several tax incentives available for both consumers and businesses on federal and state levels. The Energy Improvement and Extension Act of 2008, which was passed by Congress as part of the so called “financial bailout” bill, provides for \$18 billion in tax credits for using wind, solar, and geothermal energy sources, a 30 percent tax credit for the purchase of residential, commercial, and utility-scale solar PV systems with no cap for eight years.

What federal tax incentives can I get for investments in solar energy?

Under current law, solar companies and individual can claim a thirty percent business energy investment tax credit (“ITC”) for investments in solar energy facilities. This tax credit was initially set to expire on January 1, 2009 but the Energy Improvement and Extension Act extended the ITC for another eight years through December 31, 2016.

What constitutes qualified solar energy property?

Solar energy property includes equipment and materials that use solar energy directly to (i) generate electricity, (ii) heat or cool a building or structure, or (iii) provide hot water for use within a building or structure. Generally, those functions are accomplished through equipment such as collectors which absorb sunlight and create hot liquids or air, storage tanks to store hot liquids, rockbeds to store hot air, thermostats to activate pumps or fans which circulate the hot liquids or air and heat exchangers to utilize hot liquids or air to create hot air or water). This means that electric generation equipment that uses solar energy to generate electricity as well as storage devices, power conditioning equipment and transfer equipment are included.

Are there any federal tax incentives for fuel cell power plants?

Yes, your company can claim a thirty percent business energy credit for purchases of qualified fuel cell power plants. However, the credit for qualified fuel cell power plants is capped at \$500 per 0.5 kilowatt of capacity. A credit of ten percent for the purchase of qualifying stationary microturbine power plants is also available.

What tax incentives are available for wind energy companies?

Under present law, a tax credit is available for the production of electricity from qualified wind energy facilities and other sources of renewable energy. The current value of the “production tax credit” is up to 2 cents (annually adjusted for inflation) for each kilowatt hour of electricity that is (1) produced in the United States by wind, solar and certain



other alternative energy facilities during the first 10 years the facility is in service and (2) sold to unrelated persons. The Energy Improvement and Extension Act of 2008 extends the placed-in-service date for the production tax credit through December 31, 2009 in the case of wind and refined coal, and through December 31, 2010 in the case of geothermal and solar energy closed-loop and open-loop biomass, small irrigation power, municipal solid waste, trash combustion, and qualified hydropower. The Act also expands the types of facilities qualifying for the credit to wave and ocean tidal energy.

What tax incentives are available for energy-efficient real estate?

Under current law, taxpayers can claim a personal tax credit for the purchase of property that uses solar energy to generate electricity. The credit is equal to thirty percent of the qualifying expenditure. The Energy Improvement and Extension Act of 2008 abolished a previous cap of \$2,000.00 credit for each of the systems. This is good news for financiers of larger projects because they are now eligible to get back at least 30 percent of their investment with no cap.

Are there any tax incentives available for improving the energy efficiency of my private home?

Yes, home owners who purchase and install specific products, such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in the home can receive a tax credit of up to \$500. You can also obtain a credit equal to 30% of qualifying expenditures for purchase for qualified photovoltaic property and for solar water heating property used exclusively for purposes other than heating swimming pools and hot tubs.

However, these improvements must be installed in or on the taxpayer's principal residence in the United States.

What kind of tax incentives are available on state levels?

A number of states have enacted their own tax incentive policies to promote renewable energy. Tax incentives are provided in the form of production incentives, property tax exemptions, state and local grant and loan programs, utility rebate programs, alternative fuel and vehicle incentives as well as state corporate tax credits.

Which states offer the greatest tax incentives?

Many states offer tax incentives to promote renewable energy. Traditionally, western states such as California and Colorado have offered the highest number of available tax incentives for renewable energy companies. However, East Coast states are catching up fast and numerous tax incentives have recently been passed or are pending legislative enactment.



Will there be any additional incentives under the Obama administration ?

During his election campaign Obama pledged to ensure that 10 percent of the United States' electricity comes from renewable sources by 2012, and 25 percent by 2025. Obama also pledged to double U.S. renewable energy production within the next three years.

The Senate Energy and Natural Resources Committee is currently discussing draft legislation that would set a national renewable energy standard. Under the bill, the amount of the U.S. electricity supply coming from renewable energy resources would gradually increase to 4 percent by 2012, 8 percent by 2015, 12 percent by 2018, 16 percent by 2020 and 20 percent by 2039.

For more information on tax incentives for renewable energy companies, please contact Florian Hauswiesner at +1.703.462.5478 or florian@hausking.com or visit our website at www.hausking.com.

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