



2012 Federal Tax Information

Corporate



SOLAR COOL
Solar Air Conditioning

2012 Federal Tax Credit - Corporate



Business Energy Investment Tax Credit (ITC) Program Overview

Authority:	Federal
Incentive Type:	Corporate Tax Credit
Eligible Renewable/Other Technologies:	Solar Water Heat, Solar Space Heat, Solar Thermal Electric , Solar Thermal Process Heat, Photovoltaics, Wind, Biomass, Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, CHP/Cogeneration, Solar Hybrid Lighting, Fuel Cells using Renewable Fuels, Microturbines, Geothermal Direct-Use
Applicable Sectors:	Commercial, Industrial, Utility, Agricultural
Amount:	30% for solar , fuel cells and small wind;* 10% for geothermal, microturbines and CHP*
Maximum Incentive:	Fuel cells: \$1,500 per 0.5 kW Microturbines: \$200 per kW Small wind turbines placed in service 10/4/08 - 12/31/08: \$4,000 Small wind turbines placed in service after 12/31/08: no limit All other eligible technologies: no limit
Eligible System Size:	Small wind turbines: 100 kW or less* Fuel cells: 0.5 kW or greater Microturbines: 2 MW or less CHP: 50 MW or less*
Equipment Requirements:	Fuel cells, microturbines and CHP systems must meet specific energy-efficiency criteria
Authority 1:	<u>26 USC § 48</u>
Authority 2:	<u>Instructions for IRS Form 3468</u>
Authority 3:	<u>\IRS Form 3468</u>



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Summary

Note: The American Recovery and Reinvestment Act of 2009 allows taxpayers eligible for the federal renewable electricity production tax credit (PTC)** to take the federal business energy investment tax credit (ITC) or to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. The new law also allows taxpayers eligible for the business ITC to receive a grant from the U.S. Treasury Department instead of taking the business ITC for new installations. The grant is only available to systems where construction begins prior to December 31, 2011. The Treasury Department issued Notice 2009-52 in June 2009, giving limited guidance on how to take the federal business ITC instead of the federal renewable electricity production tax credit.

The federal business energy investment tax credit available under 26 USC § 48 was expanded significantly by the Energy Improvement and Extension Act of 2008 (H.R. 1424), enacted in October 2008. This law extended the duration -- by eight years -- of the existing credits for solar energy, fuel cells and microturbines; increased the credit amount for fuel cells; established new credits for small wind-energy systems, geothermal heat pumps, and combined heat and power (CHP) systems; allowed utilities to use the credits; and allowed taxpayers to take the credit against the alternative minimum tax (AMT), subject to certain limitations. The credit was further expanded by The American Recovery and Reinvestment Act of 2009, enacted in February 2009.



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In general, credits are available for eligible systems placed in service on or before December 31, 2016:

- **Solar.** The credit is equal to 30% of expenditures, with no maximum credit. Eligible solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Hybrid solar lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible. Passive solar systems and solar pool-heating systems are not eligible.
- **Fuel Cells.** The credit is equal to 30% of expenditures, with no maximum credit. However, the credit for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) of capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher. (Note that the credit for property placed in service before October 4, 2008, is capped at \$500 per 0.5 kW.)
- **Small Wind Turbines.*** The credit is equal to 30% of expenditures, with no maximum credit for small wind turbines placed in service after December 31, 2008. Eligible small wind property includes wind turbines up to 100 kW in capacity. (In general, the maximum credit is \$4,000 for eligible property placed in service after October 3, 2008, and before January 1, 2009. The American Recovery and Reinvestment Act of 2009 removed the \$4,000 maximum credit limit for small wind turbines.)
- **Geothermal Systems.*** The credit is equal to 10% of expenditures, with no maximum credit limit stated. Eligible geothermal energy property includes geothermal heat pumps and equipment used to produce, distribute or use energy derived from a geothermal deposit. For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electric transmission stage. For geothermal heat pumps, this credit applies to eligible property placed in service after October 3, 2008. Note that the credit for geothermal property, with the exception of geothermal heat pumps, has no stated expiration date.
- **Microturbines.** The credit is equal to 10% of expenditures, with no maximum credit limit stated (explicitly). The credit for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW) in capacity that have an electricity-only generation efficiency of 26% or higher.



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- Combined Heat and Power (CHP).^{*} The credit is equal to 10% of expenditures, with no maximum limit stated. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the credit may be reduced for less-efficient systems. This credit applies to eligible property placed in service after October 3, 2008.

In general, the original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

Significantly, The American Recovery and Reinvestment Act of 2009 repealed a previous restriction on the use of the credit for eligible projects also supported by "subsidized energy financing." For projects placed in service after December 31, 2008, this limitation no longer applies. Businesses that receive other incentives are advised to consult with a tax professional regarding how to calculate this federal tax credit.

- The American Recovery and Reinvestment Act of 2009, which allows PTC-eligible facilities to use the 30% ITC, has implications for some technologies that were already potentially eligible for either incentive in some form. Certain geothermal and open- or closed- loop biomass systems (including biomass CHP projects) now qualify for a 30% tax credit through December 31, 2013, the in-service deadline for these technologies under the PTC. Wind-energy systems of all sizes -- not only systems of 100 kW or less -- also now qualify for the 30% ITC through the wind-energy PTC in-service deadline of December 31, 2012. Applicants should refer to the eligibility definition contained in the PTC to determine if and how their project might qualify for this treatment.

Contact:

Public Information - IRS
U.S. Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224
Phone: (800) 829-1040
Web Site: <http://www.irs.gov>



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Energy-Efficient Commercial Buildings Tax Deduction Program Overview

Authority:	Federal
Incentive Type:	Corporate Deduction
Eligible Efficiency Technologies:	Equipment Insulation, Water Heaters, Lighting, Lighting Controls/Sensors, Chillers , Furnaces , Boilers, Heat pumps, Central Air conditioners, Caulking/Weather-stripping, Duct/Air sealing, Building Insulation, Windows, Doors, Siding, Roofs, Comprehensive Measures/Whole Building
Applicable Sectors:	Commercial, Construction, State Government, Fed. Government, (Deductions associated with government buildings are transferred to the designer)
Amount:	\$0.30-\$1.80 per square foot, depending on technology and amount of energy reduction. HVAC, \$0.60 per square ft.- see summary, next page paragraph 3
Maximum Incentive:	\$1.80 per square foot
Equipment Requirements:	Not specified, but building must be certified as meeting specific energy reduction targets as a result of improvements in interior lighting; building envelope; or heating, cooling, ventilation, or hot water systems.
Start Date:	1/1/2006
Expiration Date:	12/31/2013
Web Site:	http://www.efficientbuildings.org
Authority 1: Date Enacted: Date Effective: Expiration Date:	<u>26 USC § 179D</u> 8/8/2005 (subsequently amended) 1/1/2006 12/31/2013



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Energy-Efficient Commercial Buildings Tax Deduction Program Overview

Summary

The federal Energy Policy Act of 2005 established a tax deduction for energy-efficient commercial buildings applicable to qualifying systems and buildings placed in service from January 1, 2006, through December 31, 2007. This deduction was subsequently extended through 2008, and then again through 2013 by Section 303 of the federal [Energy Improvement and Extension Act of 2008](#) (H.R. 1424, Division B), enacted in October 2008.

A tax deduction of \$1.80 per square foot is available to owners of new or existing buildings who install (1) interior lighting; (2) building envelope, or (3) heating, cooling, ventilation, or hot water systems that reduce the building's total energy and power cost by 50% or more in comparison to a building meeting minimum requirements set by ASHRAE Standard 90.1-2001. Energy savings must be calculated using qualified computer software approved by the IRS.

Deductions of \$0.60 per square foot are available to owners of buildings in which individual lighting, building envelope, or heating and cooling systems meet target levels that would reasonably contribute to an overall building savings of 50% if additional systems were installed. The subsystem targets are 20% interior lighting, 20% HVAC & hot water, and 10% building envelope.

The deductions are available primarily to building owners, although tenants may be eligible if they make construction expenditures. In the case of energy efficient systems installed on or in government property, tax deductions will be awarded to the person primarily responsible for the system's design. Deductions are taken in the year when construction is completed.



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Energy-Efficient Commercial Buildings Tax Deduction Program Overview

Summary – Continued

The IRS released interim guidance ([IRS Notice 2006-52](#)) in June 2006 to establish a process to allow taxpayers to obtain a certification that the property satisfies the energy efficiency requirements contained in the statute. [IRS Notice 2008-40](#) was issued in March of 2008 to further clarify the rules. NREL published a report ([NREL/TP-550-40228](#)) in February 2007 which provides guidelines for the modeling and inspection of energy savings required by the statute, and the US Department of Energy has compiled a [list](#) of qualified computer software for calculating commercial building energy and power cost savings.

Click [here](#) for answers to frequently asked questions provided by the *Commercial Building Tax Deduction Coalition*. For more information on this deduction, visit the [Energy Star web site](#).

The above information regarding taxes, tax credits and depreciation is meant to make the reader aware of these benefits, risks and potential expenses. It is not tax advice. Please seek professional advice from a qualified tax advisor to check the applicability and eligibility before claiming any tax benefits or exemptions.

Contact:

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