

Energy-Efficiency and Renewable-Energy Tax Incentives

Information for Commercial and Industrial Customers



INTRODUCTION

Energy efficiency and renewable energy provide reliable returns on investment, and now is a great time to take advantage of energy-related tax incentives as well as other incentives offered by your state, local government, or utility. ARRA 2009, also known as the stimulus package, will have a tremendous effect on many energy-related activities in the U.S. Commercial and Industrial (C&I) customers can benefit from new tax credits enacted in ARRA 2009 for on-site renewable energy production, and they might also qualify for tax credits for facilities that manufacture advanced energy components and systems. Although, there are no new tax incentives for C&I energy efficiency in ARRA 2009, you can still benefit from pre-existing tax deductions for energy-efficient commercial buildings. A helpful place to start learning more about energy incentives is the Database for State Incentives for Renewables & Efficiency (DSIRE) at www.dsireusa.org; it also covers federal incentives.

ENERGY-EFFICIENT COMMERCIAL BUILDINGS TAX DEDUCTION

The energy-efficient commercial buildings tax deductions are valid for improvements placed in service on or before December 31, 2013. This law allows taxpayers to deduct the cost of some energy-efficient property installed in commercial buildings, and to deduct more if they implement “whole-building” energy-efficiency projects. Building types and items that qualify include:

- New buildings that do not rely on renewable energy;
- Multi-family residential buildings with more than three stories above grade;
- New portions of buildings and their systems; and
- New systems and equipment in existing buildings.

To be eligible for a tax deduction of up to \$1.80 per square foot (ft²), energy-efficient whole-building renovations must reduce total annual energy use by at least 50 percent compared to a similar building satisfying ASHRAE 90.1-2001. A partial tax deduction up to \$0.60/ft² can be taken for efficiency improvements in any of three areas of lighting, HVAC, and building envelope if installed measures meet a specified energy savings target. Energy savings must be measured and certified by qualified personnel using approved modeling software; these software options are available from the U.S. Department of Energy (DOE) at www.eere.energy.gov/buildings/qualified_software.html.

RENEWABLE-ENERGY TAX CREDITS AND GRANTS

Businesses that install renewable-energy property are eligible for federal tax relief in the form of the business energy investment tax credit (ITC). ARRA 2009 extends and expands some existing tax credits and also establishes new credits for other renewable technologies.

- The tax credit can be up to 30 percent of the investment in solar, fuel cells and small wind, with no cap on the dollar amount of the credit.
- Geothermal, microturbines, and combined heat and power (CHP) qualify for an investment tax credit of 10 percent; geothermal has no dollar cap, but microturbines and CHP have implicit caps related to their generating capacity.
- The renewable-energy system must be installed by the building owner, or its original use must begin with the building owner. The energy property must be operational in the year in which the credit is first taken.
- The equipment must also meet any performance and quality standards that are in effect when the equipment is purchased; the Tax Incentives Assistance Project's (TIAP's) business incentives pages discuss what counts as qualifying equipment (www.energytaxincentives.org/business).
- In general, credits are available for eligible systems placed in service on or before December 31, 2016; however, there is no stated time limit on credits for geothermal. Solar energy property credits do not expire but instead revert to 10 percent after December 31, 2016.
- ARRA 2009 allows businesses to take the renewable-energy tax incentive as a grant instead of a credit, recognizing that some businesses without tax liability may not be able to benefit from the credit. The credit offsets taxes on income on a dollar-for-dollar basis. Grant guidance and application information are available at the U.S. Treasury web site (www.treas.gov/recovery).

QUALIFYING ADVANCED ENERGY PROJECT INVESTMENT TAX CREDIT

This investment tax credit applies to companies that manufacture products for advanced energy production.

- ARRA 2009 established a new 30 percent investment tax credit for facilities involved in the manufacture of "advanced energy property."
- This property can include technology for the production of renewable energy, efficient energy transmission and energy conservation, energy storage, and carbon capture and sequestration.
- Qualifying property can include any component of an advanced energy system, including software.
- Qualifying facilities must be certified by the Secretary of the Treasury, in consultation with the DOE, through a competitive bidding process.
- Any business receiving this credit may not receive the business energy ITC.

Don't forget—your energy savings add up over time and will outstrip the one-time benefit you receive in tax incentives!

For more information on Connecticut's energy-efficiency programs visit www.CTEnergyInfo.com or call 1-877-WISE USE.



Connecticut's Energy Efficiency Programs are funded by a Charge on Customer energy bills.
The Programs are designed to help customers manage their energy usage and cost.