

# IS GREEN THE NEW BLACK?



It seems that green is the official color of the 21st century. Hardly a day goes by without hearing or seeing some sort of reference to renewable resources, alternative energy, or going green. But did you know that making these investments can yield rewards in the form of energy tax credits and other incentives?

The American Recovery and Reinvestment Act of 2009 (ARRA), the Energy Policy Act of 2005, and state mandates for minimum renewable energy production have combined to encourage unprecedented investment in alternative energy products. With so many different incentives and programs available, many individuals and businesses are left in the dark wondering what's out there and how they can take advantage of the available incentives.

## Renewable Energy Fun Facts

- Utility grade wind turbines installed today can reach up to 360 feet tall and have a “wing span” of more than 300 feet – that’s larger than a Boeing 747.
- In just one hour, the Earth receives more energy from the sun than the entire world uses during a whole year.
- The easiest and most cost-effective way of reducing your utility bills and becoming “green” is to simply reduce your energy consumption.
- The earliest known windmills were in Persia and looked like large paddle wheels.
- During the 15th century, Leonardo da Vinci already had plans for solar concentrators in his notebooks.

## Businesses

A few years ago, the U.S. market share of renewable energy products was composed almost entirely of European companies. However, as product diversification and finding new sales outlets becomes even more important to many U.S. businesses, the alternative energy market has become the new frontier. Here are a few opportunities for businesses to consider:

- The ARRA has created a 30 percent investment tax credit or cash grant on qualified costs (including installation) on equipment used for producing alternative energy products, such as energy storage systems, wind turbines, or other components of renewable energy systems.
- Residential home builders also received a boost within the ARRA. A tax credit of up to \$2,000 is available to contractors for the construction or manufacture of new, qualified, energy-efficient homes during 2009.
- The Energy Policy Act of 2005 includes a tax deduction of up to \$1.80 per square foot for investments in “energy-efficient commercial building property.” These investments must significantly reduce energy costs by updating the heating and cooling, building envelope, and interior lighting components in new or existing commercial buildings (which includes apartment buildings that are four floors or more). In the case of projects on or in property owned by a governmental unit, the deduction can be allocated to the person primarily responsible for designing the property.
- Businesses looking to demonstrate their investment in energy efficiency can obtain LEED certification. In the United States and a number of other countries around the world, LEED certification is the recognized standard for measuring building sustainability. Achieving LEED certification is the best way for a business to demonstrate that a building project is truly green. While there currently aren’t any federal tax incentives for producing LEED-certified commercial buildings, there are numerous direct and indirect cost benefits such as decreased energy bills, project marketability, and an increased sales price when the building is sold in the future.

## Alternative Energy Developers and Producers

Perhaps the biggest winners within the current alternative energy market are energy facility project developers that produce electricity. Thanks to advantageous financing options such as upfront cash grants, investment tax credits, production tax credits, favorable depreciation rules, and clean renewable energy bonds, these capital-intensive projects, which historically haven’t provided adequate investment returns, may now be financially viable.

Under the new law, developers looking to build qualified renewable energy projects, such as wind,

solar, biomass, and other forms of renewable energy, can see as much as 30 percent of the total project cost returned to them in the form of a cash grant within 60 days of placing the project in service.

## Individuals

Provisions within the ARRA have increased the energy tax credit for homeowners who make energy-efficient improvements to their existing homes. The new law increases the credit rate to 30 percent of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010. The credit applies to improvements such as adding insulation, energy-efficient exterior windows, and energy-efficient heating and air-conditioning systems.

However, there are a few caveats. First, not all products are available for the credit. The standards in the new law are higher than the standards for the credit that was available in 2007 for products that qualify as “energy efficient.” As such, homeowners should verify that the new products meet the IRS regulations for the new energy-efficiency threshold. Second, be aware that the credit is non-refundable. Individuals that don’t pay any federal income tax will not benefit from the energy efficiency credit. Finally, the \$1,500 is an aggregate credit for the years 2009 and 2010.

The AARA also has created a nonrefundable energy tax credit that will help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps, and residential-sized wind turbines. The new law removes the previously imposed maximum credit amount and allows for a credit equal to 30 percent of the cost of qualified property.

## Taking Advantage of Renewable Energy Incentives

While all of these incentives are related to federal programs, there are several state and local incentives such as property tax abatement, additional grants, and other incentives for businesses and individuals. No matter what type of business or industry you represent, there are a variety of opportunities. Whether you’re looking to put in a residential-size wind turbine on your home, start a whole new division within your business to manufacture within the renewable energy market, build LEED-certified buildings, or represent a utility company affected by renewable portfolio standards, our energy experts can help you understand what financial incentives are available and how you can maximize the incentives on your project.



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