

Tax Incentives for Green Building

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FEDERAL INCENTIVES

Residential Energy Efficiency Tax Credit

Summary: The Energy Policy Act of 2005 established tax credits for energy-efficiency improvements in the building envelope of existing homes and for the purchase of high-efficiency heating, cooling, and water heating equipment. These improvements and/or equipment must be *placed in service* from January 1, 2006 through December 31, 2007 and must serve a dwelling in the United States owned and used by the tax payer as a primary residence. The maximum amount of homeowner credit for all improvements combined is \$500 during the two year period of the tax credit. A limit of \$200 may be claimed for windows.

Purchasers of qualified energy efficient equipment are eligible for tax credits up to the total expenditures on such property. The credit may also be applied to labor costs for assembly and original installation of this property.

Residential Solar and Fuel Cell Tax Credit

Summary: To be eligible for the credit, a system must be placed in service or activated between January 1, 2006, and December 31, 2007. Note that the tax credit does not apply to solar water heating property for swimming pools or hot tubs.

The Energy Policy Act of 2005 (H.R. 6, Sec. 1335) established a 30% tax credit up to \$2,000 for the purchase and installation of residential photovoltaic (solar electric) and solar water heating property. An individual can take both a 30% credit up to the \$2,000 cap for a photovoltaic system and a 30% credit up to a separate \$2,000 cap for a solar water heating system. A 30% tax credit up to \$500 per 0.5 kW is also available for fuels cells.

If the federal tax credit exceeds tax liability, the excess amount may be carried forward to the succeeding taxable year. Expenditures include labor costs for the onsite preparation, assembly, or original installation of the system and for piping or wiring to interconnect the system to the dwelling.

Expenditures with respect to the equipment are treated as made when the installation is completed. If the installation is on a new home, the "placed in service" date is the date of occupancy by the homeowner. The IRS will be issuing further guidance on claiming this credit.

Residential Energy Conservation Subsidy Exclusion (Personal)

Summary: According to Section 136 of the IRS Code, energy conservation subsidies provided by public utilities, either directly or indirectly, are nontaxable: "Gross income shall not include the value of any subsidy provided (directly or indirectly) by a public utility to a customer for the purchase or installation of any energy conservation measure."

Given the definition of "energy conservation measure," there is strong evidence that utility rebates for residential solar thermal and solar electric projects may be nontaxable. However, the IRS has not ruled definitively on this issue.

"Utility rebates. If you are a customer of an electric utility company and you participate in the utility's energy conservation program, you may receive on your monthly electric bill either: a reduction in the purchase price of electricity furnished to you (rate reduction), or a nonrefundable credit against the purchase price of the electricity. The amount of the rate reduction or nonrefundable credit is not included in your income." (IRS Publication 525)

Renewable Energy Systems and Energy Efficiency Improvement Incentives for Rural Small Businesses and Agricultural Producers

Summary: The maximum grant award is 25% of eligible project costs up to \$500,000 for renewable energy projects and up to \$250,000 for energy efficiency improvements. Assistance to one individual or entity is not to exceed \$750,000. The minimum grant request is \$2,500 for renewable energy projects and \$1,500 for efficiency projects.

Eligible renewable energy projects include wind, solar, biomass and geothermal; and hydrogen derived from biomass or water using wind, solar or geothermal energy sources. Applications must be submitted to the appropriate Rural Development State Office.

Under the guaranteed loan option, funds up to 50% of eligible project costs (with a maximum project cost of \$10 million) are available. The minimum amount of a guaranteed loan made to a borrower is \$5,000. The interest rate will be negotiated between the lender and the applicant and the repayment term must not exceed 30 years for real estate, 20 years for machinery and equipment, and seven years for working capital.

STATE OF CALIFORNIA INCENTIVES

Self-Generation Incentive Program (SGIP)

Summary: The PV incentive payment was automatically reduced to \$2.50/W when the statewide level of conditional reservations reached 50 MW. The incentive will be reduced to \$2.25/Watt once 70MW of additional "Conditional Reservations" are made.

The Self-Generation Incentive Program (SGIP) offers incentives to customers who produce electricity with micro-turbine, gas turbines, wind turbines, photovoltaic (PV) systems, fuel cells and internal combustion engines. The incentive payments range from \$1/W - \$4.50/W for renewable energy systems greater than 30 kW, depending on the type of system. The program was extended to January 1, 2008.

The maximum eligible system size is 5 MW, although the incentive payment remains capped at 1 MW. Projects receiving incentives based on future performance of the system are not eligible to receive an SGIP rebate.

Contact your program administrator for an application, program handbook and additional eligibility information.

Tax Deduction for Interest on Loans for Energy Efficiency

Summary: This deduction may not be taken if a tax credit is taken for the purchase of the energy efficient equipment. Contact the IRS for more information.

This personal tax deduction is for loans from a publicly-owned utility company for the purchase of energy-efficient heating, ventilation, air-conditioning, lighting, solar, advanced metering of energy usage, windows, insulation, zone heating products, and weatherization systems on a California residence.

Publicly-owned utility companies must issue a federal income tax Form 1098, or similar form, to notify their customers of their eligibility for this deduction.

Property Tax Exemption for Solar Systems

Summary: California allows a property tax exemption for some types of solar energy systems installed on or before December 31, 2009. Qualifying solar energy systems include active solar energy systems, solar process heating systems, photovoltaic (PV) systems and solar thermal electric systems. Solar pool heating systems and solar hot-tub-heating systems are not eligible.

Pipes and ducts that are used to carry both solar energy and energy derived from other sources qualify for the exemption only to the extent of 75% of their full cash value. Likewise, dual-use equipment for solar-electric systems qualifies for the exemption only to the extent of 75% of its value. Contact your County Assessor's office for further information.

Emerging Renewables (Rebate) Program

Summary: California's Emerging Renewables Program (ERP) provides incentives for the purchase of four types of grid-connected renewable energy generating systems: photovoltaic, solar thermal electric systems, fuel cells using renewable fuels, and small wind turbines. The credit can be used by the taxpayer against the net tax in an amount not to exceed 7.5% of the cost paid for purchasing and installing the equipment.

Incentives received from sources other than this program will reduce the amount of the ERP rebate by no less than 5%.

Performance-Based Incentive Option

Participants in the ERP program for PV systems may choose to receive the incentive as a capacity-based rebate in a lump sum as described above or as a performance-based incentive (PBI). The PBI is based on the amount of electricity generated by a system and is paid over a three year period. The PBI incentive program cannot be combined with any other rebate program funded with electric utility ratepayer funds.

Note: As of May 2006, over 18,000 new systems had been installed since the rebate program began in 1998.

UTILITY COMPANY INCENTIVES

PG&E - Residential Energy Efficiency Rebate Programs

Summary: Pacific Gas and Electric Company (PG&E) offers three rebate programs for residential customers to install energy efficient equipment in their homes.

Standard Energy Efficiency Rebate Program: lighting improvements, heating and cooling improvements and pool improvements. Equipment rebates range from \$30 to \$100. Rebates of several hundred dollars are available for insulation, heating, and cooling upgrades. Efficiency of refrigerators varies widely depending on size and style.

Rebates for Multi-Family Properties Program (five or more units): insulation, appliances, HVAC and lighting improvements; up to \$1,500 in incentives per property.

Residential New Construction Rebates: for builders of residential dwellings that incorporate energy efficient features.

New Construction Cash Incentives and Design Incentives Program

Technical assistance and design, plus up to \$150,000 per facility for the owner.

City of Palo Alto Utilities - Residential Energy Efficiency Rebate Programs

PV Partners

Summary: The City of Palo Alto Utilities (CPAU) PV Partners Program offers incentives to CPAU customers who install qualifying PV systems. Residents are eligible for a rebate of \$3.00 per wattAC up to a \$9,000 maximum for a 3 kilowattAC system.

Smart Energy Rebate Program

Summary: City of Palo Alto Utilities offers incentives to its residential customers to increase the energy efficiency of their homes through their Smart Energy Rebate Program. Rebates are offered for qualifying refrigerators, dishwashers, furnaces, boilers, air conditioners, water heaters, pool pumps and insulation all meeting the efficiency standards documented in the rebate application form.

PG&E Non-Residential Energy Efficiency Rebates

Summary: Pacific Gas and Electric Company (PG&E) offers rebates and other incentives to businesses and non-residential customers to increase their energy efficiency. In addition to covering equipment and other energy efficient improvements, PG&E offers incentives for efficient building design, and non-residential customers may receive financial incentives for agreeing to curtail energy usage during certain peak periods.

Equipment is eligible if it was purchased between January 1, 2006 and December 31, 2008 and proof of purchase must be received by PG&E within 90 days of purchase to receive the rebate.

Customized Energy Efficiency Improvement Rebate Program

Available for retrofit improvements not covered under the standard rebate program, for example, a vending machine controller.

New Construction Cash Incentives and Design Incentives Program

Provides for technical assistance and design when building energy efficient facilities. A design team can receive up to \$50,000 for energy efficient design.

Savings by Design for Non-residential Structures

Summary: Owners and designers are eligible for incentives if the facility exceeds the minimum Savings by Design thresholds, which is generally 10% better than Title 24 standards.

For owners, incentives are available for a Whole Building Approach and for a Systems Approach. Incentives are based on the annualized energy savings and owners are eligible for incentives of up to \$75,000, but not to exceed 50% of the cost of energy efficiency improvements.

Design teams are eligible for incentives for using the Whole Building Approach. The maximum incentive is \$50,000 and is in addition to any owner incentives.

City of Palo Alto Utilities Non-Residential Energy Efficiency Rebates

Commercial Advantage Energy Efficiency Program

Summary: CPAU offers a variety of incentives for its commercial customers who replace old equipment with new, more efficient models.

Cellular Window Shades Can Provide Significant Insulation

Below are some of the cellular shade products I found on the web a few months ago. Prices may have changed.

Symphony Shades claim 3.7R rating symphonyshades.com

Cellular (Honeycomb) Shades

Width: 36 0/0 inches

Height: 54 0/0 inches

Mount: Inside

Cord: Right

Energy Side Track: White

Unit Price: \$145.98

*Hold Down Bracket: No (holds the blind against the window frame and costs ~ \$50)

Quantity: 1

Total: \$145.98

Hunter Douglas: Applause and Duette hdwfg.com

Both are 3.5 R rated. I didn't see a tool for pricing window shades, as I did with the other products on this page.

At jcpenney.com

Type: Made-To-Order Cordless Cellular Shade

Color: Seaglass

Width: 36

Length: 54

Mount: Inside

Quantity: 1

Total: \$109.00

Bali Blinds through DecorateToday.com

Quantity: 1

Width: 36

Height: 54

Mount: Inside

Price per item: \$79.91 each

Double Cell Cellular Shades at Blindsgalore.com

3/8 Inch Semi-Opaque

Width: 36"

\$82



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