

# Business Incentives

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For Business clients there are additional incentives available for small wind systems.

## Summary:

### 1. Federal Tax Credit

- a. For Businesses the Federal Investment Tax credit is 30% of the Installed Cost of the wind system, versus 30% of (Installed Cost – any incentives) for residential clients. This is because businesses pay taxes on the Focus on Energy incentive.
- b. Also, businesses can apply to the US Treasury Department (watch for expiration date) to get an up-front grant instead of the tax credit. Note that if also receiving a USDA grant, this is may not be an option [depends on timing of grants. If applied for in different years, may be possible].

### 2. Tax Depreciation

- a. Businesses can tax advantage of tax depreciation on the wind system to further reduce the cost of the wind system.<sup>1</sup>

### 3. USDA Grant

- a. The USDA has grants available for up to 25% of the installed cost of a wind system (<= 100kW) for qualified applicants. Also, loan programs are available.

**Below are the details of these incentives:**

## 1) Federal Tax Credit

### A. Investment Tax Credit (ITC)<sup>1</sup>

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. Credits are available for eligible systems placed in service on or before December 31, 2016.

### B. Coordination with Renewable Energy Grants (Section 1104):

Business taxpayers eligible for the business ITC can apply to receive a [grant](#) from the U.S. Treasury Department instead of taking the business ITC for new installations for property placed in service in 2009 or 2010. In some cases, if construction begins in 2009 or 2010, the grant can be claimed for energy investment credit property placed in service through 2016, and for

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<sup>1</sup> [http://dsireusa.org/incentives/incentive.cfm?Incentive\\_Code=US02F&re=1&ee=0](http://dsireusa.org/incentives/incentive.cfm?Incentive_Code=US02F&re=1&ee=0)

qualified renewable energy facilities, the grant is 30 percent of the investment in the facility and the property must be placed in service before 2014 (2013 for wind facilities). Applicants interested in receiving payments under Section 1603 may submit an application on-line by going to [www.treasury.gov/recovery](http://www.treasury.gov/recovery). Applications may only be submitted after the property to which the application relates is placed in service, or is under construction. A completed application will include the signed and complete application form; supporting documentation; signed Terms and Conditions; and complete payment information. All applications must be received before the statutory deadline of October 1, 2011. Applications will be reviewed and payments made within 60 days from the later of the date of the complete application or the date the property is placed in service.

### 3) Modified Accelerated Cost-Recovery System (MACRS)

Under the federal Modified Accelerated Cost-Recovery System (MACRS), businesses may recover investments in certain property through depreciation deductions. The MACRS establishes a set of class lives for various types of property, ranging from three to 50 years, over which the property may be depreciated.<sup>2</sup>

#### Depreciation Schedule Options for wind equipment

1. 100% year one depreciation, using section 176 depreciation, limited to \$250,000 in 2008
2. Standard five year accelerated depreciation

#### Basis for Depreciation

What is the amount of the project cost that tax depreciation can be applied to?

Installed cost – ½ fed tax credit – Non-taxed Grants

**Note that most state grants as well as the USDA grant are taxable.**

#### Determining Depreciation amount per year

Based on depreciation schedule:

Year	1	2	3	4	5	6
5 year schedule	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%

Depreciation amount per year

= ((Fed. Tax Rate + State Tax Rate) \* Depreciation % for Year(Y)) \* Basis for Depreciation

For more information on the federal MACRS, see *IRS Publication 946, IRS Form 4562: Depreciation and Amortization*, and *Instructions for Form 4562*.

<sup>2</sup> [http://dsireusa.org/incentives/incentive.cfm?Incentive\\_Code=US06F&re=1&ee=0](http://dsireusa.org/incentives/incentive.cfm?Incentive_Code=US06F&re=1&ee=0)

### 3) Rural Energy for America Program's (REAP)

REAP provides grants and loan guarantees to agricultural producers and rural small businesses to help purchase renewable energy systems, make energy efficiency improvements and perform renewable energy feasibility studies. It also funds an energy audit and technical assistance program to serve agricultural producers and rural small businesses.

#### A. Who is Eligible?

Eligible applicants must be either an agricultural producer or a small business. If client is an agricultural producer, then 50% or more of client's income must be from the farm. Small business can be a sole proprietor. This program excludes residential purposes. For businesses or farms applying for this grant the home must be separately metered from the farm or business and the wind system will need to be connected to the farm or business meter.

The definition of "small business" is based on the Small Business Administration's criteria based on the type of business. To determine if your business qualifies, see <http://www.sba.gov/content/am-i-small-business-concern>

"Rural" means a community of fewer than 50,000 people not located within a larger metropolitan area. To determine whether a potential project is in a rural area, use the [rural area determination map](#).

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

#### B. How the Process Works

Incentives are awarded on a point system (see points scoring sheet handout)

Projects are then scored and ranked based on several criteria. These were modified in 2009 **and include:**

1. quantity of energy replaced, produced or saved,
2. environmental benefits,
3. commercial availability of equipment or systems,
4. technical merit of project,
5. project readiness,
6. bonus points for being a small agricultural producer or very small business,
7. use of the simplified application for small projects,
8. the energy efficiency of a proposed renewable energy system (added in 2009)
9. bonus points for requesting a grant of \$20,000 or less (added in 2009)
10. receipt of previous REAP awards and
11. return on investment

See the **Rural Energy for America Program's (REAP) Details** document included with the report if applicable.