

## Tax Credit Info for the New Federal ITC

The major changes in the new law:

- Extension of the Commercial ITC at 30% thru end of 2016
- Expansion of the Residential tax credit to 30% UNCAPPED effective 2009, and extension thru end of 2016
- Both Commercial and Residential now have AMT relief

1. The new expanded residential ITC doesn't take effect until 2009, so you may want to make sure your residential projects aren't "placed in service" until 2009 to ensure they get the **uncapped** credit (this may apply to projects currently under way, but not yet "placed in service"). The "SEIA Guide to Federal Tax Incentives for Solar Energy" defines "placed in service" as:

- The equipment must have been delivered and physical construction or installation on site must have been completed, although contractor personnel can still be at the site in support of startup and maintenance and completion of minor tasks like painting and attending to punchlist items.
- The taxpayer must have taken legal title and control of the equipment.
- The taxpayer must have the licenses and permits needed to operate it.
- Pre-operational tests must have demonstrated that the equipment can serve its intended function. (Other testing to determine whether the equipment can operate at the design capacity and to identify and eliminate defects can occur after the equipment is in service.)

2. The tax credit can be on the full project amount only if your customer pays tax on any rebate received. Otherwise, the tax credit is on the "after-rebate" amount. If it's a residential project, and the customer's tax bracket is under 30%, they would probably prefer to pay tax on the rebate and enjoy a larger tax credit.. This is generally even more important for commercial projects because the larger tax credit 'basis' also yields more net depreciation benefit.

3. The 50% 'Bonus Depreciation' enacted in the 2008 Economic Stimulus package appears not to have been extended, so your customer will likely want you to complete their commercial projects before the end of 2008 if possible.

\*These notes are for informational purposes only and are not tax advice, so please consult a qualified tax professional for any particular situation.