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**MEMORANDUM**

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**TO: CIASF**

**FROM: Alan E. Krinzman, Esq.**

**DATE: October 20, 2009**

**RE: Summary of Federal Tax Incentives For Energy Efficiency Upgrades Available Under Stimulus Legislation and Other Provisions of the Internal Revenue Code**

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**A. Commercial Property Tax Incentives.**

**1) 30% Tax Credit For Qualified Expenditures.**

The American Recovery and Reinvestment Act of 2009 expands renewable energy incentives to businesses that install qualified energy property and placed into service by December 31, 2016. Taxpayers may claim either an investment tax credit or apply for a cash grant from the Treasury equal to 30% of energy property expenditures, including installation costs. In addition to providing incentives for wind, biomass, geothermal and fuel cells, the Federal incentive includes all solar systems used to generate electricity, to heat or cool (or to provide hot water for use in) a structure or to provide solar process heat. Hybrid solar-lighting systems, which use solar energy to illuminate the inside of a structure using fiber optic distributed sunlight are also eligible. Alternatively, owners could lower their initial investment cost by leasing a system from a solar supplier. For example, some facility owners have leased systems under an arrangement where they hired private companies to build, own, operate and maintain solar systems for up to 20 years. Depending on the contract, property owners can significantly lower their up front costs while savings millions in electricity over the life of the project.

**2) Tax Deduction For Qualified Expenditures.**

Under Internal Revenue Code Section 179(d), a tax deduction of up to \$1.80 per square foot is available to owners or tenants (or designers in the case of government owned building) of new or existing commercial buildings that are constructed or reconstructed to save at least 50% of the heating, cooling, ventilation, water, heating and interior lighting energy costs of a building that meets ASHRAE Standard 90.1-2001. Only buildings covered by the scope of ASHRAE Standard 90.1-2001 are eligible. Partial deductions of 60¢ per square foot can be taken for improvements to one of three building systems to reduce total heating, cooling, ventilation, water,

heating and interior lighting energy use by certain percentage – the building envelope (10%), lighting (20%), or heating and cooling system (20%). These deductions are available for buildings for systems places into service from January 1, 2006 through December 31, 2013.

**B. Residential Property Tax Incentives.**

1) **30% Tax Credits For Qualified Solar Water Heating and Photovoltaic Systems.**

Tax credits are available for systems placed into service from January 1, 2009 through December 1, 2016. The tax credit is for 30% of the cost of the system up to a credit of \$2,000 for solar water heating systems. There is no cap for photovoltaic systems. This credit is completely separate from the \$1,500 home improvement credit.

2) **Small Wind Turbines and Heat Pumps.**

Tax credits of 30% of cost are also available to home owners who install small wind turbine systems. The credits are available for systems placed into service from January 1, 2009 through December 31, 2016. There is also a 30% credit (up to \$2,000) for geothermal heat pumps.

3) **Upgrades to HVAC and Other Qualified Home Improvements.**

A tax credit of 30% of cost, up to a maximum credit of \$1,500 is available for replacement of HVAC system when the new system has an SEER of 14 or greater, and for other qualified home improvements, such as exterior doors, storm doors, storm windows and insulation.

4) **Florida Incentives.**

In May, 2009 the Florida Legislature passed House Bill 167 under which the Florida Energy and Climate Commission was authorized to develop and manage an energy efficient plants rebate program, a consumer rebate program for residential energy efficient appliances. Under this program, Florida can expect to save the following amounts on energy efficient appliances; \$290 for refrigerators, \$200 for clothes washer; \$200 on freezers; \$200 on dishwashers; \$65 on room air conditioners; \$40 on humidifiers. The only problem with the program is only \$150,000 was appropriated for the purpose of paying rebates and they have been exhausted.