



## **Tax Incentives and Grants Energize Solar Farm Project**

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On the McLeansville, NC farm of Dan and Sandra Kerns, there is a new addition to the agricultural landscape. Nestled between two large-scale chicken houses are ground-mounted solar panels - now the latest component to the working farm's list of resources, including chickens, blueberries, hay and timber.

"We thought that [generating solar energy] would be a way to expand our business without expanding our labor force," said Dan Kerns. The idea of "going solar" with a renewable energy system designed by Extend Energy, LLC became a reality when the Kerns learned of Federal and North Carolina tax incentives that could cover 65% of the project's cost. The Kerns' idea was to couple tax incentives with a USDA REAP Grant, but soon a critical question was raised.

Could federal payments, in lieu of tax credits allowed under the American Recovery and Reinvestment Act of 2009 and the USDA REAP Grants, be used to support the same project? The local USDA office's initial finding was to the contrary and Tracy Valentine, CPA, with Davenport, Marvin, Joyce & Co., LLP, challenged that conclusion. Valentine evaluated the agricultural grant in great detail, met with field representatives and answered key questions. Ultimately, the USDA's national office issued a memorandum in the Kerns' favor allowing the use of both grants in certain circumstances. "She chased it down," says Dan Kerns.

With the understanding that both grants could be used to finance their project, Dan and Sandra Kerns were comfortable to move forward with the planning, approval and installation of the farm's solar energy system. The days drew closer to their anticipated Thanksgiving deadline and despite their best efforts; the Kerns were forced to face new scenarios due to a delay in the shipping of a few critical parts. Dan and Sandra called DMJ for guidance and asked "What if we don't go live by December 31?" The professionals at DMJ worked through the tax implications of not meeting the year-end deadline and developed two alternative plans of action.

After great suspense and a holiday week full of rain, the Kerns energized their solar system on December 29, 2009, and are now operating at more than 100% efficiency. "I know Tracy can see this from a different angle as far as tax advantages," notes Dan Kerns. "But this is the contribution we want to make to the environment. It may be a legacy for us and for our children to carry on."

For clients like the Kerns, Valentine notes that it is essential that there is an evaluation between the benefits of claiming the treasury grant versus the federal tax credit. In addition, long-term planning and projections need to be developed relating to ongoing expenses, energy production, and possible future sales of the property. Ultimately, says Valentine, "Investing in renewable energy requires a commitment to sustainability. There are lots of other investments that might result in higher financial returns. For those with an interest though, there are more incentives available right now than ever before and we can help navigate the most advantageous strategy for utilizing them." Those interested in renewable energy projects should consult with a tax professional to understand the implications of their investments.