

# Have Renewable Energy Questions? Here are a Few Answers.



For those evaluating a renewable energy project, questions often arise ranging from “Where do I start?” to “What is the cost?” Whether intended for social good or cost effectiveness, it is important to recognize all of the available opportunities and requirements for your project.

## What is renewable energy?

Renewable energy is derived from resources that are **continually** available and that **do not** inflict any material damage on the environment.

## What are the different types of renewable energy?

Solar Energy (PV - Photovoltaic), wind energy, hydroelectric power, Biomass, Geothermal and Ocean Energy are all types of renewable energies. The most common type used in North Carolina is Solar (PV). In fact, North Carolina is ranked 8th in the U.S. for cumulative installed Solar Photovoltaic capacity.

## What are the benefits of renewable energy?

Renewable energy technologies are clean sources of energy with much lower impacts on the environment compared to other sources. **Renewable energy will not run out...ever**, while more conventional energy sources have very finite supplies. Renewable energy investments are spent on materials and workmanship to build and maintain U.S. facilities rather than exporting those dollars. In addition, you may derive profit from selling electricity to the grid for the life of the project.

## What tax benefits are available for renewable energy?

A given project can receive both federal and state energy credits. The federal business energy investment tax credit (ITC) is 30% of the reliable project cost. This credit is applied the year the project is placed into service, and does not expire until 12/31/2016. The state corporate tax credit is 35% and is taken over a period of 5 years. The state only allows a reduction of up to 50% of any tax liability in a given year; anything in excess of this is carried forward to use in future years. This state credit does not expire until 12/31/2015.

In addition to federal and state credits, other rebates or grants are often available. These can range from local utility companies, city-sponsored programs, or even government departments

## What happens if you cannot use all of the credit?

Any unused credits (federal and state) can be carried forward to offset future taxes.

## What are tax credits available to individuals?

The federal credit for a PV system is 30% (with no limit) of the project cost. This federal credit is taken the year the project is placed into service. The related state credit is 35%; however, the state does limit this credit based upon the technology used. The credit limit for a PV system is \$10,500. This state credit is taken over a 5 year period, beginning the year it is placed into service. The state also limits the amount of state credit taken in any year to 50% of the tax liability.

## What are the tax credits available to a company?

The federal credit is currently 30% of a project's eligible costs. This credit is also taken the year the project is placed into service. The state credit is 35% of a project's eligible costs, used over five years, and is limited to 50% of the tax liability in any year.

In many cases, a company may choose to invest in renewable energy because of the 65% in combined federal and state tax credits that can be generated.

## What is the cost?

Recent technology has made significant improvements in renewable energy equipment costs and efficiency. Between 2006 and 2011, the cost of PV panels and their related components dropped 37%, from an average cost of \$8.6W in 2006 to \$5.44W in 2011. As decreases in cost are connected with current tax credits, solar energy may be a worthwhile investment.

## How do I start?

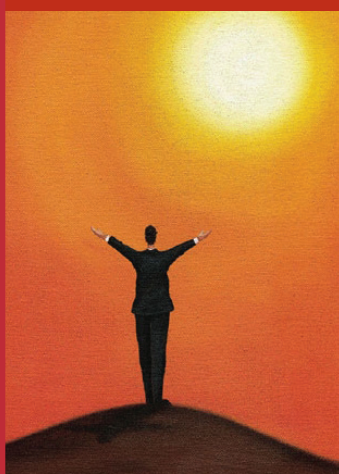
In order to have a successful investment, it is important to assemble the right “green team” that can assist you in developing a plan that meets all of your desired objectives. These are expert professionals who understand the necessary steps to developing a successful project. A good green team should consist of an experienced tax consultant, legal advisor, and an integrator.

## What is an “integrator”?

An integrator takes an active role in overseeing the development of the project from concept to inception. An integrator will walk you through the entire process, from theory, through design and installation and finally to the certification of the project. A skilled integrator understands the myriad complexities and considerations of a given project, including maintenance, power estimates, regulatory codes, and permitting.

For more information or questions, please contact Keith Jarmusch, CPA, at Davenport, Marvin, Joyce, & Co., LLP.

## Investing in a sustainable future goes beyond dollars and cents.



If you've made the commitment to a renewable energy project, consult with an **experienced tax professional** that can assist you in understanding the opportunities in today's tax law.



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Keith Jarmusch, CPA • 336.275.9886

Greensboro, NC / Sanford, NC