

Individual Energy Incentives*

Information provided by SC&H Group, LLC

I. Federal:

- a. Taxpayers are allowed an **investment credit** for the sum of the energy credit, rehabilitation credit, reforestation credit, and clean coal credit
 - i. The investment credit is subject to AMT liability limitation
 1. **Energy credit** is equal to 10% of the basis of the energy property, including solar energy equipment, geothermal equipment, and microturbines
 2. Energy credit increases to 30% for solar and fuel cell property placed in service during 2006, 2007, & 2008
 3. **Rehabilitation credit** is equal to 10% of qualified rehabilitation expenditures or 20% for rehabilitation of certified historic structures
 - ii. Credit is not allowed for amounts invested, if the taxpayer is not at risk
- b. **Residential Energy Property Credit:** for property placed in service in 2006, 2007, and 2009, a tax credit of up to \$500 is available for non-business energy property that meets the requirements for qualified energy efficiency improvements or qualified residential energy property expenditures
 - i. Expenditures must be incurred for qualified energy property; must be installed on or in connection with a dwelling unit located in the U.S and must be owned and used by taxpayer as principal residence; and property must be originally placed in service by taxpayer
 - ii. Qualified energy property includes energy-efficient building property, qualified natural gas, propane, or oil furnaces and hot water boilers, and advanced main air circulating fans
- c. **Residential Energy Efficient Property Credit:** credit is available for qualified residential alternative energy expenditures for property placed in service between 2005 and 2017
 - i. Credit is equal to 30% of the cost of eligible solar water heaters, solar electricity equipment, and fuel cell plants
 - ii. For fuel cell plants, credit is limited to \$500 for each half-kilowatt of capacity of fuel cell plants installed during the tax year
- d. **Energy Efficient Home Credit:** qualified homebuilders may claim credit of \$2,000 for each qualified new energy efficient home they build and sell (credit does not apply to homes sold after December 31, 2009)
 - i. Taxpayer must be an eligible contractor (person who constructs a new energy efficient home, or a manufacturer that produces a qualifies new energy efficient manufactured home)
 - ii. Taxpayer must construct a qualified energy efficient new home
 - iii. A person must acquire the qualified new energy efficient home from the eligible contractor for use as a residence during the tax year
 - iv. Home must be acquired before 2010

II. Maryland:

- a. **Solar Energy Grants** are offered for 20% of total installed system, up to a maximum of \$10,000 (depending on the type of property installed)
 - i. Sales & Use Exemptions are also available for solar and geothermal equipment

- ii. Property Tax Exemption is available (property cannot be assessed at a higher value due to project installation)
- b. **Solar Energy Credit:** individuals may claim a credit against personal income tax for the costs of solar water heating property or photovoltaic property that is placed in service during the tax year
 - i. Credit may be claimed for property placed in service after June 30, 2000, and before 2005
 - ii. Basis of the property is same as basis for federal purposes
 - iii. Credit amount is 15% of the total installed cost of the property, up to \$2,000 for each system for photovoltaic property and up to \$1,000 for each system for solar water heating property
- c. **Green Building Tax Credit:** Taxpayer may claim a credit for a percentage of “allowable costs” paid to make the building “green” up to a maximum of \$25 million for tax periods between 2003 and 2011
 - i. Credit applies to qualified costs with respect to green base building, green tenant space, green whole building, fuel cells, photovoltaic modules, and wind turbines
 - ii. Business must be located in a priority funding area or qualified brownfields site (buildings located in areas other than specified qualifies for the credit if the increase in the building’s square footage is 25% or less.

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