

The following information is not tax advice and cannot be used to avoid penalties. Consult your tax adviser to understand the tax implications for you.

Federal Tax Credit for Solar

Solar Electric Systems

(excerpt from Tax Incentives Assistance Project website at <http://energytaxincentives.org>)

What are the federal tax credits for solar electric systems?

Homeowners are eligible for tax credits for qualified solar photovoltaic systems. Solar photovoltaic systems produce electricity. The credits are available for systems "placed in service" at any dwelling unit, not necessarily the primary residence, between January 1, 2006 and December 31, 2016.

Who is eligible for the tax credits?

The tax credits go to individuals who install qualifying systems on homes they use as a residence (unlike other consumer incentives, the dwelling does not have to be the taxpayer's primary residence - rental properties, second homes are eligible).

How much is the tax credit?

The tax credits are for 30% of the cost of the system, with no cap.

IMPORTANT NOTE: The cost of the system should be calculated based on the net cost of the system after subtracting the Energy Trust of Oregon incentive. This is because the Energy Trust incentive is considered tax exempt to residential homeowners (meaning, you do not have to pay taxes on it), and you cannot receive a federal tax credit for incentive money you did not pay taxes on.

Alternative Minimum Tax and the Residential Solar Tax Credit

According to SEIA, the new legislation passed in October of 2008 "allows individual taxpayers to use the credit to offset AMT liability, and to carry unused credits forward to the next succeeding taxable year."

What do I have to do to qualify for these incentives?

For taxpayers installing solar PV system at their residence, use the IRS Residential Energy Efficient Property *Form 5695*.

To qualify, tax payers will need to have evidence showing (but do not have to include with their tax returns):

- the cost of the system (including labor and wiring to connect the system to a home's electrical systems),
- when it was placed in service.

I don't have a large tax liability. How many years do I have to claim my state tax credits?

You may carry forward any unclaimed tax into future tax years. See Line 28 of *IRS Form 5695*.

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Oregon State Tax Credit for Solar

Solar Electric Systems

(from Oregon Department of Energy website at <http://oregon.gov/ENERGY/RENEW/Solar>)

General Information

You can get a credit on your Oregon income taxes for adding solar energy system(s) into your home, thereby helping reduce imported fossil fuels and preserve Oregon's environment.

Applications for the Residential Energy Tax Credit are filed after the project is completed. Each solar technology must be installed according to minimum requirements. The Oregon Department of Energy maintains a list of solar companies with one or more employee that understands these requirements.

Residential – Solar Electric (PV) Tax Credits

Solar electric systems, also called "PV" systems generate electricity directly from the sun using photovoltaic modules.

1. System must be verified by a tax-credit certified technician
2. Systems must be comprised of new UL listed equipment
3. Tax credit is based on \$3 per watt up to \$6,000
4. \$1,500 maximum credit can be claimed per year
5. Minimum system is 200 watts

How does the tax credit work?

The tax credit is \$3.00 per watt, capped at \$6,000 per system. The maximum credit that can be claimed per year is \$1,500.

I don't have a large tax liability. How many years do I have to claim my state tax credits?

State law allows you to take up to five (5) years to claim a residential tax credit. So, you have extra time if you are unable to claim a full \$1,500 the first four years. Additionally, State law provides a process for tax credits to be transferred to a third party, if the third party writes a check to the system owner. This process is called the "Pass-through Option." However, there can be tax implications for the pass-through partner. For more information consult the Oregon Department of Energy's Web page.