



Energy Fact Sheet

Solar and Other 'Green' Tax Breaks For Businesses

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(The information below is not intended as specific tax or business advice.)

The Pay Back for Businesses for Solar Electric (Process Heat) Installation

- Xcel Energy will pay to the installing business \$4,500/KW photovoltaic – this is generally more than half the cost of installation.
- The Xcel rebate is considered taxable income (for businesses only).
- The Federal Investment Tax Credit is 30 percent of the total cost of installation, including the Xcel rebate portion.
- The typical installation cost for a 10 KW system is approximately \$88,000.
- The typical tax credit is approximately \$25 - \$26 for 10 KW.
- Any unused tax credits can be recouped going back one year. Then credits can be used going forward until they are used completely.
- While there is a 30 percent tax credit, businesses only need to subtract 15 percent off Depreciable Basis.
- Any interest on loans for installation are also tax deductible.
- There is no Colorado or Mesa County sales tax for the purchase of the solar panel racks.
- Most Federal tax credits expire December 31, 2008.
- Xcel Energy will continue the rebate program for the next few years.

Other Important Items to Know

If the individual acts as both the Landlord and the Operating Business/Tenant – it is best to have the Operating Business purchase the solar equipment in the business's name not the landlord's name. The reason is because rental income is usually passive income and tax credits and expenses that create a passive loss can then only be used against passive income. However, most rental properties do not show a profit, which means the entire tax credit could be forfeited. The exception to this is Real Estate Professionals. They are not usually considered passive.

'Lack of Basis' can also negate the tax credit, especially for S Corporation owners. Any funds borrowed by the S Corp give no Basis. S Corp owners should borrow in their own name, not business name.

New or renovated buildings that are Certified to meet the 50 percent Reduction in Energy Use standard can deduct up to \$1.80 per square foot.