



McNUTT
Service Group

Renewable Energy Seminar For Business & Industry

Financial Incentives

June 2009

Federal Renewable Energy Tax Credit is 30% No Limit or Cap

- For businesses the cap is **\$2,500,000 for both thermal and photovoltaic (PV) systems.**
- This is a tax credit as opposed to a write-off, and thus results in a direct 1:1 reduction in your state taxes owed. In most cases this credit must be split evenly amongst the first five years of ownership, but may be carried forward if necessary.
- Renewable-energy equipment expenditures eligible for the tax credit include the cost of the equipment and associated design; construction costs; and installation costs

South Carolina – Corporate Tax Credit

- In South Carolina, taxpayers may claim a credit of 25% of the purchasing and installing a (certified) solar-energy system for heating water, space heating, air conditioning or generating electricity in a building owned by the taxpayer.
- Maximum credit per year is 3,500 for each facility or 50% of the tax payers liability for that taxable year, whichever is less.
- Unused credit, or credit that exceeds the annual cap, may be carried over for 10 years.

Credit applies to systems certified by the Solar Rating and Certification Corporation (SRCC) or a comparable entity endorsed by the SC Energy Office. <http://www.energy.sc.gov>

For Business & Industry

Upgrade your Entire Building

A Federal tax deduction of \$1.80 per square foot is available to owners of new or existing buildings who install: Lighting Building Envelope, or Heating, Cooling, Ventilation, or Hot Water Systems that reduce the buildings total energy and power cost by 50% or more in comparison to a building meetings minimum requirements set by ASHRAE Standards.

Example: 25,000 SQ. Ft. Commercial Building = \$45,000 Tax Deduction

Upgrade a Portion of Your Building

Deductions of \$0.60 per square foot are available to owners of buildings in which individual lighting, building envelope, or heating and cooling systems meet target levels that would reasonably contribute to an overall building savings of 50% if additional systems were installed.

Example: 25,000 Sq. Ft. Commercial Building = \$15,000 Tax Deduction

Keep in mind you still have annual income from the utility company of \$3,650 so for business & Industry your Solar P.V. Or Windmill can become a Profit Center

What tax credits are available for commercial building energy efficiency?

- Upgrade your entire Building
- A Federal tax deduction of **\$1.80 per square foot** is available to owners of new or existing buildings who install: Lighting Building Envelope, or Heating, Cooling, Ventilation, or Hot Water Systems that reduce the buildings total energy and power cost by **50%** or more in comparison to a building meetings minimum requirements set by ASHRAE Standards.

Example: 25,000 SQ. Ft. Commercial Building = \$45,000 Tax Deduction

- Upgrade a Portion of Your Building
- Deductions of **\$0.60 per square foot** are available to owners of buildings in which individual lighting, building envelope, or heating and cooling systems meet target levels that would reasonably contribute to an overall building savings of **50%** if additional systems were installed.

Example: 25,000 Sq. Ft. Commercial Building = \$15,000 Tax Deduction

The deductions are available primarily to **building owners** although **tenants** may be eligible if they make construction expenditures

For Business & Industry

Net Cost of 17 KW P.V. System (Note Savings are over 5 years)

\$100,000 (initial cost for an 17 kw P.V. system)

-\$30,000 (30 percent federal tax credit)

-\$25,000 (25 percent state tax credit)

+\$ 6,250 (federal tax on state tax credit)

-\$17,500 (tax benefits of MACRS over no more than five years)

-\$ 3,900 (tax benefit depreciation over no more than five years)

-\$18,700 (sell Electricity back to Utility Company)

\$11,150 (Total remaining cost of initial investment after five years)

Keep in mind you still have annual income from the utility company of \$3,650 so for business & Industry your Solar P.V. Or Windmill can become a Profit Center

South Carolina State Loan Program

Summary:

- The SC Energy Office offers the ConserFund Loan Program to fund energy efficiency improvements.
- Generally, ConserFund loans are to be used on retrofits of existing buildings. However, ConserFund may be used to finance energy recovery systems, ground source heat pumps, solar, and other renewable energy systems in new construction facilities.
- Organizations may finance one or multiple projects, covering up to 100% of eligible project costs, from \$25,000 to \$500,000.
- To start the financing process, download a form from the program website or contact the South Carolina Energy Office.

(MACRS) Depreciation

Modified Accelerated Cost Recovery System

- For commercial applications, solar systems are additionally depreciated under the MACRS depreciation schedule.
- Assuming a 35% tax bracket, this depreciation will account for just shy of 30% of system value.
- When coupled with state and federal incentives, many businesses see their **systems paid for within 4 years** and have discounted net present values of 20% or higher!

Cost Comparison Air to Air vs. Geothermal 38,000 Sq. Ft. Commercial Building

Electric - Heat & Cool (Air to Air)		Geothermal - Heat & Cool (Ground to Air)	
Initial Cost	\$ 136,000	Initial Cost	\$ 205,000
Fed. Tax Credit	\$ 0	Fed. Tax Credit	-\$ 20,500
SC Tax Credit	\$ 0	SC Tax Credit	\$ 0
Total	\$ 136,000	Net Cost	\$ 184,000

Annual Heating/Cooling Cost

$\$ 26,000 \times 18 \text{ years} = \$ \underline{468,000}$	$\$ 9,000 \times \$ 184,000 = \$ \underline{346,000}$
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FORMULA: Annual Cost x years = Operating Cost

Total Cost of Ownership (TCO)

$\$ 468,000 \times \$ 136,000 = \$ \underline{604,000}$	$\$ 162,000 \times 18 \text{ years} = \$ \underline{162,000}$
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FORMULA: Operating Cost x Initial Cost = (TCO)

$\$ 604,000 - \$ 162,000 = * \$ 257,500$

*** Total Geothermal Savings over 18 YEARS**

FORMULA: Electric (TCO) - Geothermal (TCO) = Geothermal Savings

Your New Choice for Renewable, Alternative Energy



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How Going Green Can Benefit Your Business