



Federal Incentives for Renewables and Efficiency

Business Energy Tax Credit

Last DSIRE Review: 10/16/2008

Incentive Type: Corporate Tax Credit

Eligible Renewable/Other Technologies: Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Wind, Biomass,

Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, CHP/Cogeneration, Solar Hybrid Lighting, Direct Use Geothermal, Microturbines

Applicable Sectors: Commercial, Industrial, Utility

Amount: 30% for solar, fuel cells and small wind;
10% for geothermal, microturbines and CHP

Maximum Incentive: \$1,500 per 0.5 kW for fuel cells; \$200 per kW for microturbines; \$4,000 maximum credit for small wind. No maximum specified for other technologies.

Eligible System Size: Small wind turbines: 100 kW or less
Fuel cells: 0.5 kW or greater
Microturbines: 2 MW or less
CHP: 50 MW or less

Equipment/Installation Requirements: Fuel cells, microturbines and CHP systems must meet specific energy-efficiency criteria

Authority 1: [26 USC § 48](#)

Authority 2: [H.R. 1424: Div. B \(The Energy Improvement and Extension Act of 2008\)](#)

Date Enacted: 10/3/2008

Effective Date: 10/3/2008

Summary:

The federal business energy tax credits available under 26 USC § 48 were expanded significantly by the Energy Improvement and Extension Act of 2008 (H.R. 1424), enacted in October 2008. The new law extended the duration -- by eight years -- of the existing credits for solar energy, fuel cells and microturbines; increased the credit amount for fuel cells; established new credits for small wind-energy systems, geothermal heat pumps, and combined heat and power (CHP) systems; extended eligibility for the credits to utilities; and allowed taxpayers to take the credit against the alternative minimum tax (AMT), subject to certain limitations.

Credits are available for eligible systems placed into service on or before December 31, 2016:*

Solar. The credit is equal to 30% of expenditures, with no maximum credit limit stated. Eligible solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. (Passive solar systems and solar pool-heating systems are *not* eligible.) Hybrid solar lighting systems are those that use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight.

History

The federal [Energy Policy Act of 2005](#) (EPAAct 2005) expanded the existing federal business energy tax credit for solar and geothermal energy property to include fuel cells, microturbines and hybrid solar lighting systems installed on or after January 1, 2006, and raised the credit for solar to 30%. Prior to the provisions of EPAAct 2005, a 10% credit was available to businesses that invested in or purchased solar or geothermal energy property.

** Note that the credit for geothermal property, with the exception of geothermal heat pumps, has no stated expiration date. The credit for solar energy property reverts to 10% after December 31, 2016.*

Contact:

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