

# **ABUNDANT INCENTIVES FOR SOLAR ENERGY**

*Article by:*

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## Abundant Incentives for Solar Energy

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*By John F. Michel, CPA, Director*

Solar energy is a hot topic, literally and figuratively. There is significant public sentiment for increasing our use of renewable energy, and there are significant financial incentives for increasing our production of renewable energy.

The federal government offers sizeable tax credits, grants and loans for companies – and investors in companies – that produce renewable energy, such as solar or wind energy. The Ohio Department of Development offers grants for similar programs.

Below is a breakdown of the various financial resources at your disposal.

### **FEDERAL INCENTIVES**

Section 48 of the Internal Revenue Code includes a federal tax credit for up to 30 percent of the cost of a renewable energy production system. It is offered as an investment tax credit, so it can be claimed immediately. The credit is calculated based on the total cost of the system, less any grants or rebates received. There is no maximum amount allowed.

The 2009 stimulus plan gave companies the option to receive the investment tax credit as a cash grant, also worth 30 percent of the cost. According to Section 1603 of the American Recovery and Reinvestment Act, investors in a renewable energy production system are eligible for the grant as long as the project is not owned by a government or non-profit entity; a binding contract is in place by December 31, 2010; and the system is operational by October 1, 2011. There is a bill before Congress that would extend the grant by two years.

The U.S. Department of Energy guarantees a loan for up to 80 percent of the total cost of launching renewable energy production. An equity commitment is required, along with an independent engineering report, and there is a sizeable application fee. The project must begin by September 30, 2011.

IRC Sections 179 and 179D allow businesses to deduct the cost of installing energy-efficient equipment. Section 179D allows a federal tax deduction of up to \$1.80 per square foot for expenses related to energy-efficient equipment in commercial buildings. There are tax consequences, though: Both 179 and 179D will reduce the amount of the federal investment tax credit or grant.

### **OHIO INCENTIVES**

The Ohio Department of Development, through its Advanced Energy Program, offers a grant worth up to \$200,000 of the installation cost of a renewable energy production system. The system must be serviced by one of four major public utilities – Duke Energy, Dayton Power and Light, American Electric Power and FirstEnergy – and specific certifications and inspections are required. A bill currently in the Ohio house would extend the Advanced Energy Program through 2025, and another bill would create incentives for solar panels to be installed in the state's public schools.

Ohio House Bill 301, as introduced, will require that by 2025 at least 12.5 percent of electricity sold in Ohio must be generated by renewable sources. Local utilities can purchase Solar Renewable Energy Certificates (SRECs) in order to meet that guideline. Each SREC represents a unit of energy produced by solar power, and they can be sold or traded, which makes it a mirror of traditional cap-and-trade programs: While those programs make it more costly to use energy forms that produce pollutants, SRECs create financial incentives to produce cleaner energy.

For more information on the incentives that are available and how they fit your particular needs and opportunities, please contact me at [jmichel@barnesdennig.com](mailto:jmichel@barnesdennig.com) or call 513.241.8313.

## ABOUT THE AUTHOR

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### Industry Focus:

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John brings 25 years of experience in public accounting and a wide base of knowledge to Barnes Dennig, where he expands the firm's influence in areas of alternative energy assessment and financing.

Prior to joining Barnes Dennig, John spent 15 years as a national tax partner for a Global Six public accounting firm, offering tax advisory services to companies of various sizes and across multiple industries. He has worked with privately held and publicly traded companies, domestic and international, from start-up to more than \$1 billion in assets. As such, he can offer unique insights to a local company and is particularly valuable to a local company with a thirst for growth.

John has advised companies on deal structuring, project financing, procuring economic incentives, due diligence and tax consulting.

His articles have appeared in technical and industry journals, and he is a frequent source of insight for the mainstream media and to legislators and policy makers. He also serves on the board of directors of two privately held companies. He earned a Bachelor's degree in accounting and finance from Wright State University and a Masters in Taxation from the University of Cincinnati.