



Frequently Asked Questions on the New Federal Solar Tax Credits

This FAQ sheet should answer many of the questions facing companies in the solar energy industry about the federal solar tax credits. **While we have to be very clear that SEIA cannot offer you tax advice, which can ultimately only come from your tax professional**, this document should provide some initial guidance based on the legislative text.

In the coming weeks, SEIA will be working with the IRS to obtain formal guidance on these issues, and will keep you informed about the forms and procedures you will need to claim this valuable credit.

We encourage you to send questions to us at info@seia.org, so that we can obtain clarity on these key issues for you as soon as possible.

Business Credit vs. Residential Credit

	Old Incentive	New Incentive	Credit window	Cap	Eligible technologies
Business credit	10%	30%	1/1/06 - 12/31/07 at 30%; reverts to permanent 10% thereafter	No cap	PV, CSP, solar hybrid lighting, solar domestic water heating (excluding pool heating)
Residential credit	None	30%	1/1/06 - 12/31/07	\$2,000 per system/ for each solar technology	PV, solar domestic water heating (excluding pool heating)

1. **What are the dates of the credit? Is it applicable to existing systems?**

The credits become available for systems that are "placed in service" - activated between January 1, 2006, and December 31, 2007. If the installation is on a new home, the "placed in service" date is the date of occupancy by the homeowner.

Systems that have already been installed are not eligible.

2. **What about systems that have been purchased but not installed?**

Should you sell / buy a system and even start work this year, but do not complete "original installation" of the system or "place it in service" until Jan. 1, it will qualify for the credit.

3. Can this credit be applied to capacity additions? (i.e. I have a 1.5 kW system and I want to add 1.5 kW more.) Similarly, can I apply this credit to used equipment going into a new installation?

This is not entirely clear at present. However, the language would suggest that both scenarios are allowed - the credits apply to the amount of expenditure on solar energy property in a given year. SEIA will work with the IRS to develop regulations favorable to the solar industry. We will pass on additional information as it becomes available.

4. How does the residential cap on expenditures operate?

An individual can take the 30% credit up to a \$2,000 cap for photovoltaics, while also taking the credit up to a separate \$2,000 cap for solar water heating. The credit may be carried over to future years.

Business entities have no cap on the total credit amount, provided they have a sufficient tax liability. Businesses have 2 years in which to take the credit.

5. How does the credit work with existing state credits or utility incentives?

The credit applies to the basis remaining after any state or utility incentives available to the taxpayer have been taken.

Example: a \$10,000 system that receives \$5,000 in state incentives would be eligible for a \$1,500 Federal credit.

6. Are there any changes to the business solar tax credit other than percent?

The business solar tax credit will continue to be administered as before; all that has changed is the percentage increase to 30%. Operation and legal technicalities of the business credit are well established. An accountant or tax professional familiar with these rules should be able to inform you on any specific issues.
