

# Renewable Energy

Less Taxing on the Environment and on **YOU.**

California now offers a 15% state income tax credit on the purchase and installation costs of renewable energy systems. That's good news for you and the environment.

## The Solar and Wind Energy System Credit is:

- Either 15% of the net system cost or \$4.50 per watt, whichever is less.
- Valid for certified photovoltaic or wind generating systems sized up to 200 kW and installed in California between January 1, 2001 and December 31, 2003 (7.5% credit available through December 31, 2005).
- Taken against the **net cost of the system** (i.e., the remaining balance of eligible system costs after deducting the value of any municipal, state, federal or other incentives).
- Carried forward up to seven years, provided it's not used in its entirety in the same year the system is purchased.
- Nonrefundable—you cannot take any remaining credit balance as cash; and,
- Valid for only **one eligible system per legal parcel** of property or per taxpayer address in California.

## Certain restrictions apply:

Taxpayers claiming the credit cannot sell the electricity produced by the system, but may utilize California's net metering law, if eligible. The tax credit will be forfeited if a system is sold or removed within one year from the date it was first placed in service. The credit amount would then be added to the taxpayer's net tax for the taxable year the system was sold or removed.

## To claim your credit:

- Download a copy of FTB Form 3508  
[www.ftb.ca.gov/forms/01\\_forms/01\\_3508.pdf](http://www.ftb.ca.gov/forms/01_forms/01_3508.pdf)
- Download a Solar Energy System Credit Worksheet and lists of eligible systems and components  
[www.consumerenergycenter.org/renewable/tax\\_credit](http://www.consumerenergycenter.org/renewable/tax_credit)
- Special instructions are provided on FTB Form 3508 for "S" corporations, estates or trusts, partnerships and Limited Liability Companies (LLCs) classified as partnerships.
- "S" corporations and some other taxpayers may not be eligible to claim the full amount of the tax credit. Please refer to the "Limitations" section on page 2 of FTB Form 3508.

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CALIFORNIA ENERGY COMMISSION



The power of solar and wind

The California Energy Commission does not endorse this distributor's services or products.

# Harness the Power All Around Us

## To calculate your tax credit:

The tax credit is equal to 15% of the net installed system cost, or \$4.50 per watt of rated peak generating capacity, whichever is less.

$$\begin{array}{r}
 \text{Total installed system cost} \\
 - \text{Any and all cash incentives} \\
 \hline
 \text{Net installed system cost} \\
 \times 0.15 \\
 \hline
 \text{TOTAL TAX CREDIT}
 \end{array}
 \qquad \text{OR} \qquad
 \begin{array}{r}
 \text{Rated peak generating capacity} \\
 \text{(in watts)}^1 \\
 \hline
 \times 4.5 \\
 \hline
 \text{TOTAL TAX CREDIT}
 \end{array}$$

WHICHEVER IS LESS

### EXAMPLE: Residential Installation

Total System Size	<b>2.4 Kilowatts AC</b>
Total Installed System Cost	\$24,000
California State Rebate (the lesser of \$4.50/watt or 50%)	– \$10,776 <sup>2</sup>
Net Installed System Cost	\$13,224
15% CA Tax Credit (all in year 1 or spread over 7 years)	– \$1,984
<b>Final Cost</b>	<b>\$11,240</b>

- 1 Rated peak generating capacity, measured in alternating current (AC) watts, considers the PTC rating and inverter efficiency, both of which reduce the system output.  
 2 Rebate amount is an example. Actual rebate amounts will vary depending on system components and costs.

### EXAMPLE: Commercial Installation<sup>3</sup>

Total System Size	<b>30 Kilowatts AC</b>
Total Installed System Cost	\$270,000
California State Rebate (the lesser of \$4.50/watt or 50%)	– \$135,000
Federal 10% Investment Tax Credit (businesses only)	– \$13,500
Net Installed System Cost	\$121,500
15% Tax Credit (all in year 1 or spread over 7 years)	– \$18,225
5-Year Federal Accelerated Depreciation Savings <sup>4</sup> (34% tax rate)	– \$43,605
State Depreciation Savings <sup>5</sup> (6.5% tax rate)	– \$7,590
<b>Final Cost (in year 6 after final depreciation)</b>	<b>\$52,080<sup>6</sup></b>

- 3 For more information about renewable energy financing, contact the Renewable Energy Development Institute at (707) 459-1256 or mail@redinet.org.  
 4 Calculated as follows: (total installed system cost - state rebate - 1/2 of the 10% federal investment tax credit) x federal income tax rate. Assumes "non-corporate" business taxpayer using MACRS. Please note that "corporate" business taxpayers may not use MACRS for California depreciation calculations and should instead use a 12-year recovery period.  
 5 Calculated as follows: (total installed system cost - state rebate - 15% tax credit) x state income tax rate.  
 6 Final costs will vary depending upon each taxpayer's individual situation and should be determined with the assistance of a qualified tax professional.

## For more information about:

**The worksheet, system certification, or state rebates  
 California Energy Commission**  
 (800) 555-7794  
[renewable@energy.state.ca.us](mailto:renewable@energy.state.ca.us)  
[www.consumerenergycenter.org](http://www.consumerenergycenter.org)

**FTB Form 3508 or other tax-related questions  
 California Franchise Tax Board**  
 (800) 852-5711  
[www.ftb.ca.gov](http://www.ftb.ca.gov)



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