

# Tax Incentives Solar & Clean Energy

## PURPOSE

To encourage the wider and more rapid purchase and installation of clean energy generation and energy conservation measures by providing income tax credits to individuals and businesses.

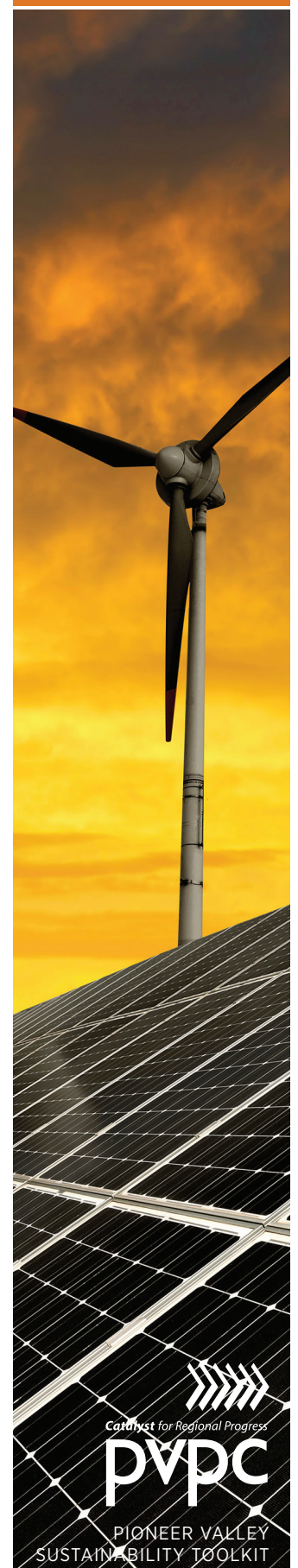
## THE BASICS

Many states now offer credits to reduce state income and business taxes that help offset the initial costs of purchasing and installing clean energy generation equipment and energy conservation measures. This credit functions as a subsidy that helps shorten the “payback” period for the start-up cost of clean energy equipment. Consumers begin to realize the savings over conventional energy systems sooner—often within three to five years, and sometimes immediately.

## CLEAN ENERGY TAX INCENTIVES IN MASSACHUSETTS

The Massachusetts Residential Renewable Energy Income Tax Credit offers a 15% credit, up to \$1,000, off a person’s state income tax if they buy and/or install a renewable energy system for their primary residence (renters are eligible, too). Products that are eligible for this credit include solar hot water, high efficiency heat pumps, solar photovoltaic (PV) and wind-energy systems. Energy efficiency measures for new and retrofitted buildings are also eligible, including insulation, air sealing, window replacement and other measures to save energy.

For example, a person who has extra insulation blown into their attic and walls for a typical cost of \$2,000 would see their state income tax bill reduced by \$300 (15% of \$2,000). If a person purchases and installs a rooftop solar PV system (which can cost between \$15,000 and \$30,000), he or she would receive the maximum tax credit of \$1,000. If the person’s tax credit is greater than their total tax bill for the year the system is installed, then the extra savings can be carried forward and spread out for up to three

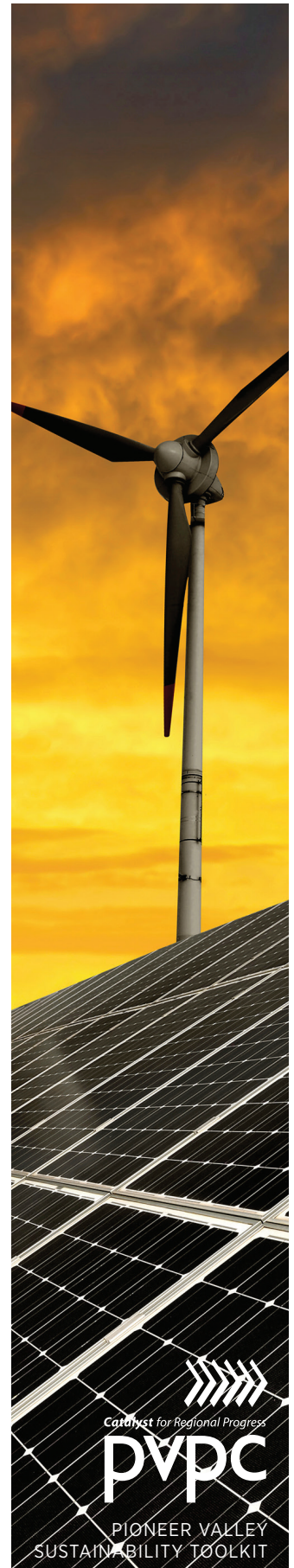


years.

Businesses have an additional benefit available to them: Massachusetts law (M.G.L. Chapter 63, Section 38H) exempts 100% of any “solar or wind powered climatic control unit and any solar or wind powered water heating unit” or any other unit or system powered by solar or wind from corporate excise tax for the length of the system’s depreciation period. Corporations that install qualifying solar or wind units can exempt the value of the unit from the overall property valuation used to assess the corporate excise tax.

## FEDERAL CLEAN ENERGY TAX INCENTIVES

The U.S. government also offers tax credits or deductions for individuals and businesses that invest in renewable energy or energy efficiency. Individuals can receive up to \$500 in federal income tax credits for “Energy Star” certified energy efficient equipment, including biomass stoves, HVAC, insulation, roofs, water heaters, windows and doors, geothermal heat pumps, small wind turbines, and solar energy systems. And both individuals and businesses can earn up to a 30% tax credit on renewable energy generation equipment



purchases, such as solar panels, heat pumps and wind turbines.

## LINKS TO MORE INFORMATION

MASSACHUSETTS RESIDENTIAL CREDITS:

<http://www.mass.gov/legis/laws/mgl/62-6.htm>

MASSACHUSETTS CORPORATE CREDITS:

<http://www.mass.gov/legis/laws/mgl/63-38h.htm>

FEDERAL INCENTIVES FOR CLEAN ENERGY:

[www.dsireusa.org](http://www.dsireusa.org)

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## FOR MORE INFORMATION, PLEASE CONTACT

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