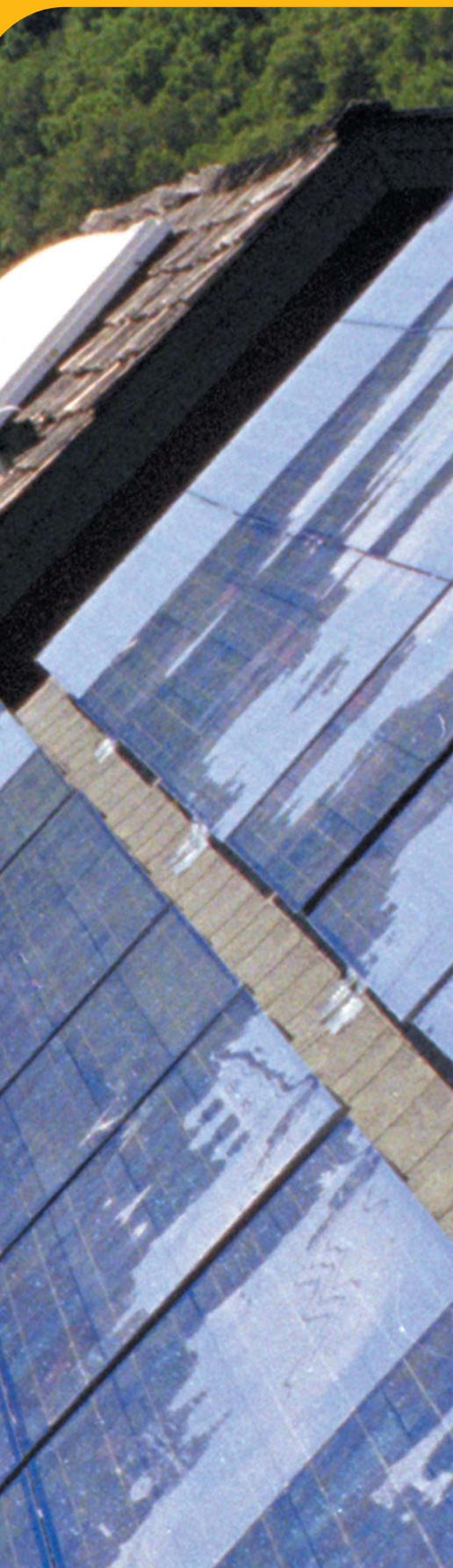


# Renewable Energy

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



California now offers a 7.5% state income tax credit on the purchase and installation costs of solar or wind energy systems. That's good news for you and the environment.

## The Solar and Wind Energy System Tax Credit is:

- Either 7.5% 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, 2004 and December 31, 2005 (15% credit was available Jan 1, 2001 - Dec 31, 2003).
- 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, or federally sponsored incentives).
- Carried forward up to seven years, provided the tax credit is not used in its entirety in the same year the system is purchased.
- Nonrefundable—you cannot take any remaining credit balance as cash.
- Valid for only **one eligible system per legal parcel** of property or per taxpayer address in California.
- Allowable for grid connected systems only.

## 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](http://www.ftb.ca.gov/forms)
- Download a Solar or Wind Energy System Credit Worksheet and lists of eligible system 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.



The power of solar and wind

# Harness the Power All Around Us

## To calculate your tax credit:

The tax credit is equal to 7.5% of the net installed system cost, or \$4.50 per watt of rated peak generating capacity, whichever is less.

$$\frac{\text{Total installed system cost} - \text{Municipal, state, or federal incentives}}{\text{Net installed system cost}} \times 0.075 = \text{TOTAL TAX CREDIT}$$

OR

$$\frac{\text{Rated peak generating capacity (in watts)}^1}{x 4.5} = \text{TOTAL TAX CREDIT}$$

WHICHEVER IS LESS

### EXAMPLE: Residential Installation

Total System Size	<b>2.4 Kilowatts AC</b>
Total Installed System Cost	\$19,200.00
California State Rebate (\$3.20/watt)	- \$7,680.00 <sup>2</sup>
Net Installed System Cost	\$11,520.00
7.5% CA Tax Credit (all in year 1 or spread over 7 years)	- \$864.00
<b>Final Cost</b>	<b>\$10,656.00</b>

<sup>1</sup> Rated peak generating capacity, measured in alternating current (AC) watts, considers the PTC rating and inverter efficiency, both of which reduce the system output.

<sup>2</sup> Actual rebate amounts will vary depending on system components and installation. Rebate levels are reduced about 5% every 6 months. Rebates subject to funding availability.

### EXAMPLE: Commercial Installation

Total System Size	<b>25 Kilowatts AC</b>
Total Installed System Cost	\$ 175,000.00
California State Rebate (\$3.20/watt)	- \$ 80,000.00
Federal 10% Investment Tax Credit (businesses only)	- \$ 9,500.00
Net Installed System Cost	\$85,500.00
7.5% Tax Credit (all in year 1 or spread over 7 years)	- \$6,412.50
5-Year Federal Accelerated Depreciation Savings <sup>3</sup> (34% tax rate)	- \$30,685.00
State Depreciation Savings <sup>4</sup> (6.5% tax rate)	- \$5,758.20
<b>Final Cost (in year 6 after final depreciation)</b>	<b>\$42,644.30<sup>5</sup></b>

<sup>3</sup> 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.

<sup>4</sup> Calculated as follows: (total installed system cost - state rebate - 7.5% tax credit) x state income tax rate.

<sup>5</sup> 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

[www.consumerenergycenter.org/erprebate](http://www.consumerenergycenter.org/erprebate)

FTB Form 3508 or other tax-related questions  
**California Franchise Tax Board**

(800) 852-5711

[www.ftb.ca.gov](http://www.ftb.ca.gov)

**Arnold Schwarzenegger**, Governor  
**Mike Chrisman**, Secretary for Resources

**California Energy Commission**

William J. Keese, Chairman  
 Arthur H. Rosenfeld, Commissioner  
 James D. Boyd, Commissioner  
 John L. Geesman, Commissioner  
 Jackalyn Pfannenstiel, Commissioner

Robert L. Therkelsen, Executive Director

