

## THE GREENER SIDE OF TAXES

With all the talk about “green,” it has become a familiar buzz word for everyone from government officials to retail establishments to developers to fuel oil dealers. In October, 2008 the State released the New Jersey Energy Master Plan. In it Governor Corzine directed that we reduce energy consumption at least 20% by 2020. The Master Plan outlines goals and strategies for New Jersey to become a “green” leader.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009 which includes many energy incentives. It is clear that alternative sources of renewable energy will have a positive impact on the environment and save money in utility costs. Thanks to some new federal and state legislation, as well as extended legislation, some of the cost of going “green” may be offset by tax credits or other government programs in 2009.

### FEDERAL TAX INCENTIVES

- **Business Energy Tax Credit** – Provides for a 30% credit for qualified fuel cell, solar energy (through 2016) and qualified small wind energy property. There is also a 10% credit available for other energy property, such as qualified microturbine and geothermal property. The credit for solar energy property is reduced to 10% after 2016.
- **Energy Efficient Commercial Buildings Deduction** – A deduction is allowed for the cost of energy efficient commercial building property that is installed as part of the interior lighting systems, heating, cooling, ventilation, and hot water systems; or the building envelope. Generally, these costs would be depreciated over 39 years. However, this accelerated deduction is limited to the excess of the product of \$1.80 and the square footage of the building, over the aggregate amount of the deduction for all prior years. The energy efficient property only qualifies if it meets a 50% energy use reduction test, which must be certified by a “qualified individual” as defined in the code. This deduction is available through 2013.
- **Nonbusiness Energy Property Credit** – Homeowners can benefit from going “green.” Installation of qualified energy improvements, such as heat pumps, furnaces, central air conditioners and water heaters provide up to a \$1,500 tax credit. The credit is calculated at 30% of the cost of the energy efficient improvements. ARRA extended this credit to the 2011 tax year.
- **Residential Energy Efficient Property** – A credit equal to 30% of the cost of qualified solar electric, solar water heating, fuel cell, small wind energy, and geothermal heat pump property is available to homeowners. For qualified property, ARRA eliminated any cap limitation.
- **Energy Conservation Subsidies Exclusion** – Taxpayers who receive a subsidy for the purchase or installation of any energy conservation measure from a public utility or participated in a public utility’s energy conservation program are allowed an exclusion of any benefit received from income.

### NEW JERSEY TAX INCENTIVES

- **Property Tax Exemption for Renewable Energy Systems** – Legislation has recently been enacted to exempt renewable energy systems from property taxes. Taxpayers must obtain a certificate reducing the assessed value of their property by applying to their local property tax assessor.
- **Solar and Wind Energy Systems Exemption** – New Jersey fully exempts the purchase of solar and wind energy equipment from sales tax.

## GRANTS, LOANS AND OTHER INCENTIVES

There are many little known financial incentives for “green” initiatives. The newly created Solar Renewable Energy Certificates, Energy Star programs and various state rebate programs will make energy conservation, as well as new energy-saving technology affordable to many businesses and residents, including low-income families. More details about all of these programs, as well as programs for other states can be found on the Database of State Incentives for Renewables & Efficiency (DSIRE) website at <http://www.dsireusa.org>.

Grant and loan programs, like the Rural Energy for America Program (REAP) which Congress enacted in May of 2008 and funded with \$55 million for 2009, or the Energy Efficient Mortgage program (EEM) which is insured through the FHA and VA loan programs, will enable taxpayers in the commercial and residential sectors to invest in energy conservation and renewable energy production. The federal government also offers other types of incentives in the form of interest-free bonds, loan guarantees and other incentive payments.

A new financing source is available from the New Jersey Economic Development Authority through the Edison Innovation Clean Energy Manufacturing Fund (CEMF). New Jersey manufacturers can receive funding for project assessment and design plus project construction and operation. A qualified manufacturer of Class I renewable or energy-efficiency systems, products or technologies may be eligible to receive up to \$3.3 million in grants and interest-free loans. Up to \$300,000 is available to assist with the manufacturing site identification and procurement, design and permits. And as much as \$3 million is available as a zero-interest, 10-year loan to support site improvements, equipment purchases and facility construction and completion. To take advantage of this program, a company must be a for-profit entity that is planning to manufacture eligible products in New Jersey and be entering or expanding within the manufacturing stage of commercial development. A minimum 50-percent cash match of total project costs from non-state grants, loans or equity is required for both program components. To learn more about CEMF, visit [www.njeda.com/CEMFApplication](http://www.njeda.com/CEMFApplication).

Considering the current political and economic climate, we are bound to see even more "green" incentives that encourage environmentally friendly products, buildings and homes. As one of the leading accounting and consulting firms for the fuel and energy industry, Cowan, Guteski & Co., P.A. provides clients with advice and counsel on tax credits that they may be entitled. Contact a member of our Fuel & Energy Services Group at 732-349-6880 or visit [www.cowanguteski.com](http://www.cowanguteski.com).

Best regards,  
Cowan, Guteski & Co., P.A. Fuel and Energy Services Group



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