



Business Energy Investment Tax Credit (ITC)

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ELIGIBILITY:

Commercial,
Industrial,
Investor-Owned Utility,
Cooperative Utilities,
Agricultural

SAVINGS CATEGORY:

Solar Water Heat,
Solar Space Heat,
Geothermal Electric,
Solar Thermal Electric,
Solar Thermal Process Heat,
Solar Photovoltaics,
Wind (All),

Geothermal Heat Pumps,
Municipal Solid Waste,
Combined Heat & Power,
Fuel Cells using Non-Renewable Fuels,
Tidal,
Wind (Small),
Geothermal Direct-Use,
Fuel Cells using Renewable Fuels,
Microturbines

MAXIMUM REBATE:

Fuel cells: \$1,500 per 0.5 kW

Microturbines: \$200 per kW

Small wind turbines placed in service 10/4/08 - 12/31/08: \$4,000

Small wind turbines placed in service after 12/31/08: no limit

All other eligible technologies: no limit

Program Info

Sector Name:

Federal

Administrator:

U.S. Internal Revenue Service

More Information:

State:

Federal

Program Type:

Corporate Tax Credit

Rebate Amount:

30% for solar, fuel cells, wind

10% for geothermal, microturbines and CHP

Summary:

Note: The Consolidated Appropriations Act, signed in December 2015, included several amendments to this credit which apply to solar technologies and PTC-eligible technologies. Notably, the expiration date for these technologies was extended, with a gradual step down of the credits between 2019 and 2022.

The federal Business Energy Investment Tax Credit (ITC) has been amended a number of times, most recently in December 2015. The table below shows the value of the investment tax credit for each technology by year. The expiration date for solar technologies and wind is based on when construction begins. For all other technologies, the expiration date is based on when the system is placed in service (fully installed and being used for its intended purpose).

TECHNOLOGY	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	FUTURE YEARS
PV, Solar Water Heating, Solar Space Heating/Cooling, Solar Process Heat	30%	30%	30%	30%	26%	22%	10%	10%
Hybrid Solar Lighting, Fuel Cells, Small Wind	30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Geothermal Heat Pumps, Microturbines, Combine Heat and Power Systems	10%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Geothermal Electric	10%	10%	10%	10%	10%	10%	10%	10%
Large Wind	30%	24%	18%	12%	N/A	N/A	N/A	N/A

- Solar Technologies.** Eligible solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Hybrid solar lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible. Passive solar systems and solar pool-heating systems are not eligible.
- Fuel Cells.** The credit is equal to 30% of expenditures, with no maximum credit. However, the credit for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) of capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher.
- Small Wind Turbines.** The credit is equal to 30% of expenditures, with no maximum credit for small wind turbines placed in service after December 31, 2008. Eligible small wind property includes wind turbines up to 100 kW in capacity. (In general, the maximum credit is \$4,000 for eligible property placed in service after October 3, 2008, and before January 1, 2009. The American Recovery and Reinvestment Act of 2009 removed the \$4,000 maximum credit limit for small wind turbines.) Small wind turbines must meet the performance and quality standards set forth by either the American Wind Energy Association Small Wind Turbine Performance and Safety Standard 9.1-2009 (AWEA), or the International Electrotechnical Commission 61400-1, 61400-12, and 61400-11 (IEC)
- Geothermal Systems.** The credit is equal to 10% of expenditures, with no maximum credit limit stated. Eligible geothermal energy property includes geothermal heat pumps and equipment used to produce, distribute or use energy derived from a geothermal deposit. For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electric transmission stage. For geothermal heat pumps, this credit applies to

eligible property placed in service after October 3, 2008. Note that the credit for geothermal property, with the exception of geothermal heat pumps, has no stated expiration date.

- **Microturbines.** The credit is equal to 10% of expenditures, with no maximum credit limit stated (explicitly). The credit for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW) in capacity that have an electricity-only generation efficiency of 26% or higher.
- **Combined Heat and Power (CHP).** The credit is equal to 10% of expenditures, with no maximum limit stated. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. See the note at the bottom of this page for more details. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the credit may be reduced for less-efficient systems. This credit applies to eligible property placed in service after October 3, 2008.
- **Production Tax Credit-Eligible Technologies.** Technologies that are eligible for the [Production Tax Credit \(PTC\)](#) were eligible to opt for the ITC in lieu of the PTC if construction commenced prior to January 1, 2015. As of January 1, 2015, only wind energy systems are eligible to claim the ITC in lieu of the PTC.

In general, the original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

Significantly, the American Recovery and Reinvestment Act of 2009 repealed a previous restriction on the use of the credit for eligible projects also supported by "subsidized energy financing." For projects placed in service after December 31, 2008, this limitation no longer applies. Businesses that receive other incentives are advised to consult with a tax professional regarding how to calculate this federal tax credit.

* Combined heat and power systems can only receive the full credit if the system has an electrical capacity of 15 MW or less, and a mechanical energy capacity of 20,000 horsepower or less, or an equivalent combination of electrical and mechanical energy capacities. Larger combined heat and power systems (up to a maximum of 50 MW and 67,000 horsepower) can qualify for a reduced tax credit equal to the ratio between the actual system capacity and 15 MW. For example, a 45 MW system can qualify for a tax credit worth 15/45 of the otherwise allowable credit.

History


The federal business energy investment tax credit available under 26 USC § 48 was expanded significantly by the Energy Improvement and Extension Act of 2008 (H.R. 1424), enacted in October 2008. This law extended the duration -- by eight years -- of the existing credits for solar energy, fuel cells and microturbines; increased the credit amount for fuel cells; established new credits for small wind-energy systems, geothermal heat pumps, and combined heat and power (CHP) systems; allowed utilities to use the credits; and allowed taxpayers to take the credit against the alternative minimum tax (AMT), subject to certain limitations. The credit was further expanded by the American Recovery and Reinvestment Act of 2009, enacted in February 2009. The credit was most recently amended by The Consolidated Appropriations Act of 2015, which extended the expiration date, but also introduced a step-down in the value of the credit for solar technologies and PTC-eligible wind.

Source:

<http://programs.dsireusa.org/system/program/detail/658>



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