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GREEN BUILDING: Learn about tax incentives for renewable energy usage

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SPECIAL TO THE CITIZEN-TIMES

September 4, 2005 12:00 am

Details related to taxes are not always the easiest for the average person to understand, so let me try to simply explain the benefits of, and limitations to, federal and state tax incentives for installing renewable energy systems on either a home or business.

What is the difference between a tax credit and a tax deduction?

A tax deduction is an amount you are able to “deduct” from your total income in order to decrease your tax liability or the amount of tax you will owe the government. For example, if you make \$30,000 a year and you get a \$2,000 tax deduction for purchasing a hybrid vehicle, you will only be taxed on \$28,000 worth of income. So depending on your tax bracket that might mean you owe \$200 to \$400 less in taxes.

A tax credit is an amount of money that is subtracted from the amount of actual tax you owe after all of your deductions have been figured in. For example, if after your taxes have been figured, you owe \$1,000 in taxes to the state government and you qualify for a tax credit of \$500, you will only have to send the state \$500.

Therefore, a tax credit is much more valuable than a tax deduction, and we are talking about tax credits here.

Can you take the entire value of the system as a tax credit?

For residential and commercial property, North Carolina gives a 35-percent tax credit for systems. That means that if a solar hot water system costs \$4,000 to install, the owner can take a \$1,400 tax credit.

For commercial property, there is an additional 10 percent federal tax credit available.

Some details

Starting with residential, the maximum state tax credits available for the various types of renewable energy are:

Solar hot water: \$1,400

Solar space heating (i.e. radiant floor using solar hot water), passive solar heating (i.e. south-facing building with appropriately designed window): \$3,500

Solar electric (photovoltaics), wind, hydroelectric, biomass energy: \$10,500

For commercial the maximum credit for all technologies is: \$250,000

Do you have to use them all at once?

You have up to five years to use your renewable energy tax credits.

Are there any exceptions?

The only exceptions are that you can only use these tax credits up to 50 percent of your total tax liability for the state of North Carolina.

Matt Siegel is the director of the WNC Green Building Council. He offers technical assistance through the Green Building Hotline and consults on large green building projects throughout the region.

For more information

For more information about the tax incentives, go to www.dsireusa.org.

For more information about green building, call the Western North Carolina Green Building Council hotline at 232-5080 or e-mail info@wncgbc.org.

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