

Q&A

Oregon Business Energy Tax Credit

WHEN TO APPLY

Q. When should I apply for the tax credit?

- A. You should apply for the tax credit and receive your preliminary certification approval before you start your project. If you must begin your project before receiving your approval, please understand that your project has not been reviewed and may not be eligible for a tax credit.

ELIGIBLE COSTS

Q. What project costs can I include when calculating the tax credit?

- A. The tax credit is 35 percent of eligible project costs. For retrofit projects, energy-related project costs are eligible, including design, engineering, equipment and installation. For new construction or replacement of equipment that is beyond its useful service life, only *incremental* costs are eligible — the additional costs for making systems at least 10 percent more efficient than standard industry practice or required by building code.

Q. Is there a limit or cap on the costs that are eligible?

- A. The cap is now \$10 million in eligible costs per project.

CHOOSING A CONTRACTOR

Q. Do I have to choose a contractor on your approved contractor list?

- A. No. There is no list of approved contractors.

AVAILABILITY OF TAX CREDITS

Q. Is there still a limit on the amount of tax credits that may be issued each year?

- A. No. The rules have changed and there is no limit on the amount of tax credits issued in a year.

Q. Can I take my tax credit in one year?

- A. If your eligible costs are \$20,000 or less, you may take your full credit in one year. If the eligible costs are more than \$20,000, you must take the tax credit over five years (10 percent of the tax credit the first and second year and 5 percent for the third, fourth and fifth years).

Q. If I can't use my tax credit this year, can I use it next year?

- A. You can forward the full tax credit or any unused portion of your tax credit for up to eight years.

PASS-THROUGH OPTION

Q. Who may use the Pass-through Option?

- A. A non-profit organization, public entity or any business with or without a tax liability may use the Pass-through Option. You transfer the tax credit project eligibility to an individual or business with an Oregon tax liability for a lump-sum payment of 25.5 percent of eligible project costs for a five-year tax credit; 30.5 percent for a one-year tax credit. The project owner, and pass-through partner must complete a Pass-



through Option Application form prior to receiving the final certification.

REBATES AND TAX CREDITS

Q. I'm upgrading my lighting and my utility is providing me a rebate. Is that the same thing as a tax credit?

A. No. A rebate is different than a tax credit. The rebate is money you get from your utility for the project. The tax credit is issued by the Oregon Department of Energy and is a dollar-for-dollar credit taken when you file your state income tax. You do **not** need to deduct the amount of the utility rebate from your eligible costs when completing the tax credit application.

CONSERVATION PROJECTS

Q. In addition to upgrading my lighting, I'm planning to upgrade my heating, ventilation and air conditioning systems and controls. Can I get a tax credit for these measures, too?

A. Yes. They all qualify for the tax credit. So do rental housing weatherization projects, higher efficiency pumps and motors, heat recovery from refrigeration systems and many other conservation projects. Most projects must reduce energy use by at least 10 percent to qualify. Lighting retrofit projects must be 25 percent more efficient than existing lighting.

Q. I plan on constructing a sustainable building soon. Will it qualify for a tax credit?

A. Yes. A sustainable building now qualifies for a tax credit if it receives a minimum Silver LEED™ rating from the U.S. Green Building Council. A special Sustainable Building Application form must be completed. The eligible projects costs are based on the building square footage.

LEASING

Q. I'm planning to lease qualifying equipment. Does the project qualify for a tax credit?

A. Yes, but only the owner of the energy project can apply for the tax credit. In a lease-purchase agreement, the business leasing the equipment is considered the project owner. But in a lease or lease-option contract, the business you're leasing the equipment from owns the project over the life of the contract. In that case, the business you are leasing the equipment from can claim the tax credit and you can negotiate a lower lease payment.

APPLYING FOR THE TAX CREDIT

Q. How do I apply for the tax credit?

A. You should complete the project-specific Application for Preliminary Certification Form (for example, a conservation project application form). These forms must be completed **before** the project is started. Once reviewed, the Oregon Department of Energy will mail you a Preliminary Certification and you may begin your project. Once your project is completed, you file an Application for Final Certification.

HELP WITH THE PAPERWORK

Q. Is the application process difficult?

A. It shouldn't be. Application forms are on the Department of Energy Web site (www.oregon.gov/energy). The architect, engineer or contractor working on your project should be able to assist you with the technical aspects of the paperwork, including the estimated project costs and energy savings. Call us toll-free at 1-800-221-8035 or (503) 378-4040 if you have any questions. For Rental Dwelling Weatherization projects, the City of Portland's Multi Family Assistance Program (MAPs) can help rental property owners statewide at 1-800-813-2201.

