

Oregon Business Energy Tax Credit

FOR MORE INFORMATION

Call the Oregon Department of Energy toll-free at 1-800-221-8035. Or visit our Web site at www.oregon.gov/energy. You'll find application forms, administrative rules, information on the tax credit program and examples of businesses that have earned a tax credit for investing in energy efficiency.

Cover photo: Rejuvenation on SE Grand Avenue in Portland is the largest manufacturer and leading direct marketer of authentic production period lighting and house parts. The retailer received a \$16,322 Business Energy Tax Credit in 2007 for replacing 370 of its warehouse lamps and fixtures with energy efficient ones. The project is expected to save nearly 65 percent of its previous electricity use worth \$15,000 per year. Dave Misel, facilities maintenance supervisor, pictured on the cover, was the project manager.



OREGON
DEPARTMENT OF
ENERGY

625 Marion St. N.E., Salem, OR 97301-3737

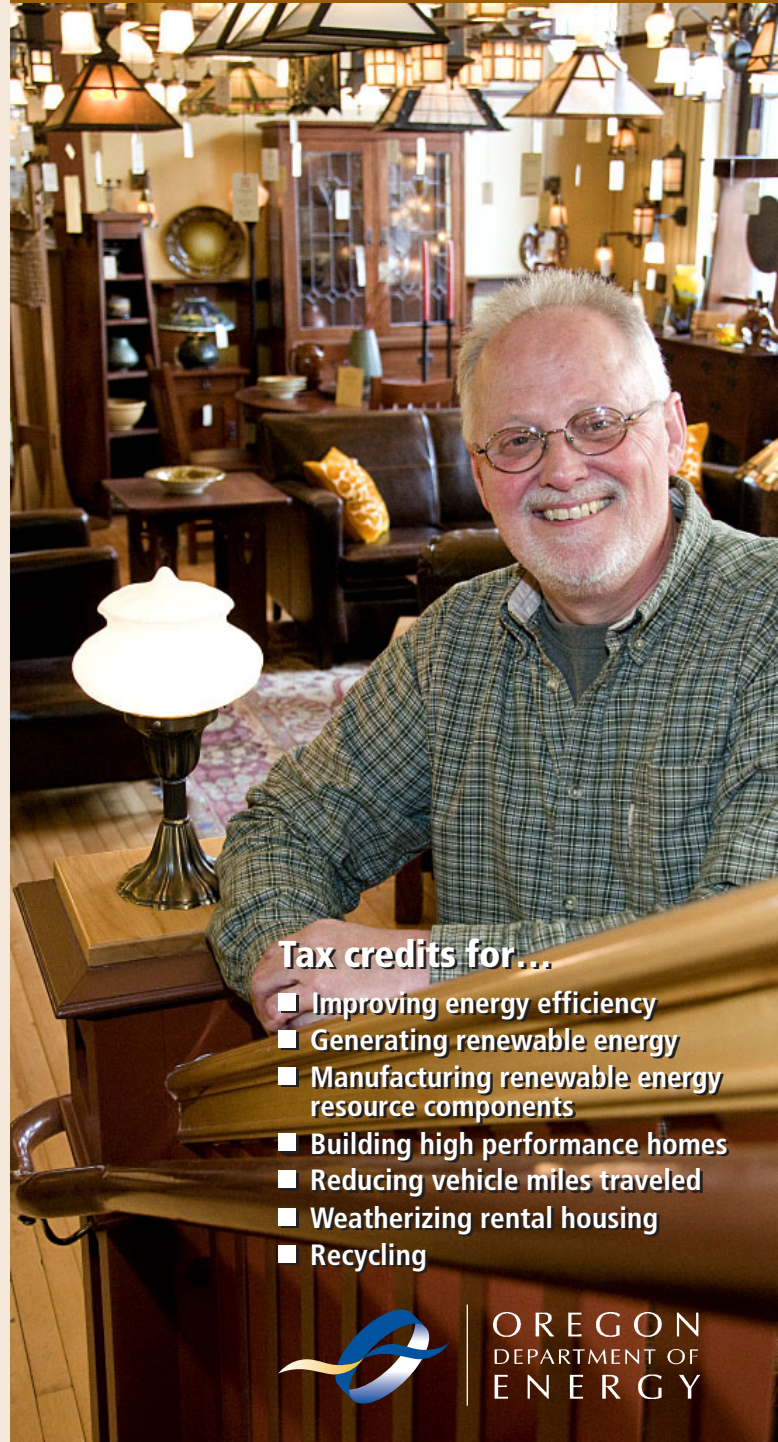
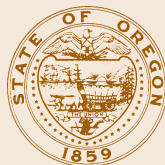
1-800-221-8035 (toll-free)

(503) 378-4040 (Salem)

Fax: (503) 373-7806 • www.oregon.gov/energy



03/08
ODOE CF-104




Tax credits for ...

- Improving energy efficiency
- Generating renewable energy
- Manufacturing renewable energy resource components
- Building high performance homes
- Reducing vehicle miles traveled
- Weatherizing rental housing
- Recycling



OREGON
DEPARTMENT OF
ENERGY



Helping Oregonians save energy is part of our mission. That's why the Oregon Department of Energy offers the Business Energy Tax Credit to those who invest in energy conservation, recycling, renewable energy resources and less-polluting transportation fuels.

To date, more than 12,000 Oregon energy tax credits have been issued for energy projects valued at \$989 million. Altogether, those investments save or generate energy worth more than \$425 million a year.

HOW MUCH IS THE TAX CREDIT?

For qualifying renewable resource projects, the tax credit is 50 percent of the eligible project costs. For other projects, the tax credit is 35 percent of the eligible project costs — the incremental cost of the system or equipment that's beyond standard practice. The tax credit for building a qualified High Performance Home is up to \$12,000.

You take the tax credit over five years: for the 50 percent tax credit at the rate of 10 percent for each year; for the 35 percent tax credit at the rate of 10 percent in the first and second years, and 5 percent each year thereafter. If you can't take the full tax credit each year, you can carry the unused credit forward up to eight years. Projects with eligible project costs of \$20,000 or less are taken in one year.

WHO CAN GET A TAX CREDIT?

Trade, business or rental property owners with a business site in Oregon are eligible to apply for the tax credit. The business, its partners or its shareholders may use the credit. The applicant must be the project owner or the contract buyer of the project.

The business must use the equipment for the project or lease it for use at a site in Oregon.

A project owner also can be an Oregon non-profit organization, tribe or public entity that partners with an Oregon business or resident. This can be done using the Pass-through Option.

PASS-THROUGH OPTION

The Pass-through Option allows a project owner to transfer the Business Energy Tax Credit project eligibility to a pass-through partner in exchange for a lump-sum cash payment. A project owner who uses the Pass-through Option may be an Oregon public entity or non-profit organization with no tax liability or an Oregon business that chooses to use the Pass-through Option. Project owners and pass-through partners are advised to consult with their tax preparers when using the Pass-through Option.

The Oregon Department of Energy sets the Pass-through Option rates for the cash payment. Check the Web site for the current rates. For additional information and the Pass-through Option Agreement form, consult the Web site or call.

WHAT TYPES OF PROJECTS QUALIFY?

Many projects qualify. They include:

- Conservation
- Renewable Resource
- High Performance Homes
- Homebuilder Installed Renewable Energy Projects
- Renewable Energy Resource Equipment Manufacturing
- Sustainable Buildings
- Transportation
- Alternative Fuels
- Rental Dwelling Weatherization
- Recycling

Conservation Projects

- Lighting improvements
- Irrigation efficiency improvements
- Agriculture crop frost protection
- Controls for heating and cooling systems
- Improved pumps and motors
- Heat recovery from refrigeration systems

These are just some of the conservation projects that qualify for the tax credit.

To qualify for a tax credit, retrofit projects (except for lighting projects) must be 10 percent more efficient than existing installation. Lighting retrofit projects must be 25 percent more efficient than existing lighting. Project owners must report how lighting fixtures, lamps and ballasts replaced in a lighting project (and thereafter) will be recycled. The project must have a minimum simple payback of 1 year to a maximum of 15 years. Projects over 15 years will be prorated.

You can also qualify for a tax credit for installing energy-efficiency measures during new construction. Measures must reduce energy use by at least 10 percent compared to a similar building that meets the minimum requirements of the state energy code. The tax credit is 35 percent of the incremental (or additional) costs of making the project exceed energy code or standard industry practice. Lighting for new construction projects must be 10 percent more efficient than energy code or standard industry practice. New construction projects must have a simple payback of 1 to 15 years.

Co-generation projects that use the heat by-product of generating electricity also qualify for a tax credit. The Oregon Department of Energy uses the standard of 6,800 BTU/kilowatt-hour produced and requires that the project be 10 percent more efficient and have a simple payback of 1 to 15 years.



The Les Schwab Tire Store

on NW 9th Street in Corvallis was a 4,000 square-foot 33-year-old facility with outdated lighting.

It is open 12 hours a day, six days a week and the lights must be bright as the display racks of black tires absorb the light. The electricity bill was a major expense that was increasing. Management had all of the store's 186 older T12 lamps and magnetic ballasts replaced with energy-efficient T8 lamps and electronic ballasts. The project cost \$16,789. The tax credit amounted to \$5,876.

The project is conserving an estimated 45 percent of the store's lighting energy use or approximately \$380 a month on the utility bill. That's over 70,000-kilowatt hours of electricity per year — enough electricity to meet the needs of 4.5 electrically heated Oregon homes each year.

Renewable Resource Projects

Projects that use solar, wind, hydro, geothermal or bio-mass to produce energy, or displace energy, may qualify for a tax credit that is 50 percent of eligible costs. Renewable resource projects must replace at least 10 percent of the energy used. The energy can be used on site or sold.

Stoller Winery in Dayton installed 224 solar arrays to provide 44,000 kilowatt-hours of electricity per year. Owner Bill Stoller anticipates the electricity generated will provide 40 to 50 percent of the electric load. The PV



system qualified for a \$192,900 Business Energy Tax Credit from the Oregon Department of Energy.

The Selma Community and Education Center in Josephine County in rural Southern Oregon revitalized an abandoned elementary school site with a popular farmer's market. The focal point was a photovoltaic installation that helped offset electric bills and demonstrated renewable energy to the community. The system was eligible for a Business Energy Tax Credit. The non-profit Center partnered with a local resident who provided a lump sum cash payment in exchange for the tax credit.



High Performance Homes

A homebuilder who constructs a new home in Oregon that meets specifications for a High Performance Home and includes a renewable energy system is eligible for a Business Energy Tax Credit. The home must be field-verified by a certified third party.

The amount of the tax credit for a High Performance Home available to the builder is up to \$12,000. Once a homebuilder has applied for a Business Energy Tax Credit for the home, a homeowner would not be able to apply for the Oregon Residential Energy Tax Credit for the same features.

Homebuilder Installed Renewable Energy Projects

Homebuilders who construct a new single-family home in Oregon with photovoltaic, solar water heating, active solar heating, passive solar heating, ground-source heat pumps and other renewable energy resources such as wind or fuel cells that meet specifications may be eligible for a Business Energy Tax Credit of up to \$9,000. Once a homebuilder has applied for a Business Energy Tax Credit for the home, a homeowner would not be able to apply for the Residential Energy Tax Credit for the same features.

Pringle Creek Cottage in Salem met the criteria of a High Performance Home and qualified the builder, Bilyeu Homes, for a Business Energy



Tax Credit. It is one of the first homes to qualify for the tax credit created in 2007. The two-bedroom, two-bathroom 1,350-square-foot home is efficient in its use of space and has extremely low energy consumption. It has solar water heating, solar electric and a geothermal heat pump.

Renewable Energy Resource Equipment Manufacturing Facilities

Oregon facilities that manufacture renewable energy resource equipment may be eligible for a Business Energy Tax Credit. Eligible costs may include the building, equipment and machinery and other costs used to manufacture equipment, machinery or products designed exclusively to use a renewable energy resource. The facilities are eligible for a tax credit of 50 percent of eligible costs, up to a maximum of \$40 million in eligible costs.

Sustainable Building Projects

Business owners who build a sustainable commercial building are eligible for a tax credit from the Oregon Department of Energy. Sustainability is generally defined as the use of today's resources in a manner that enables people to meet their current needs and provides for future generations. Sustainable buildings use energy as efficiently as possible by today's standards. The building must meet an established standard set by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED™) or other approved green building program. A rating system must be based on accepted energy and environmental principles that evaluate environmental performance from a "whole building" perspective over a commercial building's life cycle. It provides a definitive standard for what constitutes a "sustainable" building.

The sustainable building tax credit offers a new approach for business owners to receive a tax credit. It is based on the square footage of the building and the

level of sustainability achieved. (Traditional tax credits are based on the increased cost of a project above the industry standard or the energy code.) The sustainable building tax credit incentive helps offset the cost of applying for the LEED™ or other rating system and the extra design and commissioning costs. The application form must be submitted within 30 days of when you receive your rating project registration number.



Oregon Health & Science University's new 16-story 400,000-square-foot Center for Health & Healing on Portland's South Waterfront was the first medical and research building to achieve the U.S. Green Building Council's LEED Platinum certification. The goal was to build a structure 60 percent more energy efficient than a standard building at a cost that was 25 percent less. It is expected to save \$660,000 in annual operating costs because of its energy efficiency measures. The building qualified for a Business Energy Tax Credit of \$1.1 million which the university transferred to a private business partner in exchange for a lump sum cash payment using the Pass-through Option program.

Transportation Projects

Projects that reduce vehicle miles traveled may qualify for a tax credit.

Business owners can get a tax credit for purchasing and installing equipment that allows an employee to telework one or more days a week. Computers, fax machines, modems, phones, printers, software, copiers and other equipment necessary for telework qualify. The employee must telework at least 45 days per calendar year.

You can get a tax credit for purchasing transit passes for riders, vehicles for vanpooling or carpooling, bicycles for commuting, equipment for transit shelters or bicycle storage, and vehicles for transporting riders. Other incentives that encourage employees to carpool, take transit, telework, walk or bike also may be eligible for a tax credit, as are membership fees for transportation management services, and carsharing. To learn more see our Web site.



*Employees at **St. Charles Medical Center** in Bend receive gift certificates to local restaurants and retail shops for biking, walking or carpooling to work. The certificates are an incentive to the employee to participate in the program that reduces vehicle miles.*

Alternative Fuel and Hybrid Vehicle Projects

Alternatives to gasoline and diesel help provide cleaner air, diversity of transportation fuels, and reduce demands on foreign petroleum. The alternative fuels include electricity, biofuels, hydrogen, hythane, methane, methanol, natural gas, liquefied natural gas, liquefied petroleum gas (propane), renewable diesel and other fuels the Oregon Department of Energy allows. Many of these transportation fuels burn cleaner, come from renewable sources and originate in North America. Blends of these alternative fuels with conventional fuels will be considered if the concentration of the alternative fuel is 20 percent of the entire volume of the blended fuel or greater. Businesses that invest in vehicles that use alternative fuels or supplying alternative fuels are eligible for a Business Energy Tax Credit.

Businesses that purchase hybrid gasoline-electric vehicles may also qualify for a tax credit. The vehicle must appear on the Oregon Department of Energy list of qualifying hybrid vehicles. Hybrid vehicles must be registered and licensed for roadway use by the Oregon Department of Motor Vehicles to qualify for a tax credit.



Rental Dwelling Weatherization Projects

If you own rental housing — a single house or a large apartment complex — you can stretch your weatherization dollars by applying for a Business Energy Tax Credit.

Rental property weatherization projects qualify for a tax credit if cost-effective. These projects should have a simple payback of 1 to 30 years.

Some of the measures that qualify for a tax credit are projects such as:

- Thermal replacement windows or doors
- Attic, floor, and wall insulation
- Pipe and duct insulation
- Caulking and weatherstripping



Landlords

Rosalind Carmack (left) and her husband, Jim, have owned a four-plex and a 70-year-old 1,300-square-foot rental home in Eugene's West University neighborhood for several years. The

Carmacks installed new energy-efficient windows that have a special surface coating to reduce heat transfer back through the window. The window project is expected to lower the electric heat usage by 12 percent. The \$3,272 project qualified for a rental weatherization tax credit of \$1,145.

To be eligible:

1. You must have the energy conservation measure listed in an energy audit report

Or

2. You must show that energy conservation measures save 10 percent of the energy used by the system in your dwelling. The Oregon Department of Energy will calculate this energy savings using an industry-accepted formula.

Recycling Projects

Projects that develop new markets for recycled materials or that recycle materials not required by law are eligible for the tax credit. Equipment must be dedicated exclusively for the recycling project. Qualifying equipment includes that which recovers industrial wastes, such as solvent recovery systems and wood waste sorting systems. Equipment used to process recycled materials is also eligible if recycling the materials is not required by law. Crushers, bins, drop boxes, scales, separators, balers, conveyors and compactors qualify. New or replacement equipment for sorting or hauling of beverage cans, bottles, or other materials where their recycling is required by law is not eligible for the tax credit. Other examples of ineligible projects are recycling of chlorofluorocarbons and used motor oil.

Getting an Energy Tax Credit

WHAT COSTS ARE ELIGIBLE?

The tax credit can cover all costs directly related to the project, including equipment cost, engineering and design fees, materials, supplies and installation costs. Loan fees and permit costs also may be claimed. Replacing equipment at the end of its useful life or equipment required to meet codes or other government regulations is not eligible. Operation and maintenance costs are not eligible.

HOW DO I APPLY FOR THE TAX CREDIT?

You must apply for the tax credit *before* starting your project. You may request a waiver, but it will be granted only for business hardships or circumstances beyond your control that caused you to delay your application. The request must be received in writing within 90 days of project start and describe clearly the hardship or circumstances.

Submit the project-specific Application for Preliminary Certification. Your application must be complete and include payment for review charges. The Oregon Department of Energy will send you a Preliminary Certificate when your application is approved. That's your go-ahead to start the project. You will also receive additional information on how to apply for the Final Certificate. Projects with eligible costs of

\$50,000 or more are required to have a letter from a certified public accountant (CPA) who is not a permanent employee of the project owner.

WHAT IF MY PROJECT CHANGES AFTER I BEGIN?

If your project changes (additions, deletions or fundamental changes to the scope of the project) after you have received the Preliminary Certificate, you must re-submit written documentation of the technical changes made and the impact on costs.

Please note that a Final Certificate may not be issued for more than 110 percent of the eligible project costs unless you have submitted written documentation, and the Oregon Department of Energy has issued an amended Preliminary Certification before project completion.

The Oregon Department of Energy performs some follow-up site reviews to verify that equipment has been installed and operates as specified.

LOANS FOR ENERGY-SAVING PROJECTS

The Oregon Department of Energy also administers the Energy Loan Program. The program offers low-interest, fixed-rate, long-term loans for conservation, renewable resource, alternative fuel and recycling projects. Loans can be used to pay most energy-related project costs, including engineering and design, permits, fees, project management, commissioning, equipment and construction. Loans can be secured by the project or other assets. Call the Oregon Department of Energy for details.

www.oregon.gov/energy or 1-800-221-8035



Finley Bioenergy LLC saw an opportunity at Oregon's second largest landfill located southeast of Boardman. They use the methane produced by decomposing waste at the landfill to fuel generators that produce approximately 25,233,000 kWh of electricity each year. In addition, Finley Bioenergy is piping the waste heat from its generators to the neighboring onion processing plant to help dry their onions. With the \$4.4 million energy loan from the Oregon Department of Energy, Finley Bioenergy LLC was able to get its project up and running.