

Tax Credits for Small Wind Energy Systems

FEDERAL RENEWABLE ENERGY TAX CREDITS NOW INCLUDE WIND TURBINES

Homeowners, farmers, and businesses that install small wind energy systems are eligible for tax credits thanks to federal legislation passed in October 2008. This is the first federal incentive for small wind systems enacted since 1985. This fact sheet explains some basic details of the program.

What types of wind systems are eligible?

Qualifying small wind systems must have a capacity of 100 kilowatts or less and may be installed at a home, farm, or business. The credits are available for home systems placed in service from January 1, 2008, through December 31, 2016. The home served by the system must be used as a residence by the taxpayer but does not have to be the primary residence.

Businesses are also eligible for renewable energy grants from the U.S. Treasury Department equal to 30 percent of the small wind system cost. The grant applies to systems placed in service before January 1, 2016, provided construction was started in 2009 or 2010. Businesses may choose either the tax credit or the grant. Residential consumers are not eligible for the grant.

What is the amount of the tax credit?

The tax credit is for 30 percent of the total installed cost of the system.

- For systems placed in service in 2008, the maximum credit is \$500 per half-kilowatt, not to exceed \$4,000.
- There is no limit to the amount that can be claimed for systems placed in use after 2008 because the American Recovery and Reinvestment Act of 2009 removed a previous cap.

The advantage of a tax credit is that it is subtracted from your total tax liability, as opposed to a tax deduction, which only reduces the amount of your income before the tax is computed.*

What do I need to do to qualify?

To qualify, taxpayers probably need to have the following documentation:

- Cost of the small wind system, including labor and wiring to connect it to the home's electrical system.
- Date the system was placed in service.
- Certification that the system meets the qualifying criteria.

What expenses are eligible?

The following expenditures are eligible to be counted toward the tax credit:

- Cost of the equipment
- Labor costs for onsite preparation, assembly, or installation
- Wiring to connect the system to your home.

Where can I learn more?

Stay current with information on small wind energy tax credits through these websites:

Tax Incentives Assistance Project:

www.energytaxincentives.org

Database of State Incentives for Renewables and Efficiency: www.dsireusa.org

American Wind Energy Association: www.awea.org

**The information in this fact sheet is not to be viewed as tax advice, nor should it be used as the sole source of information for tax purposes. Consult your tax professional or refer to Internal Revenue Service information at www.irs.gov*



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1-866-673-4340

