

INCENTIVES FOR THE USE OF RENEWABLE ENERGY

by
David McGee, P.E.

Louisiana has several incentives to promote the use of renewable energy. Following is a listing of select state tax incentives (found in the Louisiana Revised Statutes) and federal tax incentives (found in the United States Code).

Louisiana Residential Solar Energy System Property Tax Exemption¹

Any solar equipment (This includes solar space heat, solar water heat, photovoltaics, solar pool heating, etc.) attached to an owner-occupied residential building or swimming pool as part of a solar energy system is considered personal property that is exempt from ad valorem taxation. 100% of the cost of the equipment is exempt and there is no limit on the eligible amount.

Louisiana Tax Credit for Wind and Solar Energy Systems on Residential Property²

Louisiana provides a personal, corporate or franchise tax credit for solar and wind energy systems purchased and installed on or after January 1, 2008. Eligible systems include solar⁵ and wind energy systems for residential and multi-family residential dwellings. This refundable tax credit is 50% of all costs to a maximum credit of \$12,500.00. The credit must be fully claimed in the taxable year in which the system is installed and placed in service. The credit may be combined with any federal tax incentive, but may not be combined with any other state tax incentive.

Louisiana Machinery and Equipment Sales Tax Exemption for Cogeneration

Machinery and equipment used by an industrial manufacturing plant to generate electric power of self-consumption or cogeneration are exempt from state sales tax.

Louisiana Sales Tax Exemption for Alternative Fuels³

State or local sales and use taxes shall not include the sale of any alternative substance when used as a fuel by a manufacturer. "Alternative substance" means any substance other than any product of oil, natural gas, coal, lignite, refinery gas, nuclear fuel, or electricity.

Louisiana Biodiesel Equipment and Fuel Tax Exemption⁴

Manufacturing machinery and equipment used to manufacture, produce, or extract unblended biodiesel, as well as unblended biodiesel used as fuel by a registered manufacturer, are exempt from state and local sales and use taxes.

Federal Residential Solar and Fuel Cell Tax Credit--Personal Tax Credit for Residential Solar Water Heat, Photovoltaics, Fuel Cells, Other Solar Electric Technologies⁵

This credit is for 30% of the cost of the system up to a maximum credit of \$2000 for solar electric and solar water heating systems and \$500 per 0.5 kW for fuel cells. The solar water heating property must be certified by SRCC or by a comparable entity and at least half of the energy used to heat the dwelling's water must be from solar. The credit is calculated based on the individual's expenditures excluding subsidized energy financing. Expenditures include labor costs for the onsite preparation,

¹ [La. R.S. 47:1706](#)

² [La. R.S. 47:6030](#)

³ [La. R.S. 47:301](#)

⁴ [La. R.S. 47:301](#)

assembly, or original installation of the system and for piping or wiring to interconnect the system to the dwelling. Note that this tax credit does not apply to solar water heating property for swimming pools or hot tubs. Excess credit may be carried forward to succeeding tax years.

Federal Business Energy Tax Credit-- Commercial, Industrial Corporate Tax Credit⁶

This credit is for solar water heat, solar space heat, solar thermal electric, solar thermal process heat, photovoltaics, geothermal electric, fuel cells, solar hybrid lighting, direct use geothermal, and microturbines. For equipment placed in service from January 1, 2006 until December 31, 2008, the credit is 30% (up to a maximum of \$2000.00 for each system) for solar, solar hybrid lighting, and fuel cells, and 10% for microturbines and geothermal. A maximum incentive of \$500 per 0.5 kW for fuel cells and \$200 per kW for microturbines up to 2000 kW is specified with no maximum specified for other technologies. After January 1, 2009, the tax credit for solar energy property and solar hybrid lighting reverts to 10% and expires for fuel cells and microturbines. The geothermal credit remains unchanged at 10%. It does not include geothermal heat pumps. Energy property does not include public utility property, passive solar systems, or pool heating equipment. The equipment must be operational in the year in which the credit is first taken. The basis on which the credit is calculated must be reduced by any subsidized energy financing or by tax-exempt private activity bonds.

Federal Alternative Motor Vehicle Credit

Section 1341 of the Energy Policy Act of 2005 provides a tax credit to buyers of new alternative fuel vehicles placed in service after January 1, 2006. The tax credit is equal to 50% of the incremental cost of the vehicle. An additional 30% of the incremental cost for vehicles with near-zero emissions is also available.

The IRS has issued two notices to establish rules for manufacturers and qualified vehicle buyers to claim the credit. The Current Tax Credits table has information on certified vehicles and available credits (http://www.eere.energy.gov/afdc/vehicles/hybrid_electric_tax_credits.html). The credit is available on the purchase of light-, medium, and heavy-duty vehicles and fuel-cell, hybrid, and dedicated natural gas, propane, and hydrogen vehicles. Light-duty, lean burn diesel vehicles are also eligible. Vehicles are subject to the following incremental cost limitations:

- \$5,000: 8,500 GVWR⁷ or lighter
- \$10,000: 8,501 - 14,000 GVWR
- \$25,000: 14,001 - 26,000 GVWR
- \$40,000: 26,001 GVWR and heavier

For non-tax-paying entities, the credit can be passed back to the vehicle seller. The credit expires December 31, 2010.

More information can be found on the Louisiana Department of Natural Resources Technology Assessment Division website (<http://www.dnr.louisiana.gov/tad>)

⁵ [26 USC § 25D](#)

⁶ [26 USC § 48](#)

⁷ Gross Vehicle Weight Rating (GVWR)