

It Saves to be GREEN



Tax Incentives for Green Construction Projects

Though famous for saying, "It's not easy being green," Kermit the Frog may be singing a different tune in today's economy, where going "green" often comes with significant opportunities for tax incentives and savings.

Both the federal government and many states, including Arizona, provide a range of tax credits and other financial incentives for builders to go green. Key among these incentives are federal's energy-efficient commercial buildings tax deduction and energy investment tax credit, and the State of Arizona's commercial and industrial solar tax credit and renewable energy tax incentive program. Unfortunately, many builders and real estate professionals have been slow to reap the benefits of these green project incentives, often leaving cash on the table.

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→ Federal Level

» Energy-Efficient Commercial Buildings Deduction

Enacted as part of the Energy Policy Act of 2005, the federal energy-efficient commercial buildings deduction provides owners with an immediate tax deduction for all or part of the cost of installing certain energy-efficient property. The deductible amount is up to \$1.80 per square foot for the installation of interior lighting, heating, cooling, ventilation, hot water or building envelope systems that are installed as part of a plan to reduce the amount of power used by 50 percent or more, in comparison to a reference building as defined in the Treasury Regulations. The deduction is available for property that is "placed in service" before Dec. 31, 2013, and covers "green" projects such as the installation of automatic lighting controls, efficient insulation, and the use of recycled water for cooling and restroom facilities.

» Energy Investment Tax Credit

The federal energy investment tax credit is aimed at encouraging taxpayers to produce and use energy sources other than oil or gas. Under the Internal Revenue Code (IRC), businesses are entitled to claim a 10 percent or 30 percent credit for installing systems that generate energy for the business' own use. A 30 percent credit is available for the installation of equipment using solar energy to generate electricity or to heat or cool a building, fuel cells that generate electricity, and small wind energy property. A 10 percent credit is available for the installation of a solar system for lighting a building, certain combined heat and power systems, and equipment using groundwater for heating or cooling. In order to claim the credit, the taxpayer must either construct or reconstruct the property, or be the first user of the property, and the residence must satisfy certain performance and quality standards set forth in the Treasury Regulations.

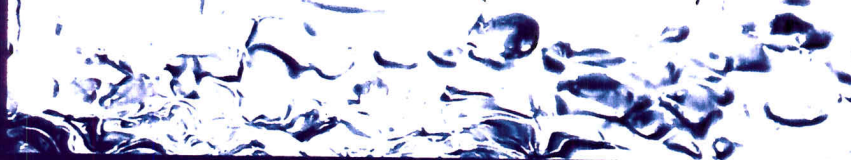
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→ State Level

» Arizona Commercial/Industrial Solar Energy Tax Credit

Under Arizona Revised Statutes (ARS), an income tax credit is available to businesses that install one or more solar energy devices in an Arizona facility. The tax credit is equal to 10 percent of the cost of the solar energy device, with up to \$25,000 of tax credit available for a single building. The credit is available through the Arizona Department of Commerce (ADOC), which is authorized to certify up to \$1 million in solar energy credits per year. Solar energy devices qualifying for the credit generally include devices designed to provide heating, cooling or daylighting, or to produce electrical power from solar energy.

» Arizona Renewable Energy Tax Incentive Program

Effective Jan. 1, 2010, the State of Arizona began offering a tax incentive program aimed at encouraging renewable energy product manufacturers to relocate to Arizona, or expand their local operations. The program provides income and property tax incentives to businesses in the solar, wind, geothermal or renewable energy

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industries that make certain qualifying investments in manufacturing or headquarter operations in Arizona. Qualifying businesses may receive a refundable income tax credit, as well as real and personal property tax reductions. The credit is available through the ADOC, which is authorized to certify up to \$70 million in income tax credits for a five-year period, beginning on Jan. 1, 2010.

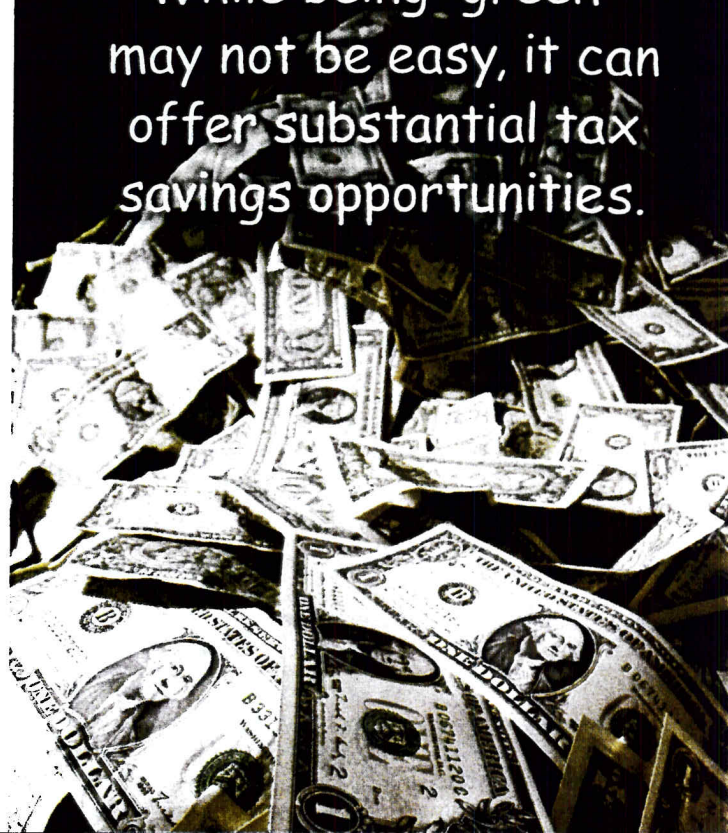
The green tax credits and incentives highlighted above represent only the surface of potential tax and financial benefits available to companies committed to green construction. However, because the ability to claim tax incentives and credits for green projects often involves some pre-planning, certification or record keeping requirements, consulting with a professional tax adviser prior to undertaking a green construction project is advisable. ■ ■ ■



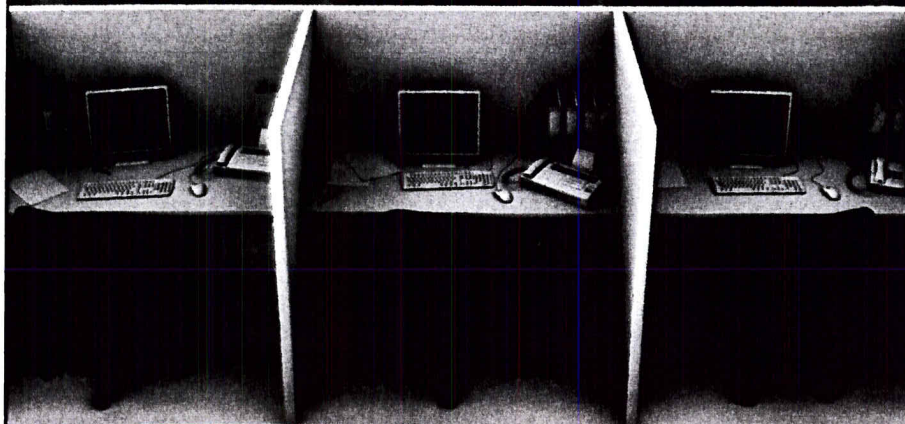
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While being "green" may not be easy, it can offer substantial tax savings opportunities.



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