

2020 WASHINGTON Commercial Solar Incentives



2020 WASHINGTON Commercial Solar Incentives

2020 WASHINGTON STATE COMMERCIAL INCENTIVES

Federal incentives, state tax breaks, and efficient solar panels give Washington business owners the opportunity to take advantage of incredible financial benefits when switching to solar.

When you switch to solar, we'll take care of the majority of your incentive paperwork. All of our solar systems come with free project management support, and we'll supply all the information necessary for your tax documents and communicate with your tax professional as needed.

WASHINGTON STATE SOLAR TAX EXEMPTION

As of July 1st, 2019, all solar systems smaller than 100 kilowatts are exempt from state and local use tax. This tax exemption helps Washington business owners save thousands of dollars when installing solar panels on their property. For a standard-sized solar system, this equates to saving \$6,000+ on the overall cost of going solar.

This statewide solar tax exemption extends through 2029 and pairs well with the Federal Solar Investment Tax Credit.

Here's How The State Solar Tax Exemption Works

All tax obligations are waived when you purchase solar in the state of Washington. The tax rate of the city that you do business in will determine how much you'll save in overall costs. As an example, if you live in Longview, Washington you will save 8.1% on the overall cost going solar. If you live in Tacoma, Washington, you will save 10.2% on the overall cost of going solar.

FEDERAL SOLAR INVESTMENT TAX CREDIT (ITC)

Our Federal government incentivizes businesses to purchase solar by reducing the barriers to entry. This incentive lowers your federal tax obligations on a dollar-to-dollar basis, through a cash rebate. There is no ceiling on this tax credit. The Federal Solar Investment Tax Incentive is worth 26% of the total purchase price of your solar system, no matter the system size or cost.

Your solar system must be installed before January 1st, 2021 in order to qualify for the entire 26% rebate. This solar incentive is going away in 2022. Below is a timeline of anticipated federal rebate changes.

At Smart Solar Energy, we pride ourselves on telling you everything you need to know to make the smartest possible decision about your home energy needs. This ebook is part of a series of educational resources that we make available for free (you don't even have to give us your email)! Visit us at smartsolarenergy.com to learn more and browse our other resources.

Smart Solar Energy is the smart choice for Pacific Northwest homeowners who are making the transition to clean, renewable energy.

Our priority is providing the resources that will allow you to make the smart choice for your unique situation.

(503) 694-4600

hello@smartsolarenergy.com

www.smartsolarenergy.com

SMART SOLAR
ENERGY

2020 Washington Commercial Solar Incentives

2020: Owners of new commercial solar systems can deduct 26% of the cost of the system from their federal tax obligations.

2021: Owners of new commercial solar systems can deduct 22% of the cost of the system from their federal tax obligations.

2022: Owners of new commercial solar systems can deduct 10% of the cost of the system from their federal tax obligations. The ITC vanishes for homeowners in 2022.

Here's how the Solar Investment Tax Credit works

For every dollar your solar system costs, the federal government will award you 26 cents back in tax credits. This is how you reduce your overall federal tax liability. This is a dollar-for-dollar tax rebate, not a tax write-off. There is no ceiling on the amount of tax credits you can be awarded – the 26% credit applies, no matter the size of your solar system.

Understanding Cost

You will receive 26% of the total cost of your solar system on your next year's tax return. For instance, if the final purchase price of your new solar system is \$20,000, you will get an additional \$5,200 back from the federal government.

Calculation example 1:

$(\$50,000 \text{ cost}) \times (0.26 \text{ rebate}) = \$13,000$

In this example, you will receive an extra \$13,000 back from the federal government.

Calculation example 2:

$(\$100,000 \text{ cost}) \times (0.26 \text{ rebate}) = \$26,000$

In this example, you will receive an extra \$26,000 back from the federal government.

RURAL ENERGY FOR AMERICA GRANT PROGRAM

The REAP Program offers grants and guaranteed loans to rural businesses and agricultural companies throughout America. The grants are renewable energy focused and include the purchase of commercial solar systems.

The Reap Program Has 2 Primary Goals:

1. To enhance energy independence by creating a greater supply of clean, renewable energy in the commercial sector
2. To reduce energy demands

Over time, the REAP Program hopes to decrease the overall energy costs for businesses in the agriculture sector and in towns of less than 50,000.

Reap Grant Terms

The Rural Energy for America Program offers grants ranging from \$1,500 to \$250,000. Solar installations that exceed \$200,000 must have a technical report and an on-site evaluation completed prior to starting the installation. Grant applicants must provide at least 75% of the total cost of the solar installation in order to qualify.

Reap Loan Terms

- \$5,000 minimum and \$25 million maximum loan amounts
- Up to 85% loan guarantee
- Maximum term of 30 years for real estate
- Maximum term of 15 years for equipment
- Maximum term of 30 years for combines equipment and real estate
- Maximum term of 7 years for capital loans
- Loan applicants must provide at least 25% of the total cost of the solar installation in order to qualify.

Who Is Eligible?

1. Agricultural producers who generate a minimum of 50% of their gross annual revenue from farming
2. Rural small businesses residing in qualified areas

How To Qualify

1. You must be the owner of the business
2. You must have no outstanding federal taxes, judgement or debarment
3. Your business must be financially solvent

2020 Washington Commercial Solar Incentives

Qualified Locations

Agricultural producers can reside in either a rural or non-rural area. Small non-agriculture businesses must be located in rural areas to qualify. 'Rural' is defined as a location that is not considered 'a city or town with more than 50,000 inhabitants.' Here's an eligibility map to determine whether your business resides in a qualified area.

HOW TO APPLY FOR REAP GRANTS AND LOANS

You can find the REAP Application here. Applications for grants, loans, and grant/loan combinations are due by March 31st, 2021. Submit your application to your state office.

To apply, you have to be enrolled in the System for Award Management and have a Dun & Bradstreet number. These are both free of charge, but can sometimes be time-consuming. Be sure to prepare in advance if you plan on submitting a REAP application.

As soon as you've signed up with the System for Award Management and Dun & Bradstreet, you can apply to the REAP program. Application instructions for the REAP Program can be found on the REAP website.

The Reap Program's 3 Tiers

- Tier 1:** Solar installations that will cost less than \$80,000
- Tier 2:** Solar installations that will cost more than \$80,000 and less than \$200,000
- Tier 3:** Solar installations that will cost more than \$200,000

When applying, be sure to fill out the appropriate application based on the tier you'll be in.

Planning Is Critical

Thoroughly preparing before you apply will greatly improve your chances of being approved for the REAP grant. Be sure to get in touch with your state's energy coordinator as soon as possible. They will need to conduct an environmental review of the installation site before you begin your application. Months before the REAP Application deadline of March 31st, 2021, you'll want to make sure you've applied to the System for Award Management and Dun & Bradstreet.

Below is a list of other things you may need to supply during the application process:

- Bank statements
- Funding commitment from any other funding sources
- Interconnection agreement if you're interconnecting with a utility company
- Documentation of any known associations with USDA employees

YOU CAN COMBINE SOLAR INCENTIVES

The REAP Grant can be combined with any of the other solar incentives available to you. The REAP application requires you provide a funding commitment statement that includes any other solar incentives you'll be taking advantage of. For this reason, you'll want to be sure to arrange other solar incentives first before applying to the REAP Program.

WHAT IS NET ENERGY METERING?

Typically, utility companies only need to keep track of the amount of energy you consume on a monthly basis. When you go solar, your utility company needs to keep track of the amount of energy you produce on a monthly basis. With Net Energy Metering, your utility company can keep track of both. At the end of the month, your power company will subtract the amount of energy you produce from the amount of energy you consume, reducing your monthly power bill. Any additional energy credits you store up will be carried over to your next month's bill throughout the year.

Each kilowatt-hour of energy you produce is equivalent to the retail market value of a kilowatt hour of energy you purchase from your utility company. You can literally save up energy credits in the form of solar power created during the longer days of summer and then use them during the shorter days of winter.

UNDERSTANDING NET ENERGY METERING

Imagine your new solar energy system generates 1,000 kilowatt hours of solar power in the month of June, but you only end up consuming 700 kilowatt hours of energy that month. You'd have an extra 300 solar credits that would carry over into the month of July. If you consume more energy than you produce, then the solar energy credits you have stored up would automatically be applied. Think of it as a sort of "energy storage bank." Net Energy Metering keeps track of it all.