

Green Income Tax Incentives



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Residential Energy Property Credit

■ Tax Credit:

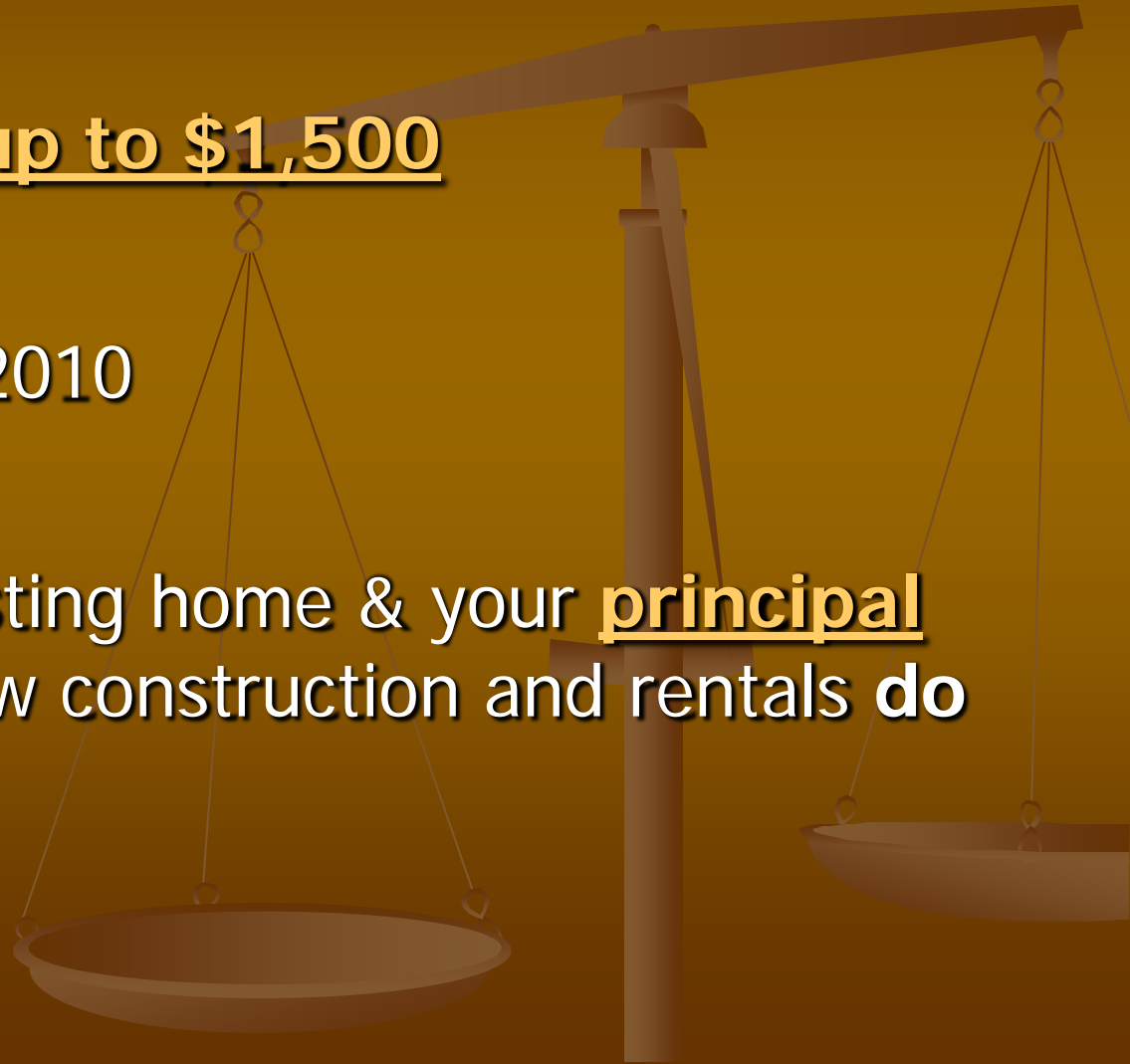
- 30% of cost up to \$1,500

■ Expires:

- December 31, 2010

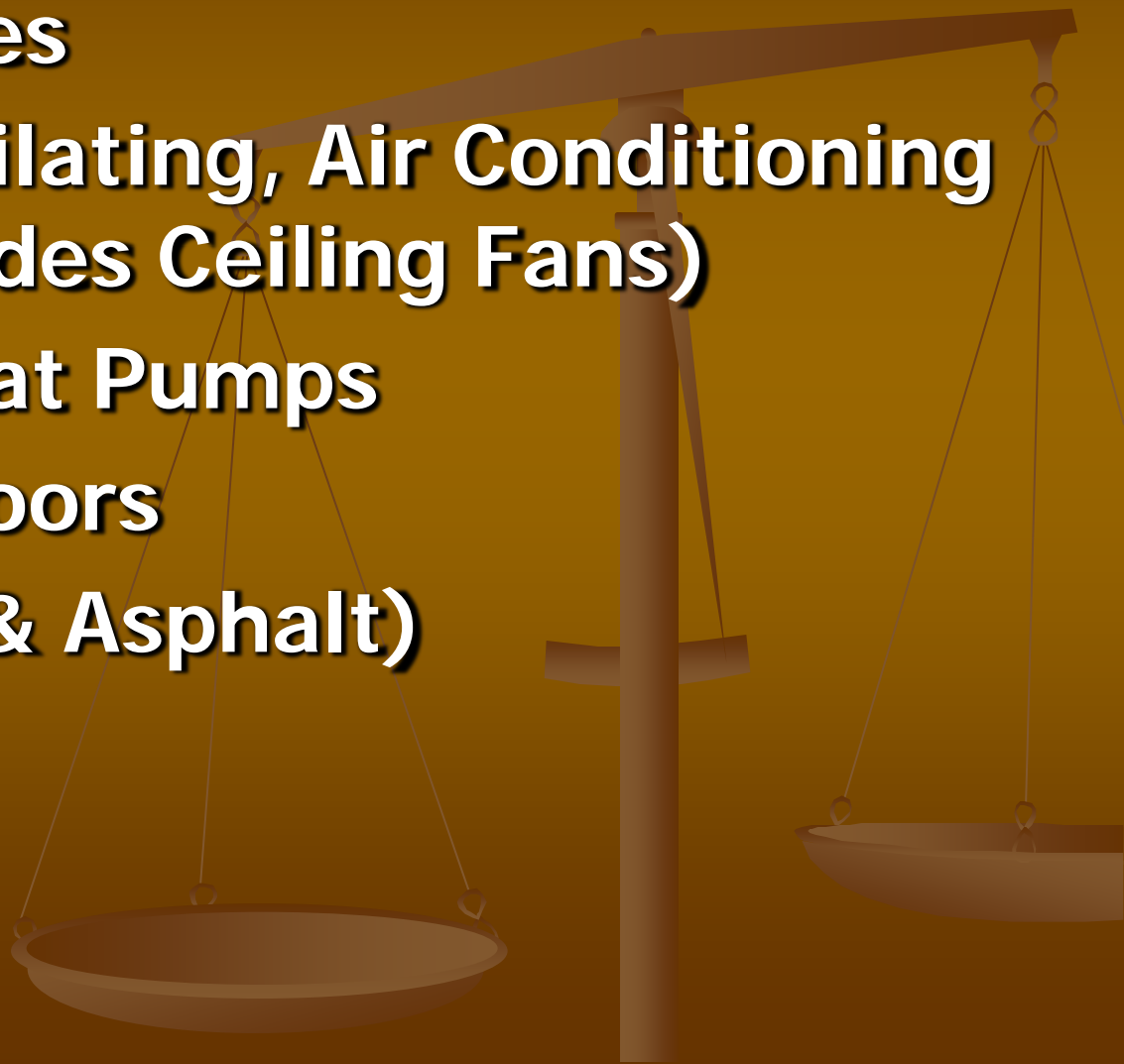
■ Details:

- Must be an existing home & your principal residence. New construction and rentals **do not** qualify.



Credit Eligible Items

- Biomass Stoves
- Heating, Ventilating, Air Conditioning (HVAC) (includes Ceiling Fans)
- Air Source Heat Pumps
- Windows & Doors
- Roofs (Metal & Asphalt)
- Insulation



Residential Energy Efficient Property Credit

■ Tax Credit:

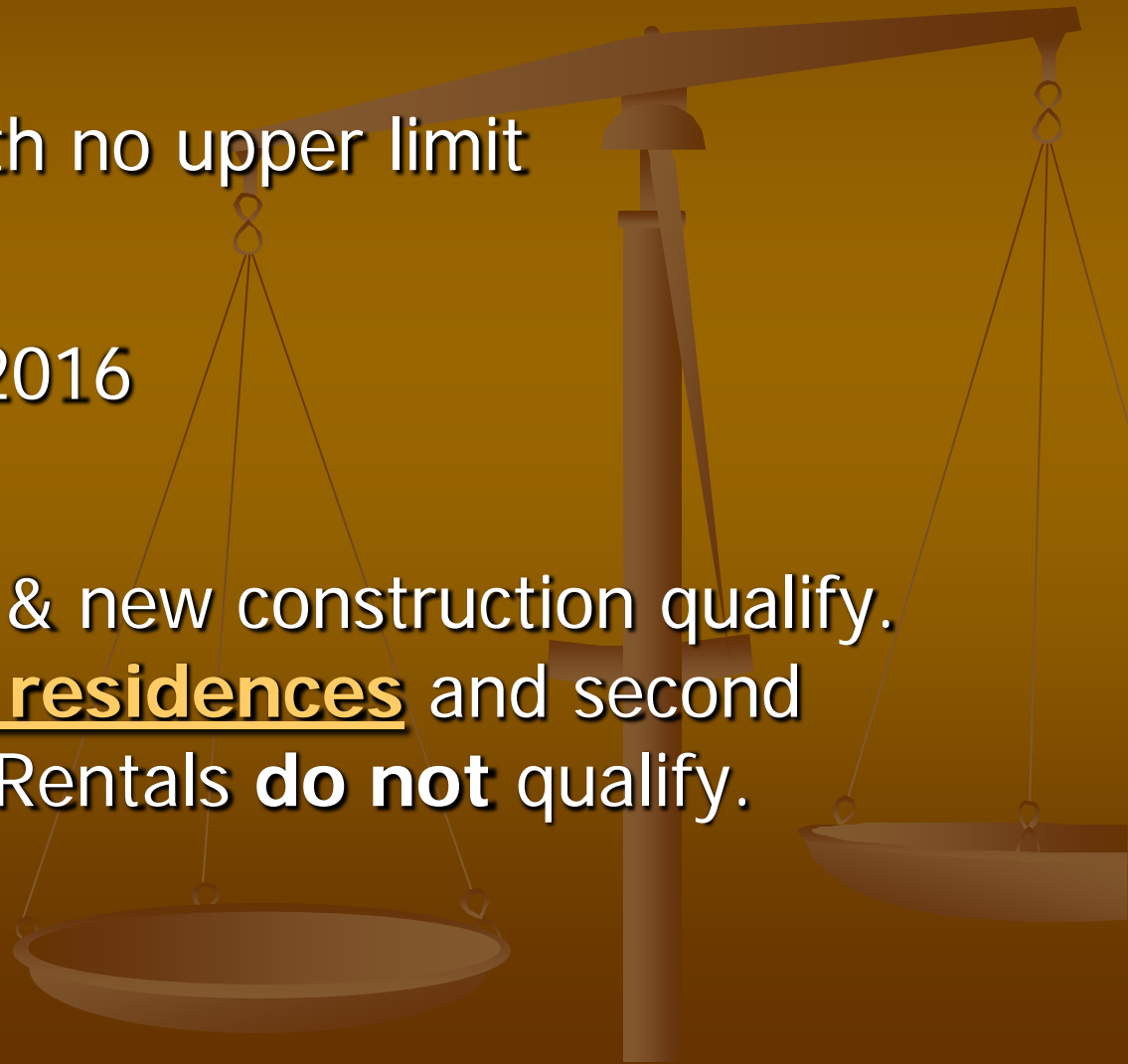
- 30% of cost with no upper limit

■ Expires:

- December 31, 2016

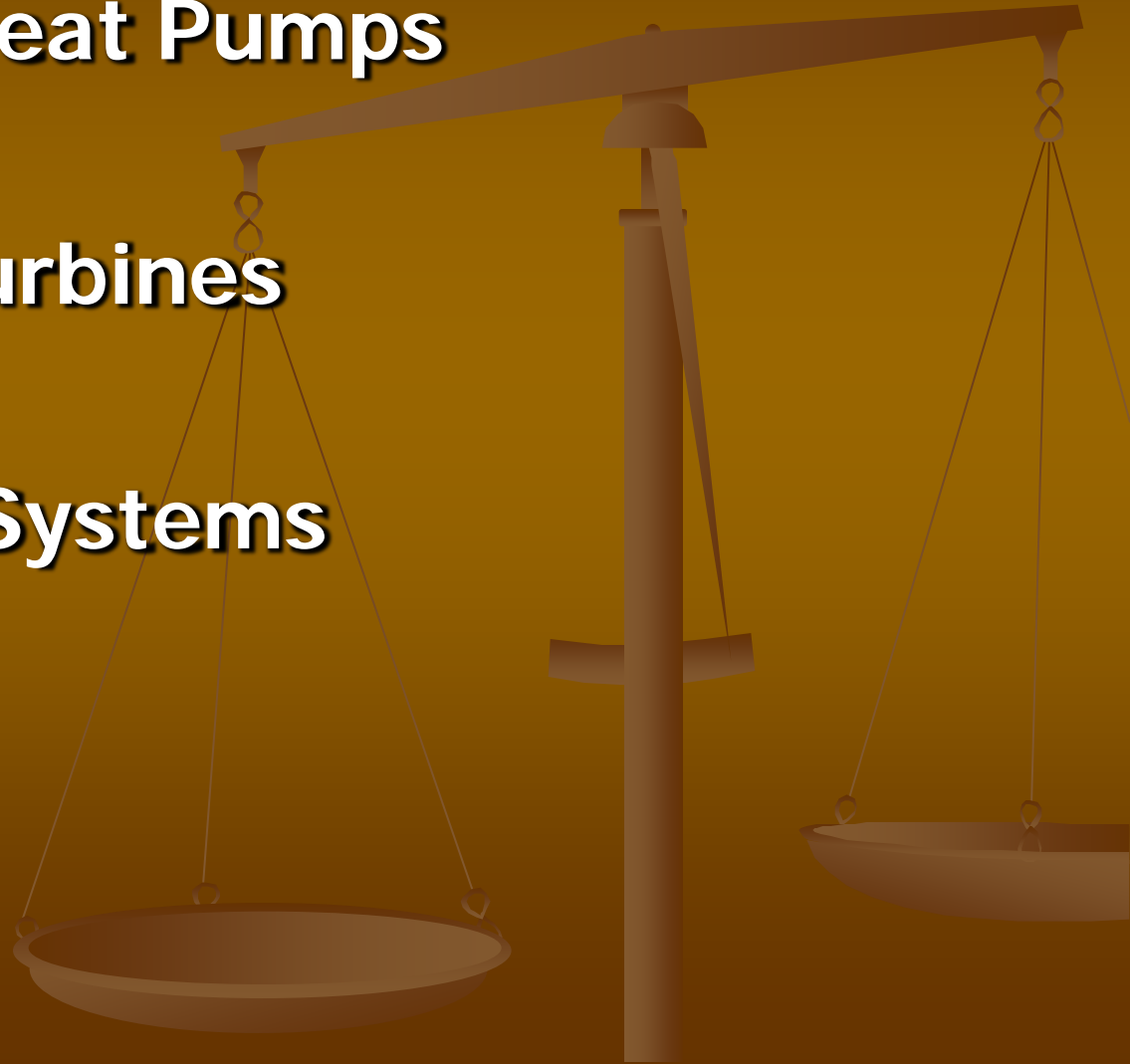
■ Details:

- Existing homes & new construction qualify. Both principal residences and second homes qualify. Rentals **do not** qualify.



Credit Eligible Property

- **Geothermal Heat Pumps**
- **Small Wind Turbines**
- **Solar Energy Systems**



Fuel Cells (Residential Fuel Cell and Microturbine System)

■ Tax Credit:

- Credit Details: 30% of the cost, up to \$500 per .5 kW of power capacity

■ Expires:

- December 31, 2016

■ Details:

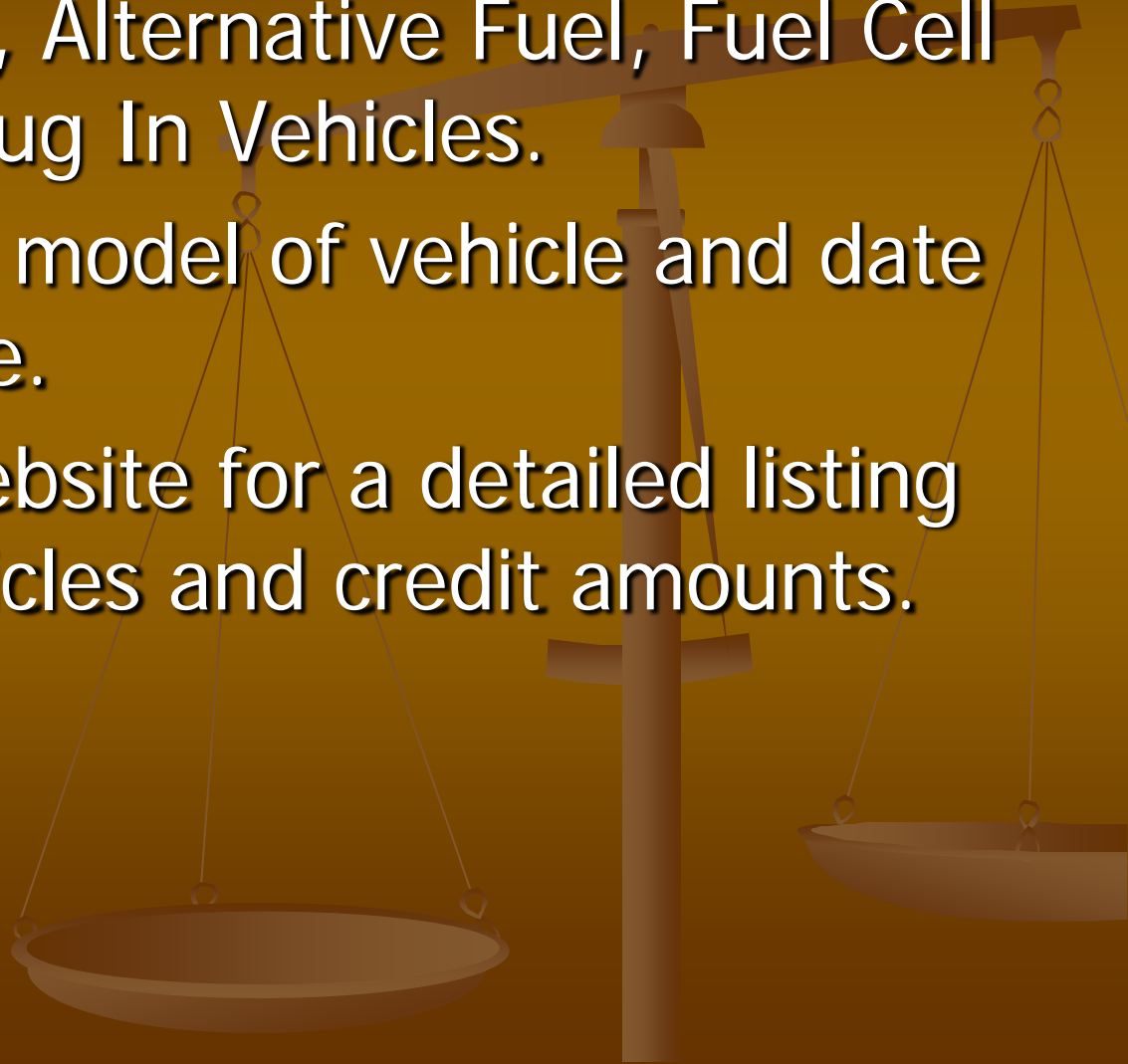
- Existing homes & new construction qualify. Must be your principal residence. Rentals and second homes **do not** qualify.

Qualified Plug-In Electric Drive Low-Speed Vehicle, Motorcycle, and Three-Wheeled Vehicle Credit

- Amount of the Credit The **credit** is \$2,500 for **vehicles** powered by a 4-kilowatt hour battery, with an additional \$417 for each kilowatt hour of battery power beyond that. The **credit** cannot exceed: (a) \$7,500 for **vehicles** up to 10,000 pounds GVWR, (b) \$10,000 for **vehicles** more than 10,000 pounds up to 14,000 pounds, (c) \$12,500 for **vehicles** more than 14,000 pounds up to 26,000 pounds, and (d) \$15,000 for **vehicles** weighing more than 26,000 pounds.

Alternative Motor Vehicle Credit

- Includes Hybrid, Alternative Fuel, Fuel Cell and Qualified Plug In Vehicles.
- Credit varies by model of vehicle and date placed in service.
- Visit the IRS Website for a detailed listing of qualified vehicles and credit amounts.



Contractors/ Builders

New Energy Efficient Home Credit

- The new energy-efficient home credit equals the applicable amount for each eligible home. For certified new homes and certified manufactured homes, the applicable amount is \$2,000. For alternatively certified manufactured homes and Energy Star manufactured homes, the applicable amount is \$1,000.

Contractors/ Builders

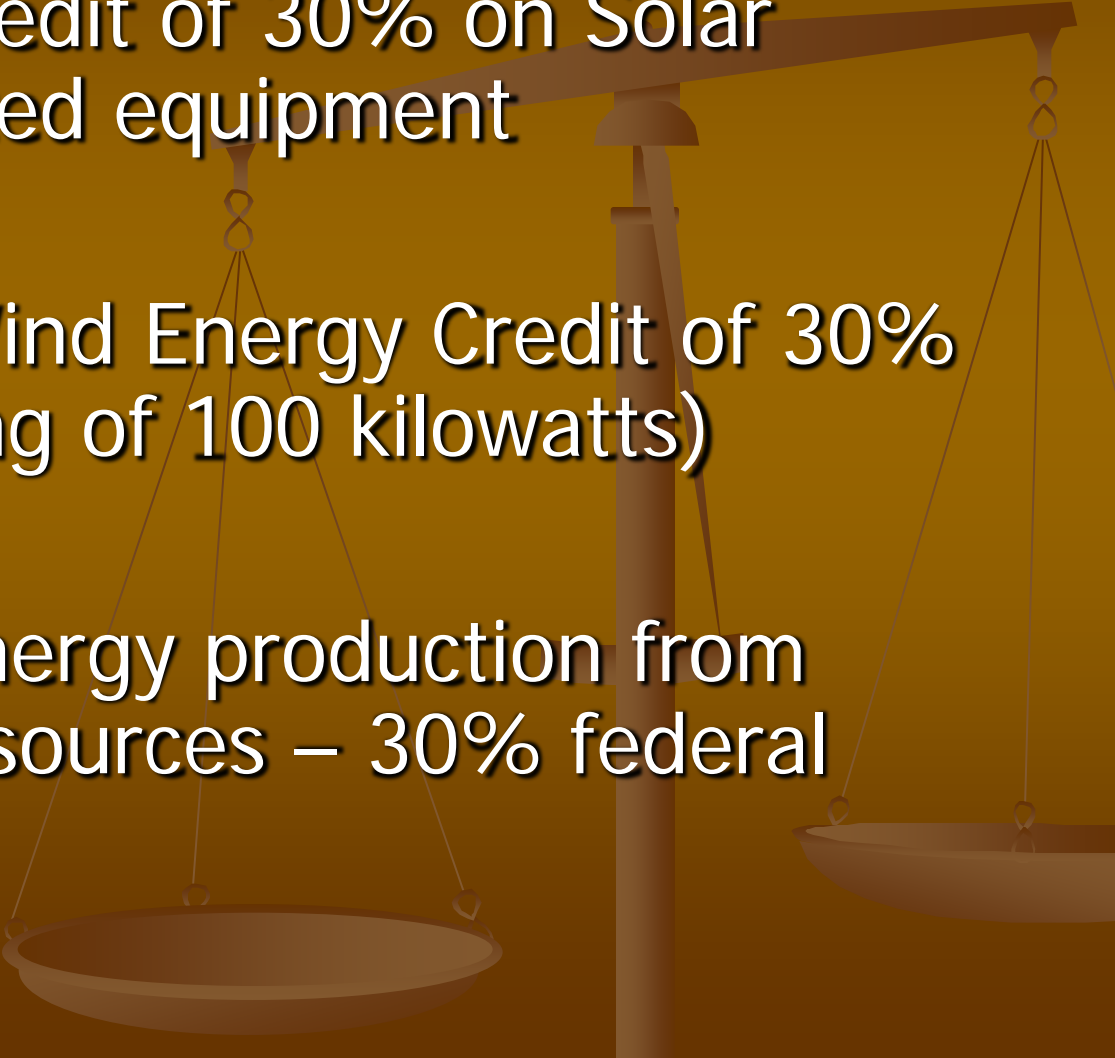
New Energy Efficient Home Credit

- A certified new home is a dwelling unit that satisfies two conditions. First, it must be certified to have a level of annual heating and cooling energy consumption of at least 50% below the annual level of heating and cooling energy consumption of a comparable dwelling unit. Second, it must be certified to have building envelope component improvements that account for at least one-fifth of that 50% achievement.

Qualified Plug-In Electric Drive Low-Speed Vehicle, Motorcycle, and Three-Wheeled Vehicle Credit

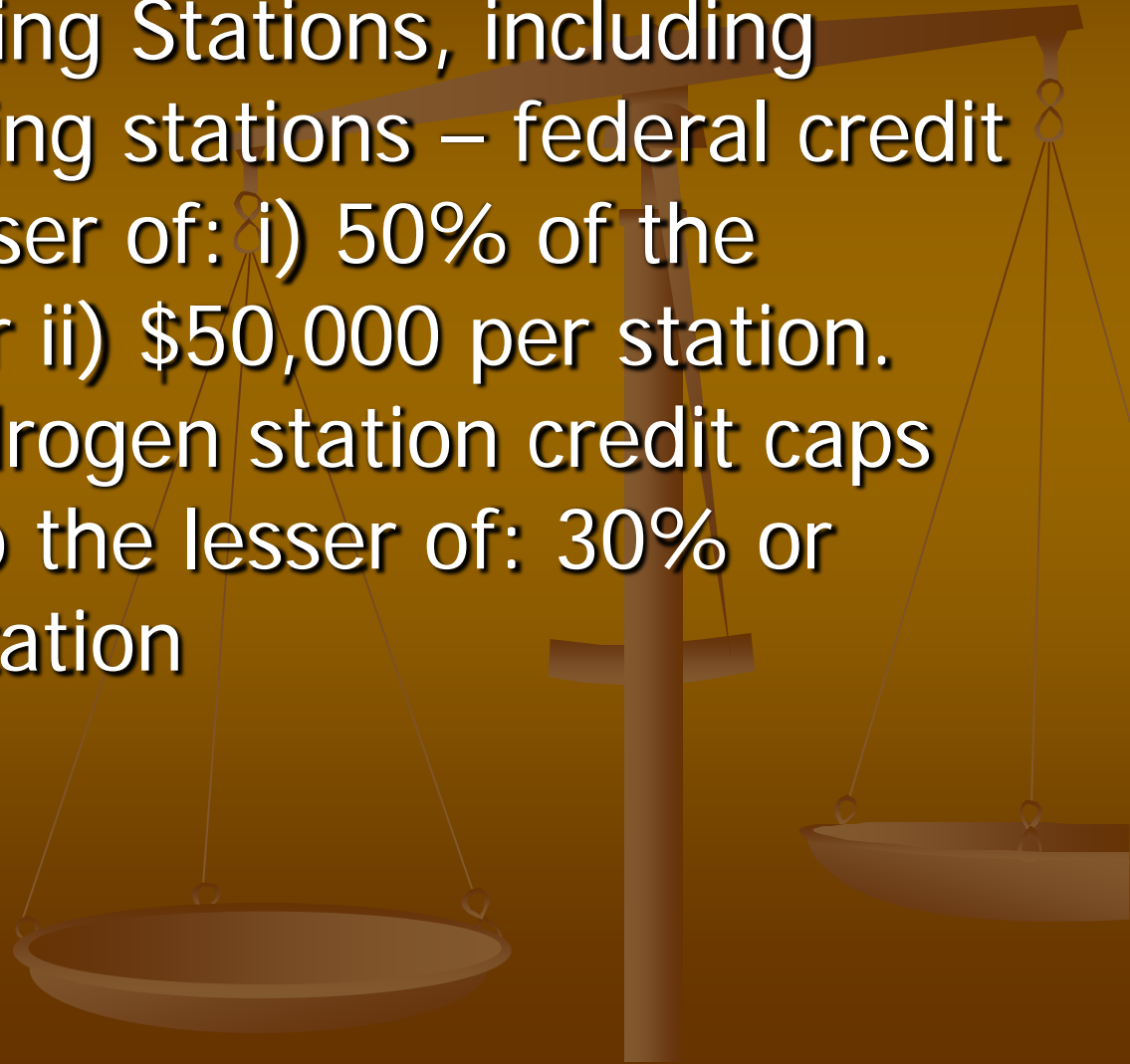
- Qualifying **vehicles** must draw propulsion using a battery with at least 4 kilowatt hours of capacity, use an external source of energy to recharge the battery (hence the name *plug-in*), meet certain federal emission and clean air standards based upon the gross **vehicle** weight rating (GVWR) of the **vehicle**, and the use must originate with the taxpayer. The **credit** is subject to various limitations
- The **credit** is available for tax years beginning after December 31, 2008, for qualifying property purchased before January 1, 2015.

Green Tax Incentives Available to Corporations

- Federal Solar Credit of 30% on Solar Panels and related equipment
 - Federal Small Wind Energy Credit of 30% (Maximum Rating of 100 kilowatts)
 - Cogeneration energy production from alternative fuel sources – 30% federal credit
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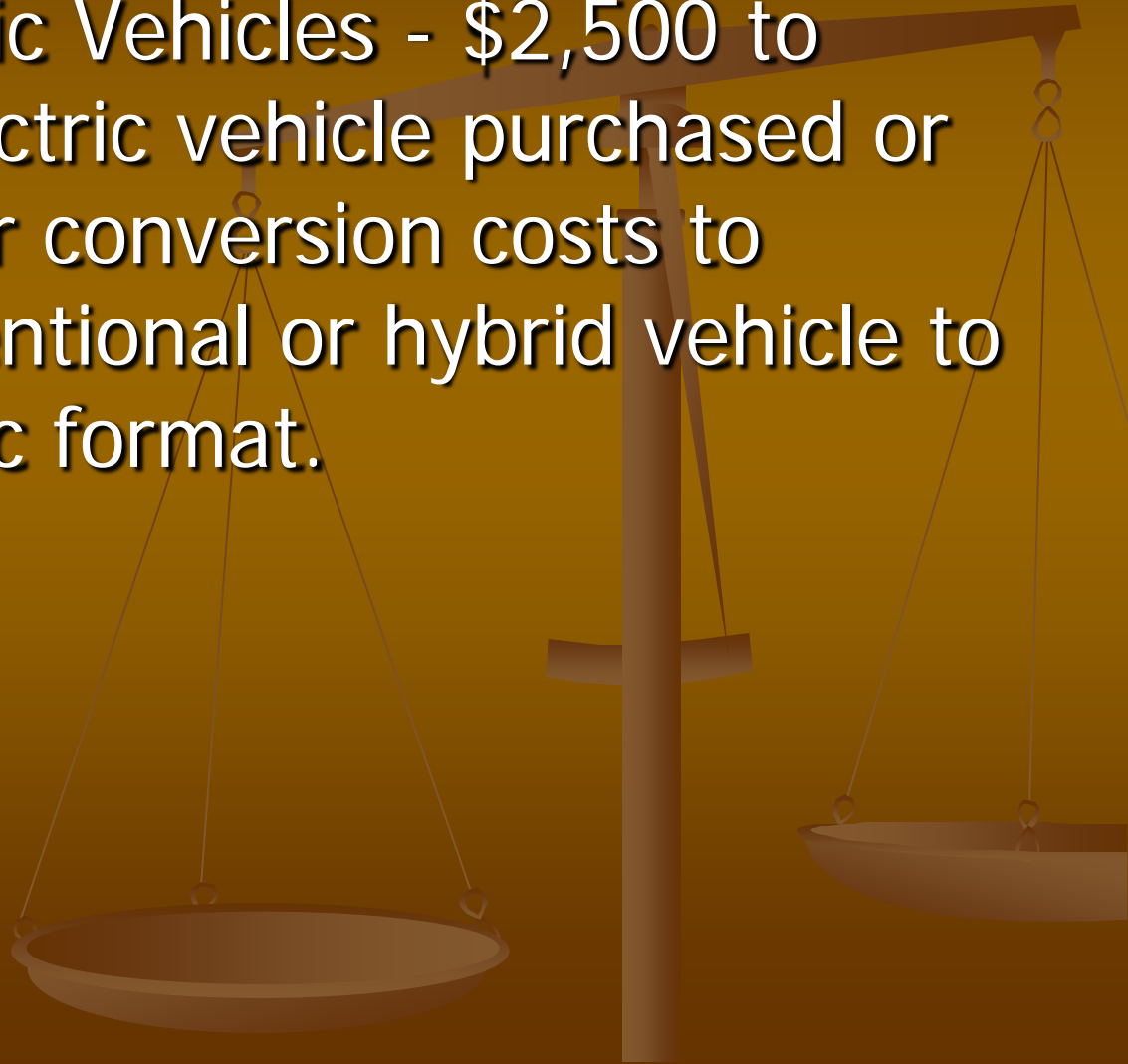
Green Tax Incentives Available to Corporations (cont)

- Alternative Fueling Stations, including electric recharging stations – federal credit equal to the lesser of: i) 50% of the eligible costs, or ii) \$50,000 per station. More pricey hydrogen station credit caps are increased to the lesser of: 30% or \$200,000 per station



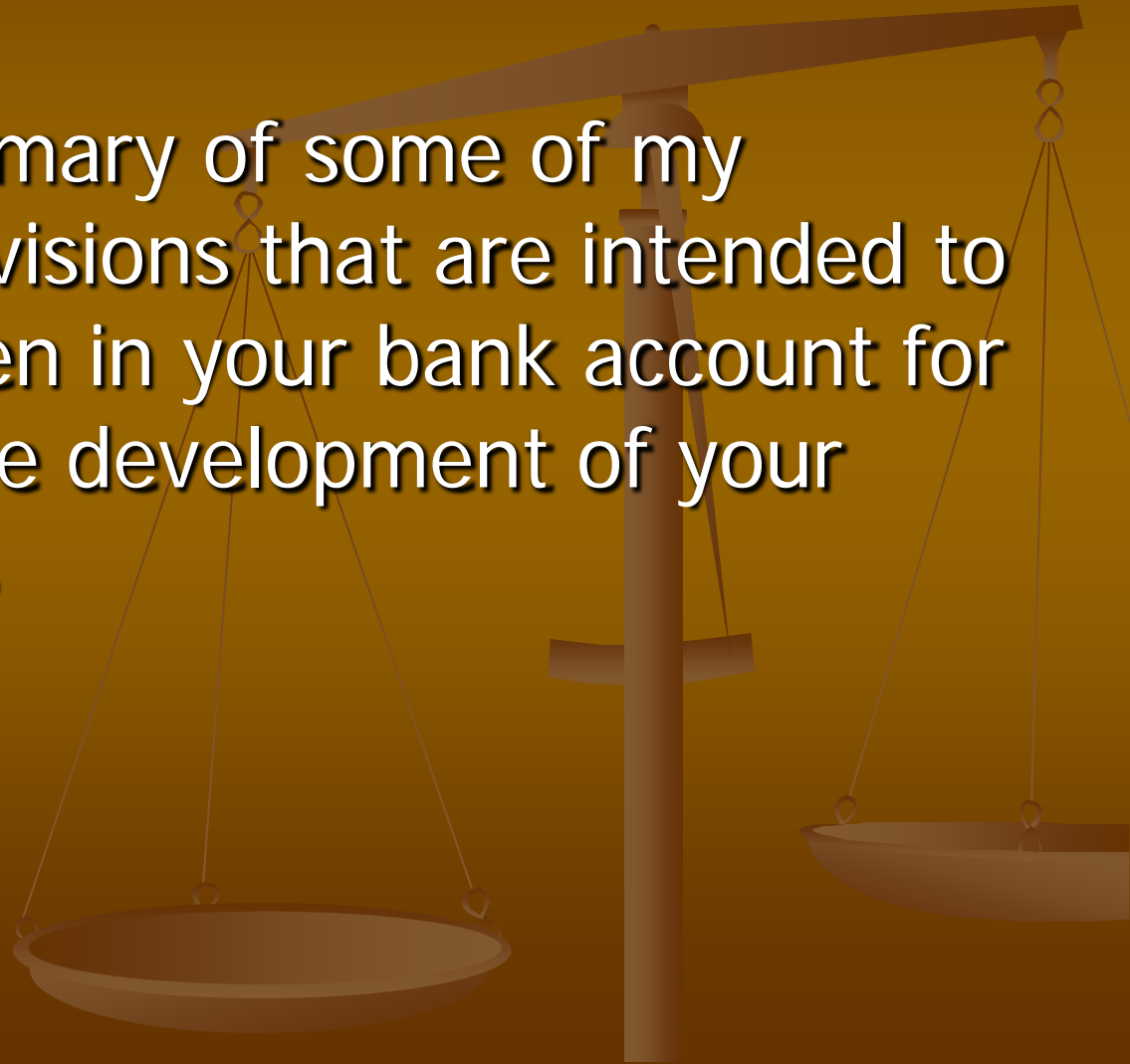
Green Tax Incentives Available to Corporations (cont)

- Hybrid or Electric Vehicles - \$2,500 to \$15,000 per electric vehicle purchased or a 10% credit for conversion costs to convert a conventional or hybrid vehicle to a plug-in electric format.



The Real Green Tax Provisions

- This Quick Summary of some of my favorite tax provisions that are intended to leave more green in your bank account for you to use in the development of your Green Business.



Section 179

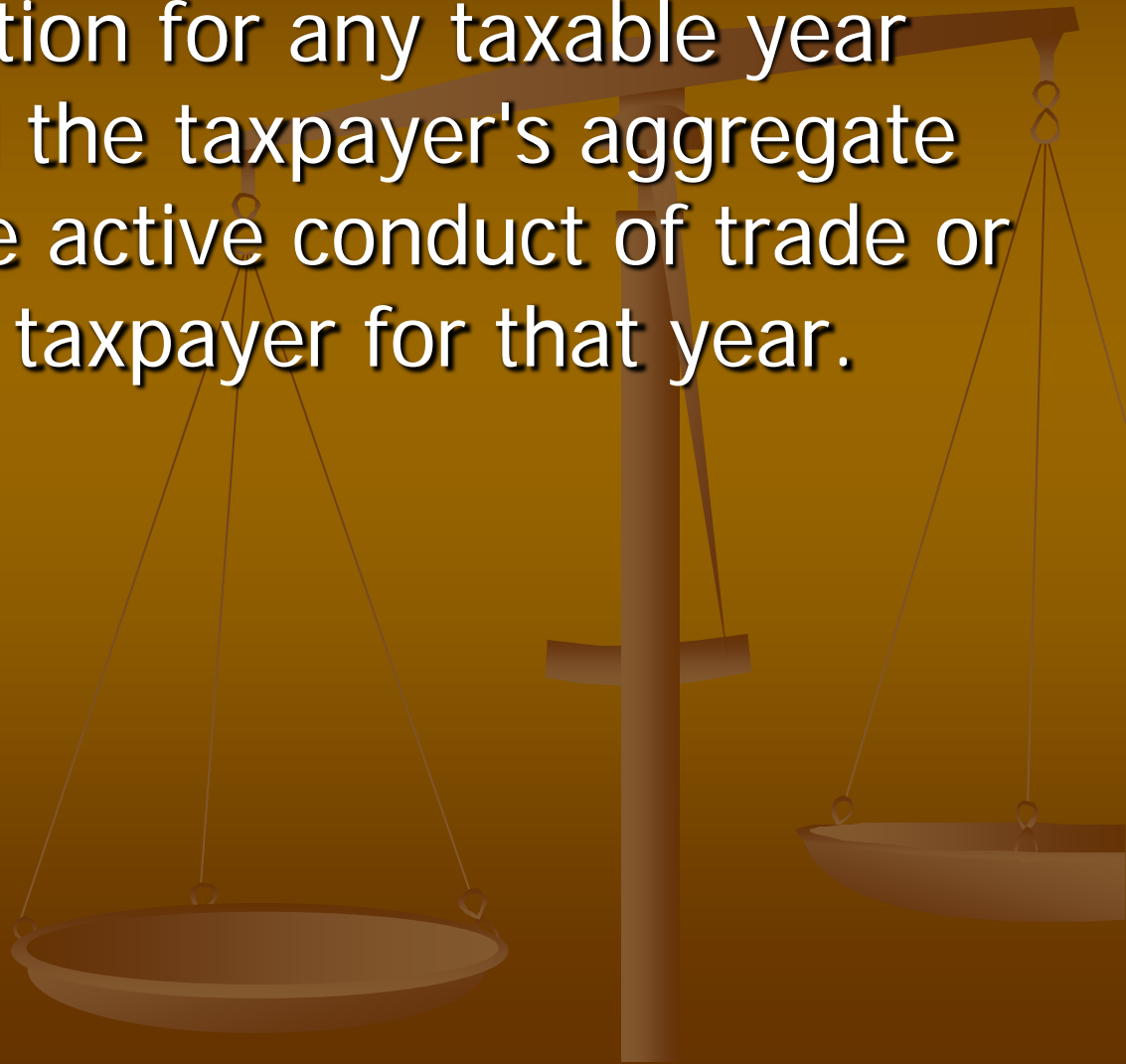
- Section 179 allows a taxpayer to elect to deduct the cost of certain types of property on their income taxes, as an expense (rather than requiring the property to be capitalized and depreciated). This property is generally limited to tangible, depreciable, personal property which is acquired for use in the active conduct of a trade or business.

Section 179

- The maximum deduction a taxpayer may elect to take in a year is \$500,000 for tax years beginning in 2010 and 2011.
- Taxpayers who place more than \$2,000,000 worth of section 179 property into service during a single taxable year to reduce, dollar for dollar, their § 179 deduction by the amount exceeding the \$2,000,000 threshold.

Section 179

- The 179 deduction for any taxable year may not exceed the taxpayer's aggregate income from the active conduct of trade or business by the taxpayer for that year.

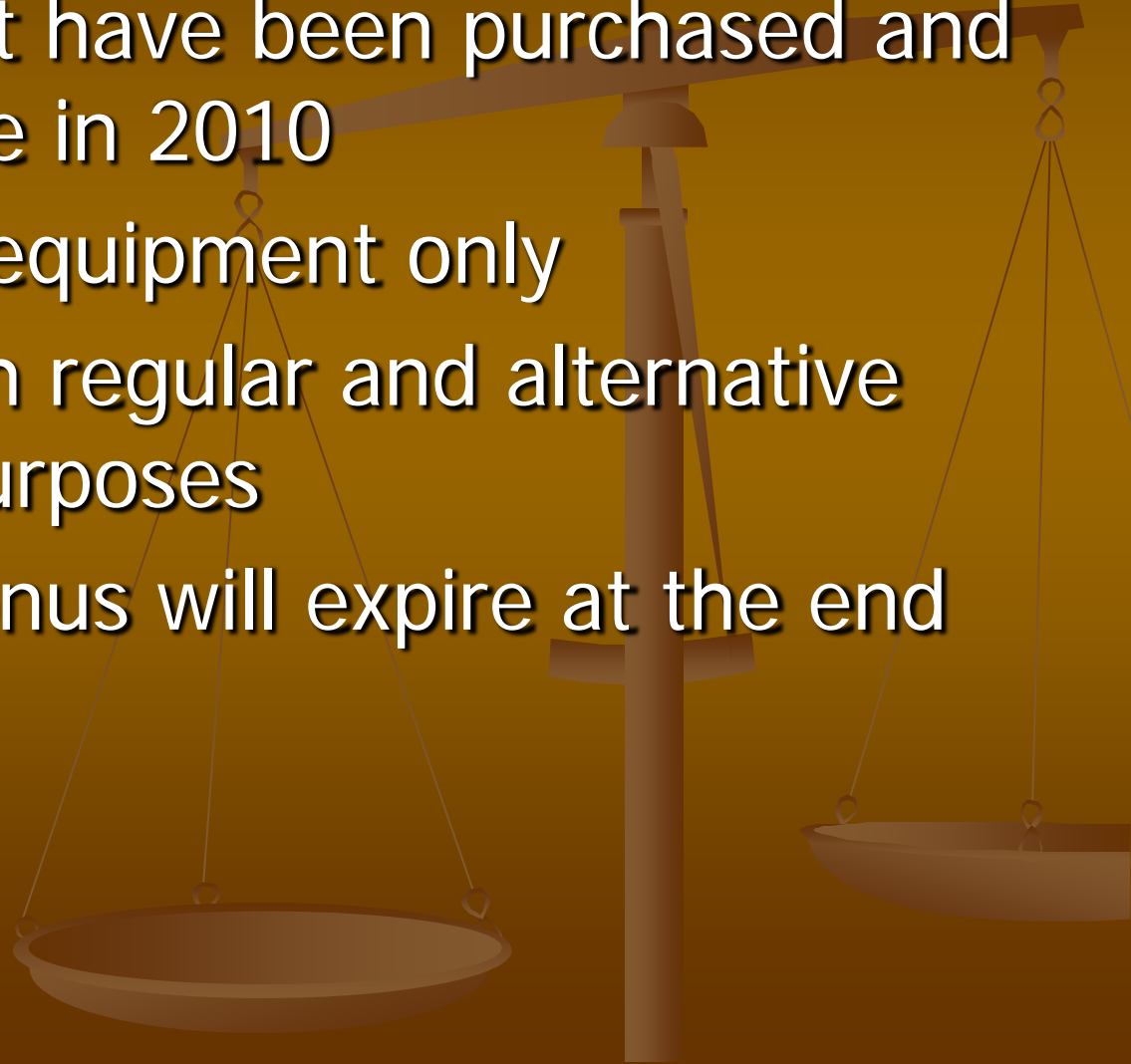


Bonus Depreciation

- The Small Business Jobs Act (H.R. 5297) reinstated the 50 percent depreciation bonus for 2010
- Applies, among other things, to purchases of tangible personal property (including construction, mining, forestry, and agricultural equipment) with a MACRS recovery period of 20 years or less

Bonus Depreciation (cont)

- Equipment must have been purchased and placed in service in 2010
- Applies to new equipment only
- Allowed for both regular and alternative minimum tax purposes
- Depreciation Bonus will expire at the end of 2010



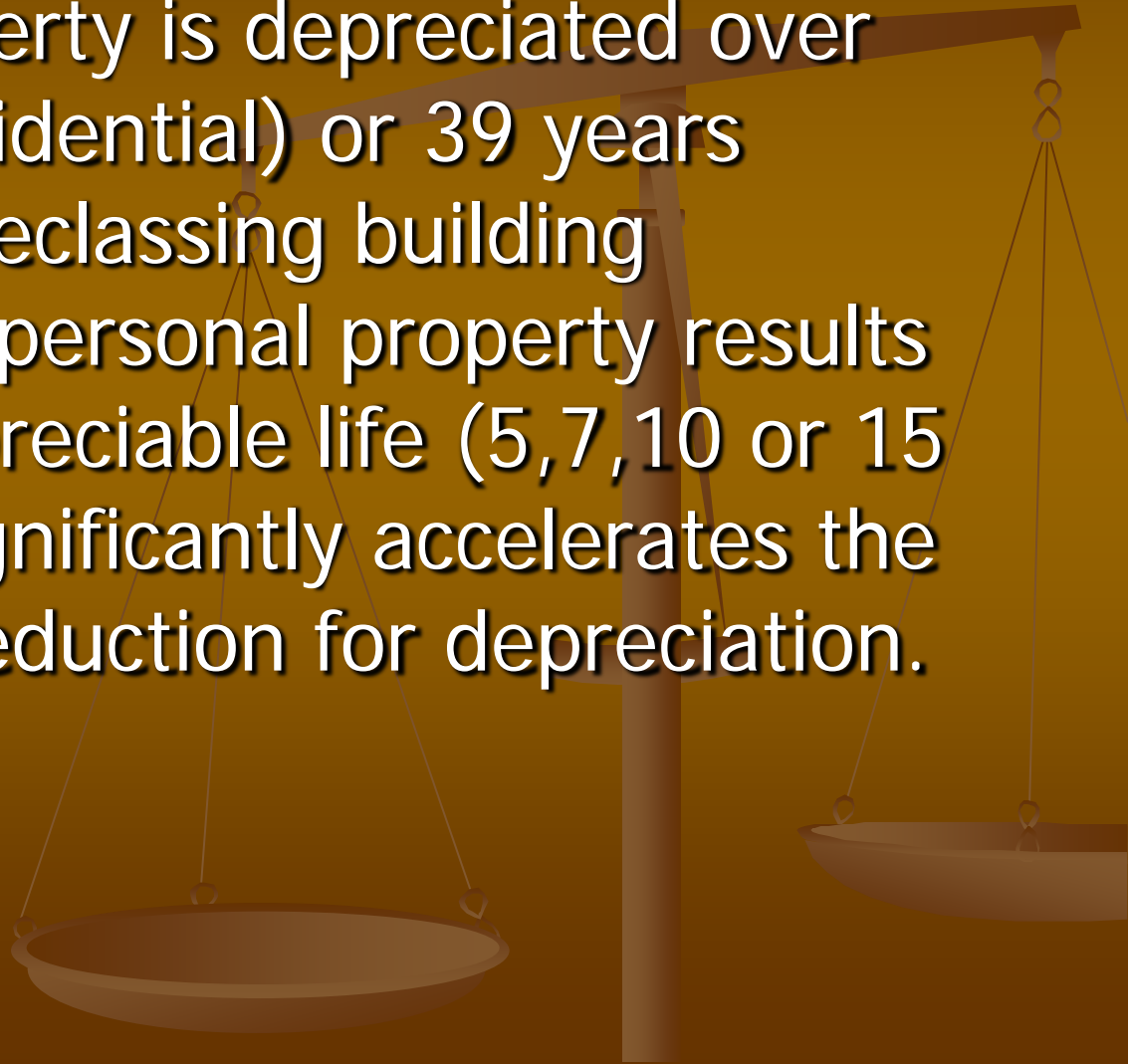
Cost Segregation Studies

- **A Cost segregation study** is performed by companies who specialize in identifying the personal property components associated with real property.

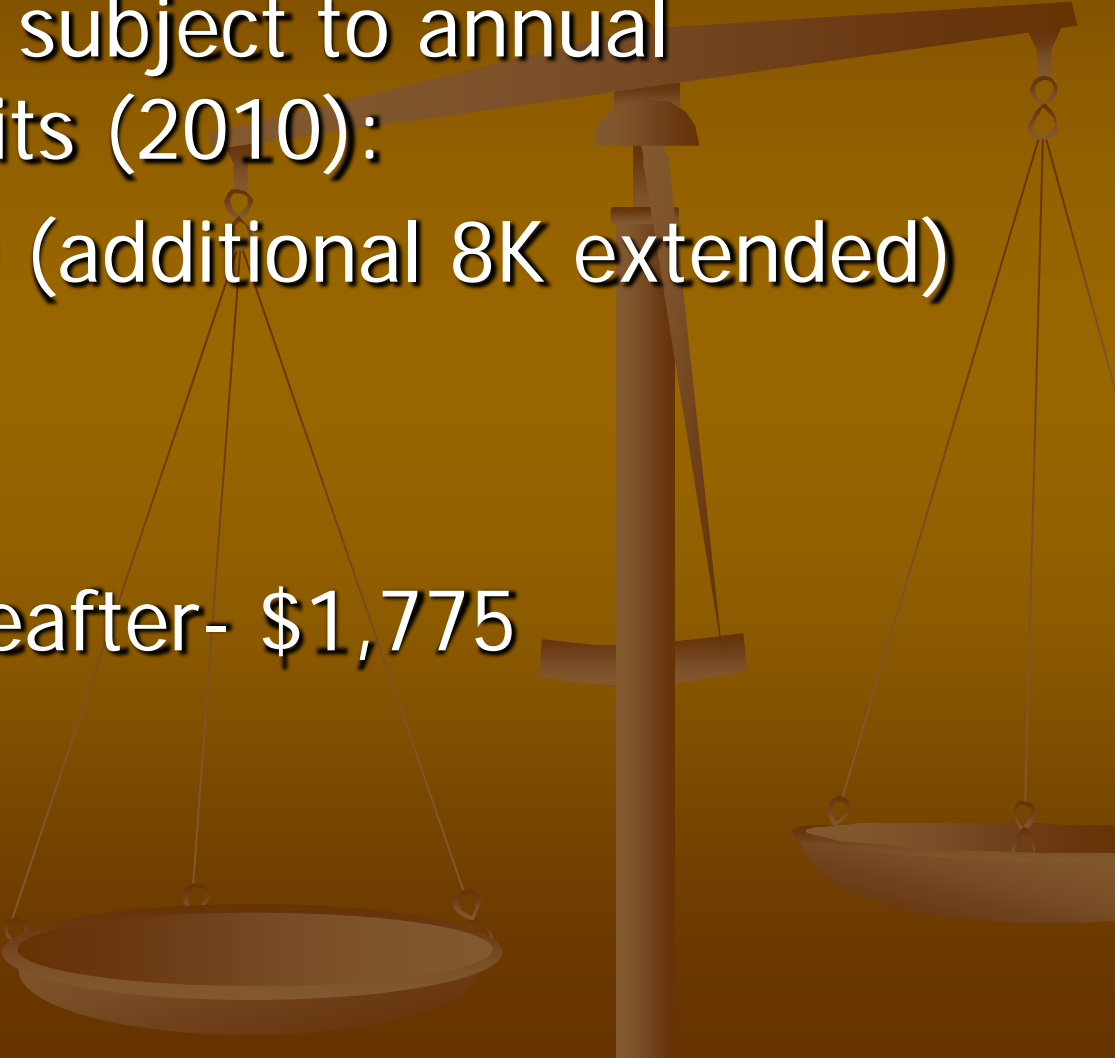


Cost Segregation Study (cont)

- Since Real Property is depreciated over 27.5 years (Residential) or 39 years (Commercial), reclassing building components as personal property results in a shorter depreciable life (5,7,10 or 15 years) which significantly accelerates the allowable tax deduction for depreciation.

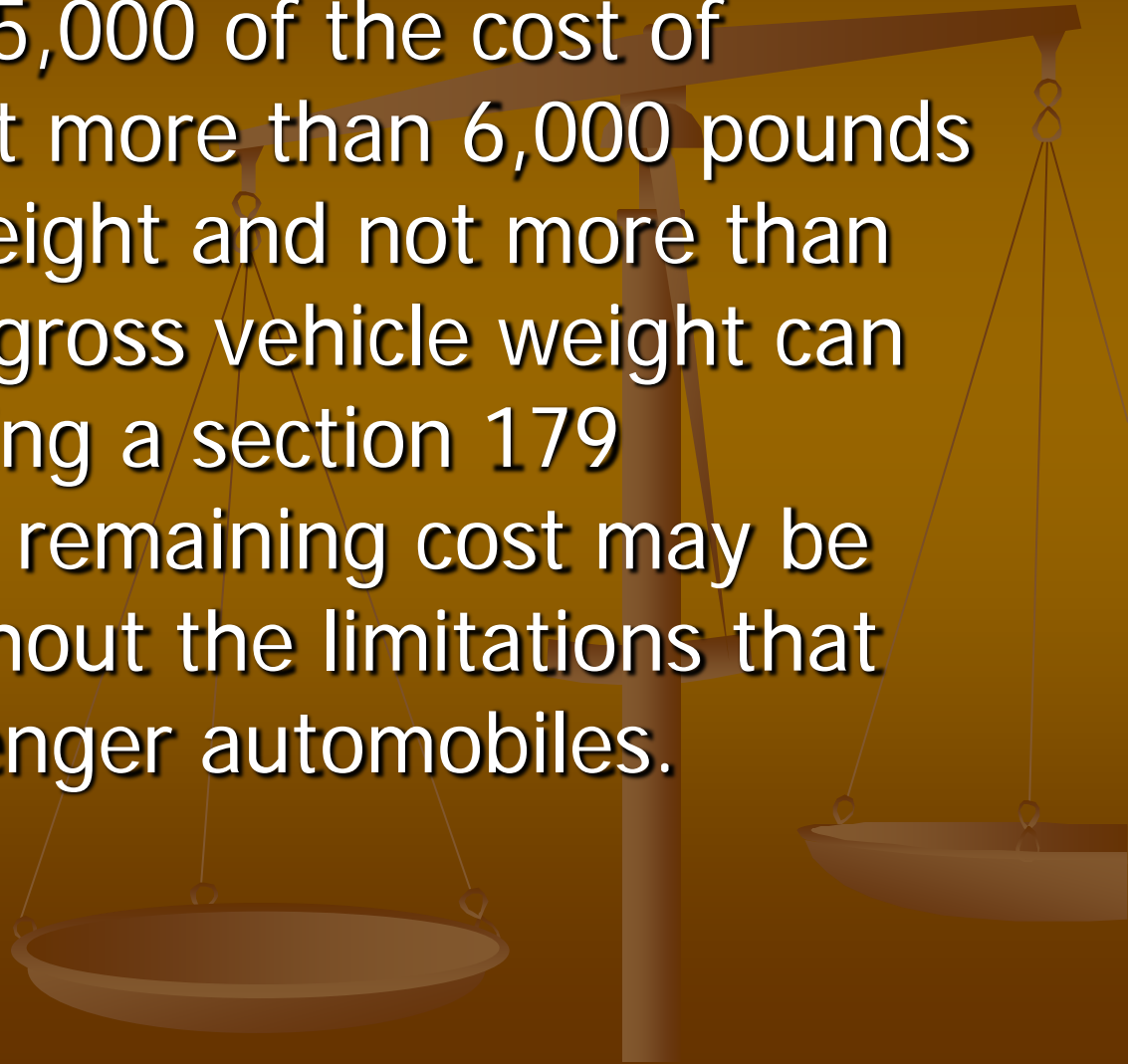


Business Automobiles

- Luxury Auto are subject to annual depreciation limits (2010):
 - Year 1-\$ 10,960 (additional 8K extended)
 - Year 2- \$ 4,800
 - Year 3 -\$ 2,850
 - Year 4 and thereafter- \$1,775
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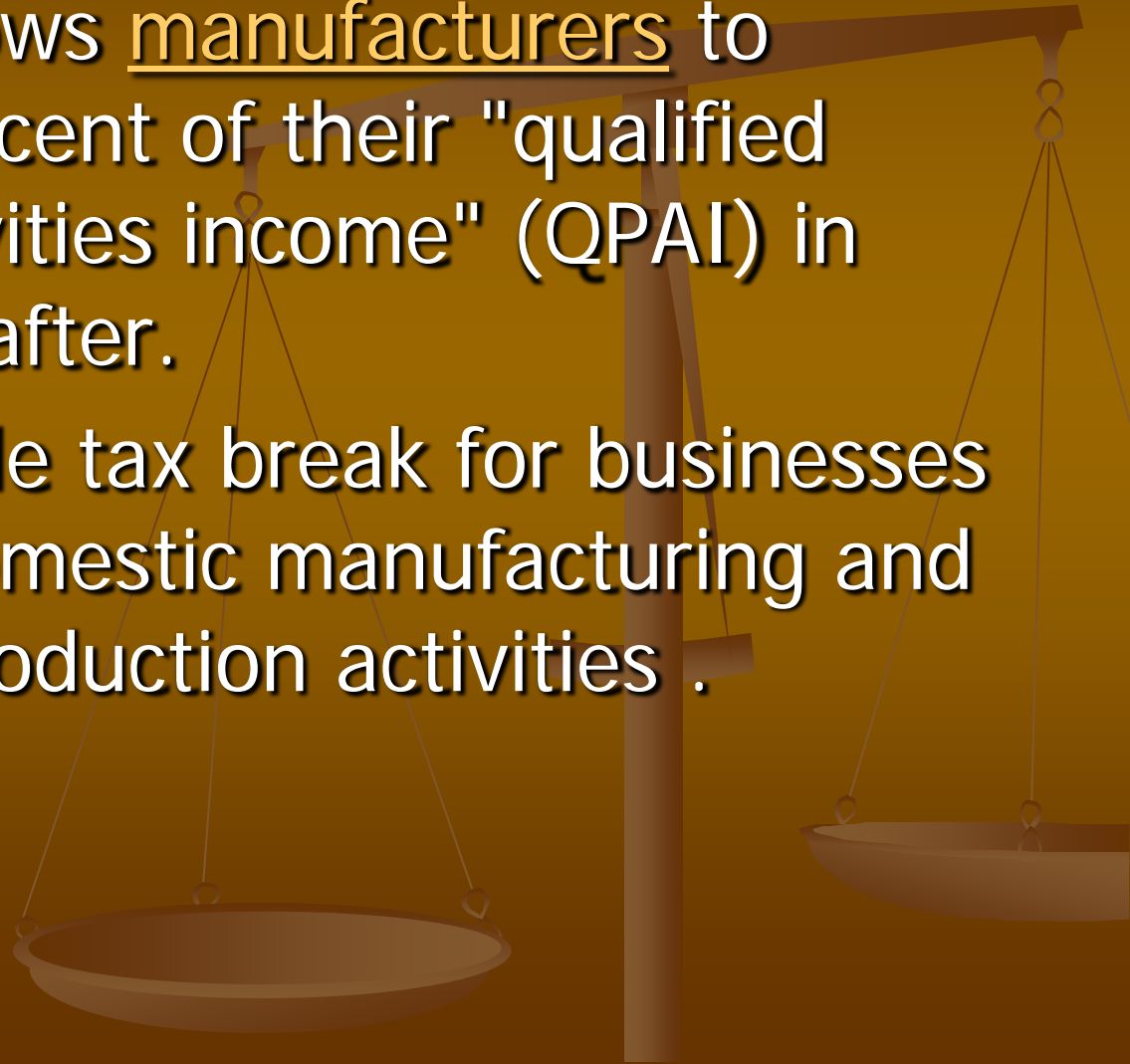
Business Automobiles

- SUVs- Up to \$25,000 of the cost of vehicles rated at more than 6,000 pounds gross vehicle weight and not more than 14,000 pounds gross vehicle weight can be deducted using a section 179 deduction. Any remaining cost may be depreciated without the limitations that applies to passenger automobiles.



Domestic Production Activities Deduction (DPAD)

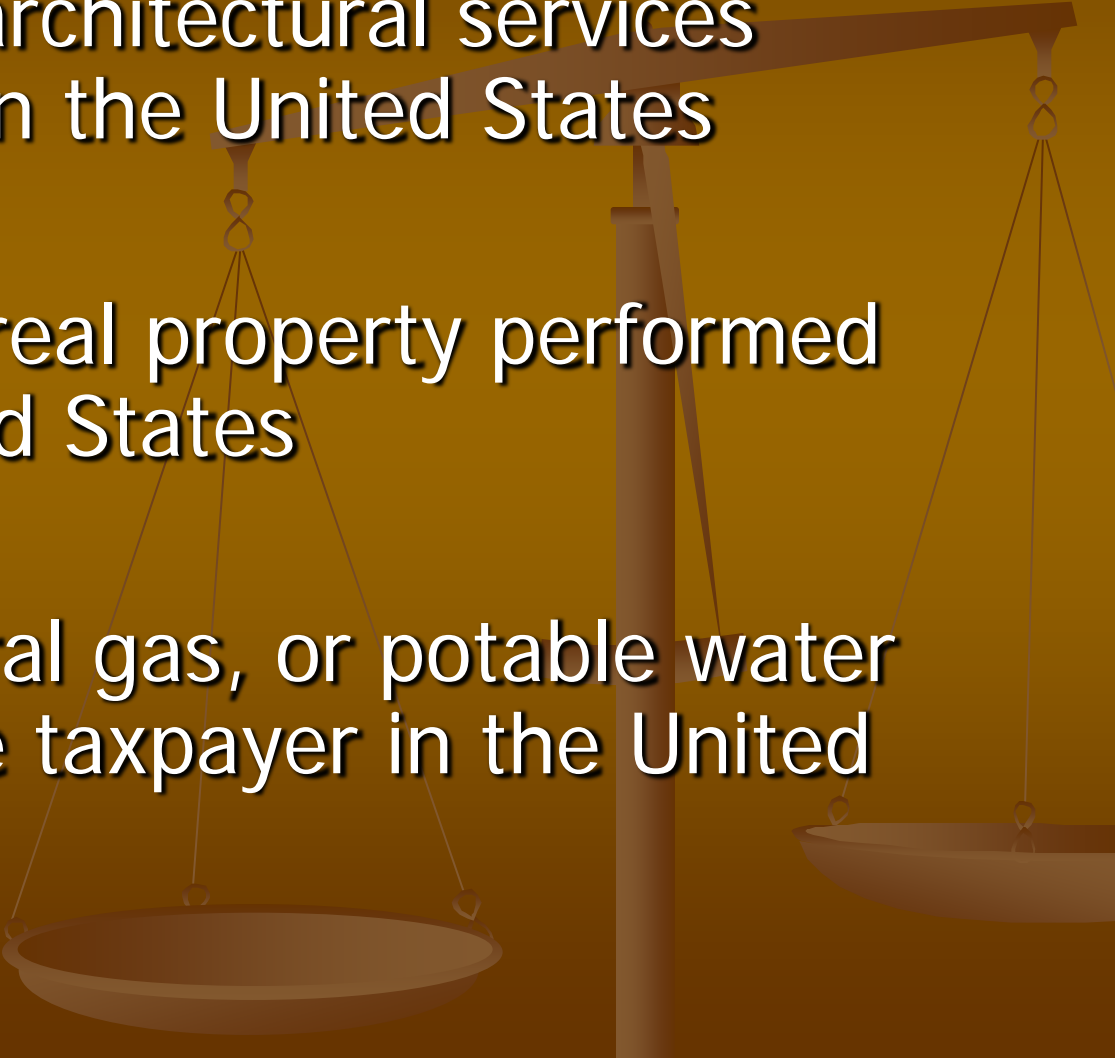
- Section 199 allows manufacturers to deduct nine percent of their "qualified production activities income" (QPAI) in 2010 and thereafter.
- This is a valuable tax break for businesses that perform domestic manufacturing and certain other production activities .



DPAD Eligible Activities

- Domestic production gross receipts is defined in the provision as the gross receipts of the taxpayer derived from any lease, rental, license, sale, exchange, or other disposition of:
- tangible personal property, computer software, or sound recordings manufactured, produced, grow, or extracted by the taxpayer in whole or significant part within the United States.

DPAD Eligible Activities

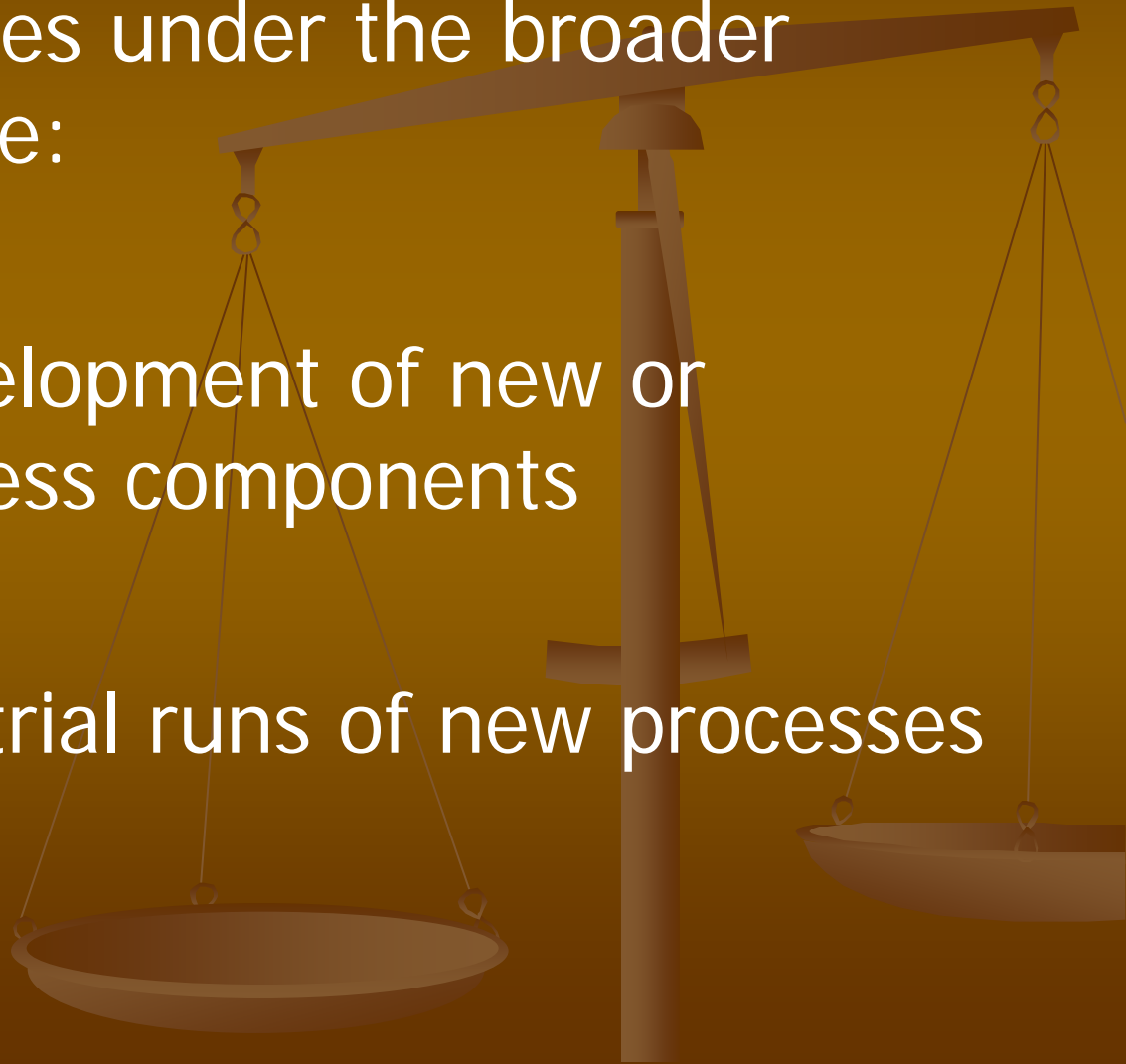
- engineering or architectural services performed within the United States
 - construction of real property performed within the United States
 - electricity, natural gas, or potable water produced by the taxpayer in the United States
- 

Research & Development Credit

- Section 41 of the Tax Code basically allows a 20% tax credit of qualified research expenses that exceed a base amount. Qualified research expenses are those for research conducted in-house or under contract including applicable wages, cost of supplies used in the research, payments to third parties for research computer time, and a percentage of contract time paid for research by third parties.

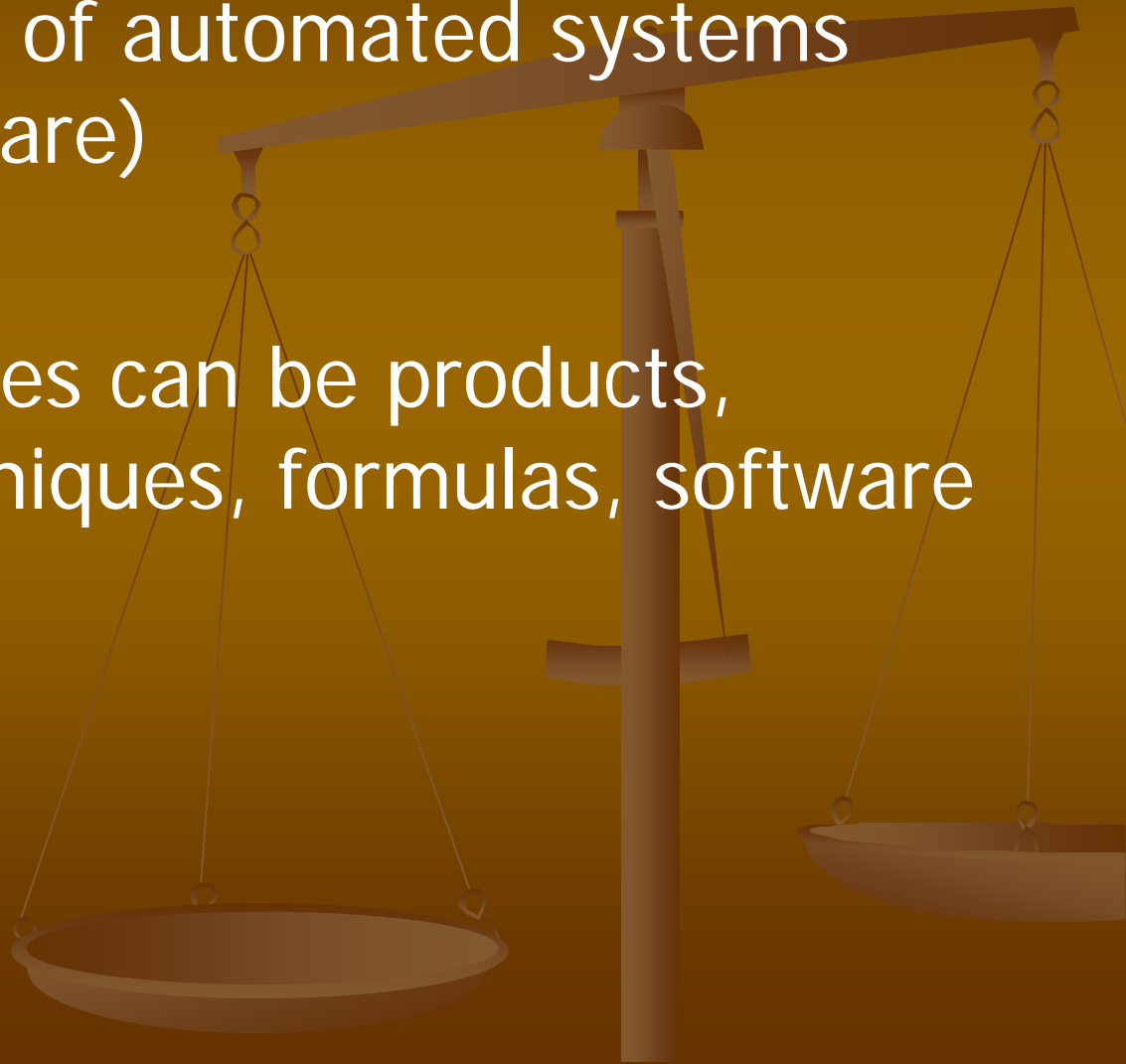
R & D (cont)

- Qualified activities under the broader definition include:
- design and development of new or improved business components
- evaluation and trial runs of new processes or materials

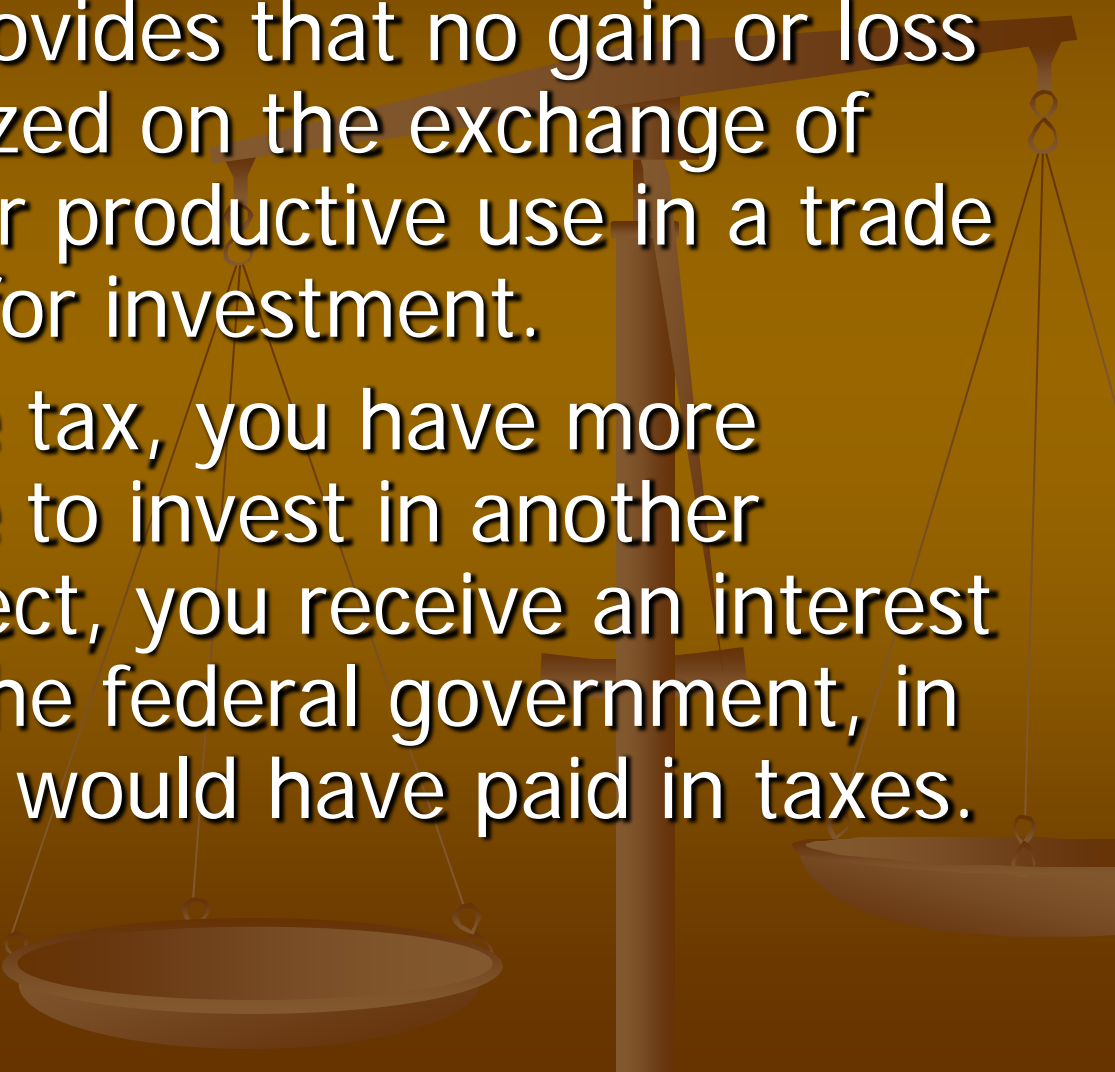


R & D (cont)

- Implementation of automated systems (including software)
- Qualified activities can be products, processes, techniques, formulas, software or inventions.

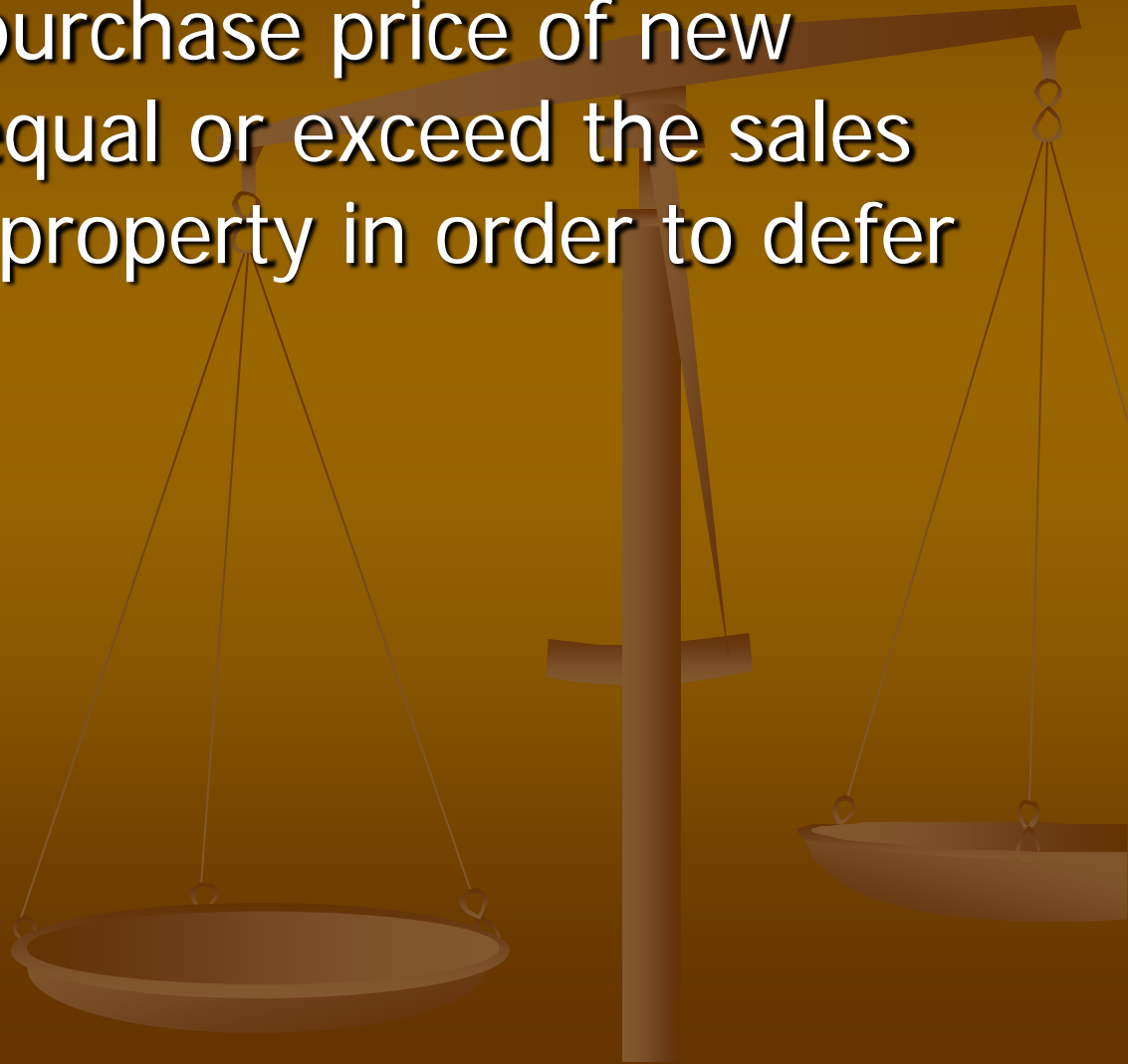


1031 Exchange

- Section 1031 provides that no gain or loss shall be recognized on the exchange of property held for productive use in a trade or business, or for investment.
 - By deferring the tax, you have more money available to invest in another property. In effect, you receive an interest free loan from the federal government, in the amount you would have paid in taxes.
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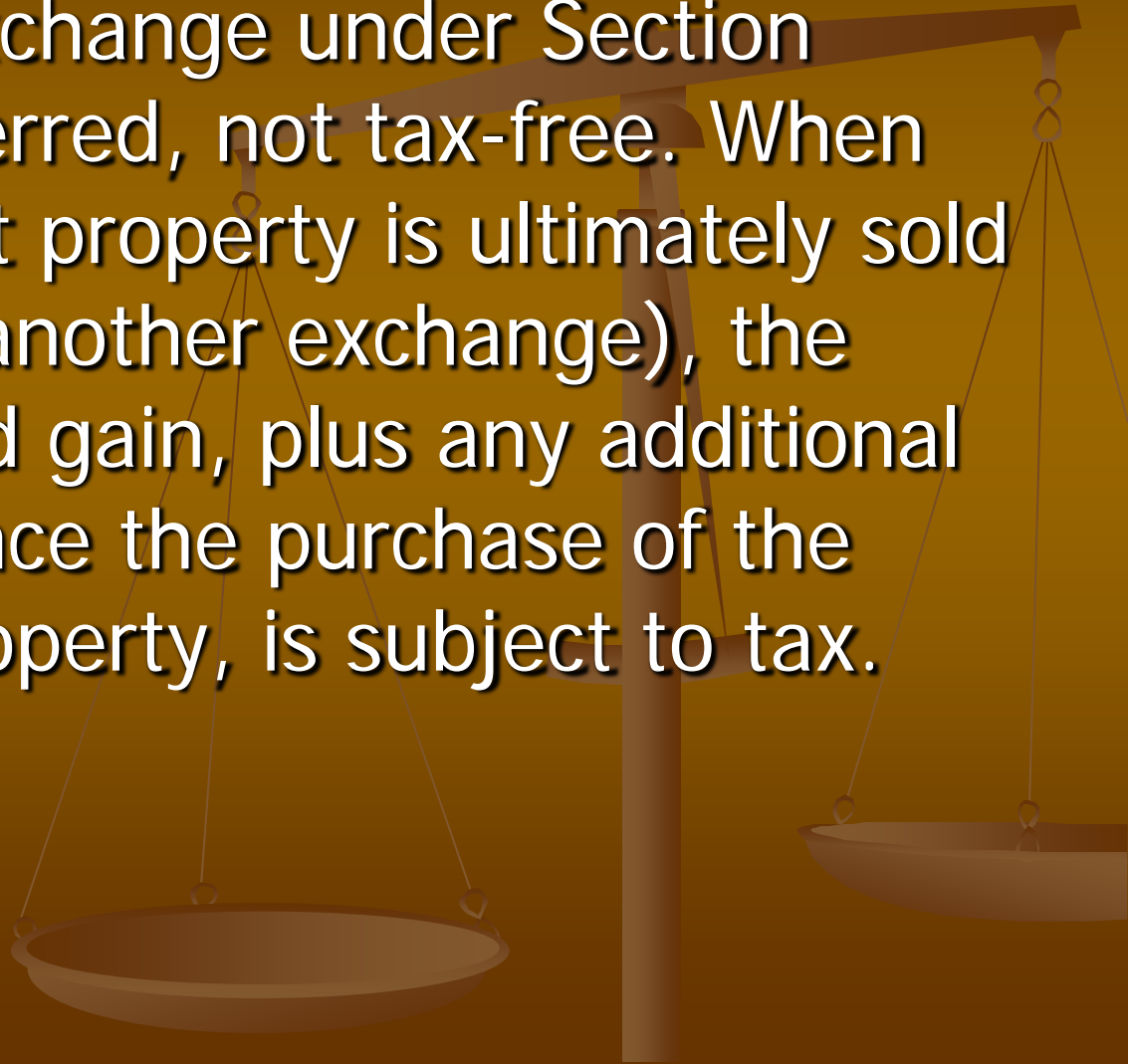
1031 Exchange

- Trade up! The purchase price of new property must equal or exceed the sales price of the old property in order to defer the entire gain.



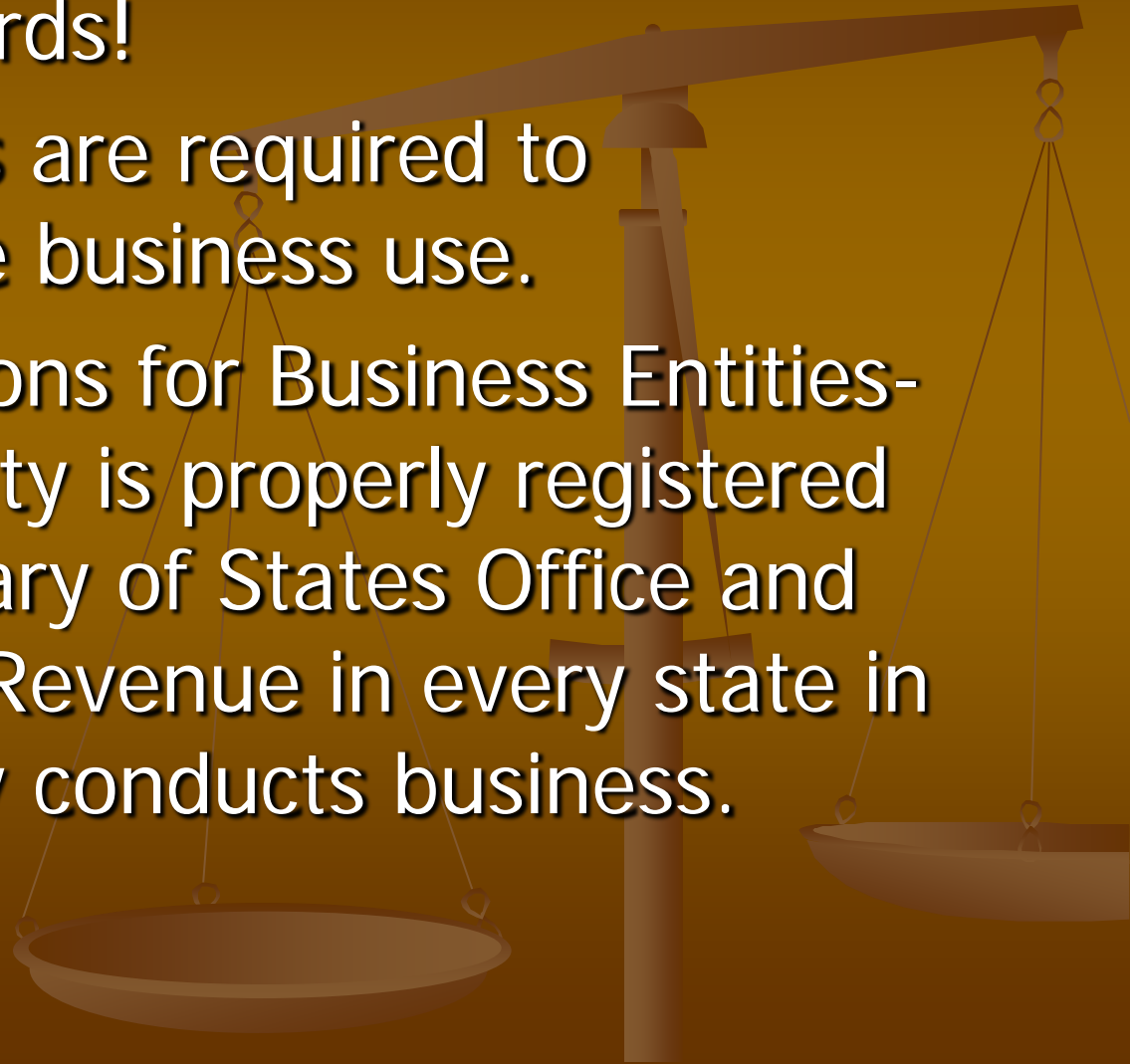
1031 Exchange

- The like-kind exchange under Section 1031 is tax-deferred, not tax-free. When the replacement property is ultimately sold (not as part of another exchange), the original deferred gain, plus any additional gain realized since the purchase of the replacement property, is subject to tax.



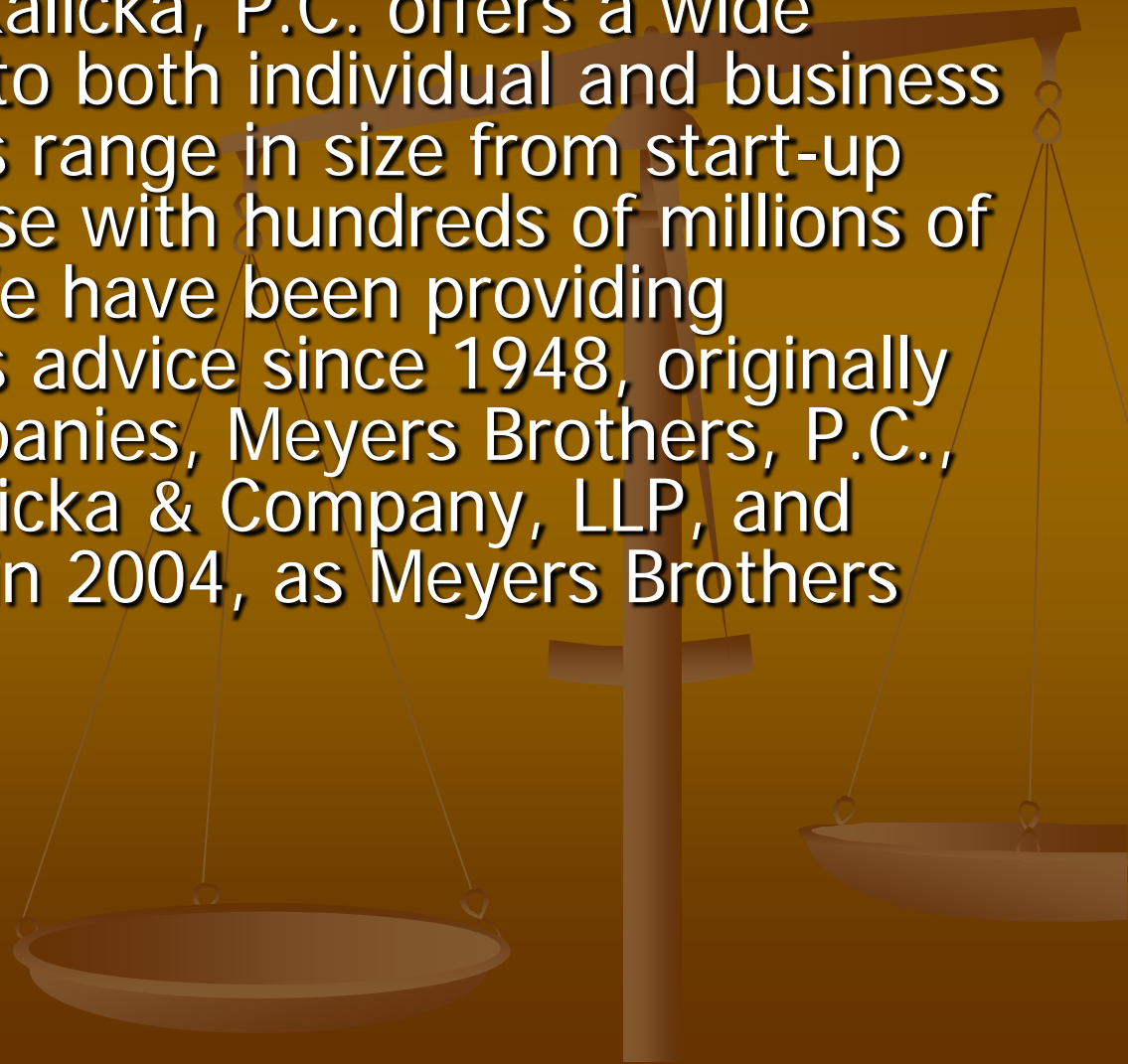
Miscellaneous Tidbits

- Keep good records!
- Automobile logs are required to substantiate the business use.
- State Registrations for Business Entities- be sure the entity is properly registered with the Secretary of States Office and Department of Revenue in every state in which the entity conducts business.



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