

Incentives EXTENDED

This program has 3 Incentives

Summary

Note: The Taxpayer Certainty and Disaster Tax Relief Act of 2020, signed in December 2020, extended the phase out of this tax credit for certain technologies. The bill also provides a 30% tax credit for offshore wind facilities in inland navigable waters or coastal waters of the United States for which construction commences prior to 2026.

The federal Business Energy Investment Tax Credit (ITC) has been amended a number of times, most recently in December 2020. The table below shows the value of the investment tax credit for each technology by year. The dates are based on when construction begins.

| Technology | 12/31/20 | 12/31/21 | 12/31/22 | 12/31/23 | 12/31/24 | 12/31/25 | Future Years |
|--|----------|----------|----------|----------|----------|----------|--------------|
| PV, Solar Water Heating, Solar Space Heating/Cooling, Solar Process Heat | 26% | 26% | 26% | 22% | 22% | 22% | 10% |
| Hybrid Solar Lighting, Fuel Cells, Small Wind | 26% | 26% | 26% | 22% | N/A | N/A | N/A |
| Geothermal Heat Pumps, Microturbines, Combine Heat and Power Systems | 10% | 10% | 10% | 10% | N/A | N/A | N/A |
| Geothermal Electric | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| Large Wind | 18% | 18% | N/A | N/A | N/A | N/A | N/A |

- Solar Technologies.** Eligible solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Hybrid solar lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible. Passive solar systems and solar pool-heating systems are not eligible.
- Fuel Cells.** The credit is equal to the applicable percentage of cost for a given year with no maximum credit. However, the credit for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) of capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher.

- Small Wind Turbines.** The credit is equal to the applicable percentage of cost for a given year with no maximum credit. Eligible small wind property includes wind turbines up to 100 kW in capacity. Small wind turbines must meet the performance and quality standards set forth by either the American Wind Energy Association Small Wind Turbine Performance and Safety Standard 9.1-2009 (AWEA), or the International Electrotechnical Commission 61400-1, 61400-12, and 61400-11 (IEC)

- Geothermal Systems.** The credit is equal to the applicable percentage of cost for a given year with no maximum credit limit stated. Eligible geothermal energy property includes geothermal heat pumps and equipment used to produce, distribute or use energy derived from a geothermal deposit. For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electric transmission stage. For geothermal heat pumps, this credit applies to eligible property placed in service after October 3,

2008. Note that the credit for geothermal property, with the exception of geothermal heat pumps, has no stated expiration date.

- **Microturbines.** The credit is equal to the applicable percentage of cost for a given year with no maximum credit limit stated (explicitly). The credit for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW) in capacity that have an electricity-only generation efficiency of 26% or higher.

- **Combined Heat and Power (CHP).** The credit is equal to 10% of expenditures, with no maximum limit stated. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. See the note at the bottom of this page for more details. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the credit may be reduced for less-efficient systems. This credit applies to eligible property placed in service after October 3, 2008.

- **Production Tax Credit-Eligible Technologies.** Technologies that are eligible for the [Production Tax Credit](#) (PTC) were eligible to opt for the ITC in lieu of the PTC if construction commenced prior to January 1, 2015. As of January 1, 2015, only wind energy systems are eligible to claim the ITC in lieu of the PTC.

- **Offshore Wind.** Systems for which construction commences prior to 2026 are eligible for a 30% tax credit.

In general, the original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

** Combined heat and power systems can only receive the full credit if the system has an electrical capacity of 15 MW or less, and a mechanical energy capacity of 20,000 horsepower or less, or an equivalent combination of electrical and mechanical energy capacities. Larger combined heat and power systems (up to a maximum of 50 MW and 67,000 horsepower) can qualify for a reduced tax credit equal to the ratio between the actual system capacity and 15 MW. For example, a 45 MW system can qualify for a tax credit worth 15/45 of the otherwise allowable credit.*

<https://programs.dsireusa.org/system/program/detail/658/business-energy-investment-tax-credit-itc>