

Government Incentives for Renewable Energy Systems and Recent Legislation

California's renewable energy policies have been instrumental in jumpstarting the solar, wind, and geothermal industries in the state. Policies have been used to develop rebates, friendly tax legislation, net metering, and a renewable energy portfolio, to name a few. In addition to California incentives and policy, the IRS also offers tax breaks. Following are details of these State and Federal incentives and policies with a focus on solar installations.

Federal Tax Credit for Residential and Commercial Systems

There is a Federal tax credit which pays up to 26% of the total system cost minus any rebates. All costs related to the PV system may be included in this calculation, including battery backup systems, new electric panels, related roof work, labor, sales tax, rebate, permit fees, and the PG&E Time-of-Use meter charge, if applicable.

State and Federal Depreciation for Commercial Systems

For commercial systems, the IRS and California allow for Modified Accelerated Cost Recovery System (MACRS) depreciation for PV systems. Combining both the tax credit and MACRS can significantly offset the cost of the solar PV system.

Self-Generation Incentive Program (SGIP)

The California Public Utilities Commission offers financial incentives through the SGIP program for installing clean and efficient distributed energy systems. Qualifying technologies include advanced energy storage systems, wind turbines, waste heat to power technologies, pressure reduction turbines, internal combustion engines, microturbines, gas turbines, and fuel cell.

Renewable Energy Legislation

Below is a list of some of the laws that act as the backbone of renewable energy policy in California:

- Title 24, Part 6, New Home Solar Mandate – The California Energy Commission released their 2019 Building Energy Efficiency Standards which require all new homes to have PV solar. The standards also encourage battery storage to improve energy savings. Effective date January 1, 2020.
- AB 327 – Removes the suspension on net metering, provides a framework for the removal of the net metering cap altogether and removes the 33% ceiling on California's Renewable Portfolio Standard. Effective date September 6, 2013.
- AB 58 – Reaffirmed Net Metering and Time of Use (TOU) metering in California for systems up to 1 MW. Effective date Jan 1, 2003.
- AB 1099 – Exempts PV system installations from any increase in property tax. Effective date Sept 7, 2005.
- SB 107 – The Renewable Portfolio Standard (RPS) – Requires that major California energy providers (utilities) must increase their use of renewable energy by 1% per year, and reach 20% of their total capacity by 2010 (33% by 2020). They cannot count new hydroelectric plants toward that total. This is the strongest law in the nation requiring utilities to invest in renewable energy. Effective date Sept 26, 2006



- Solar Rights Act (AB2473) – Local jurisdictions may not restrict the installation of a PV system for aesthetic reasons. They may only plan-review a proposed system as it relates to health and safety. Also, local Homeowners Associations may not incorporate elements in their CC&R's (Codes, Covenants and Restrictions) that prohibit or unreasonably restrict the installation of PV systems. Effective date June 17, 2004.
- Solar Shade Control Act (1979; Public Resources Code sections 25980-25986) – A neighbor may not allow a tree to be planted, or to grow in height, after a PV system is installed, such as to shade the system by more than 10% from 10 AM to 2 PM. Enacted in 1978.
- AB 1968 – Excludes renewable energy rebates from California taxation. Effective date September 24, 2002.
- AB 920 – Allows owners of PV systems to sell net excess electricity generated each year by their PV system to the utility. Effective date Jan 1, 2011 with rates TBD.