



## **Government Incentives for Renewable Energy Systems and Recent Legislation**

California's renewable energy policies have been instrumental in jump-starting 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. Below 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 30 percent 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 (TOU) 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.

**Summary of Incentives** The combination of rebates and tax credits means a homeowner or commercial business can install a PV system and have the government pay for 30 to 60 or more percent of the total cost.

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

- AB 327 – Removes the suspension on net metering, provides a framework for the removal of the net metering cap altogether and removes the 33 percent ceiling on California's Renewable Portfolio Standard. Effective date Sept. 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 percent per year, and reach 20 percent of their total capacity by 2010 (33 percent 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 percent from 10 a.m. to 2 p.m. Enacted in 1978.
- AB 1968 – Excludes renewable energy rebates from California taxation. Effective date Sept. 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.

**Santa Clara Utilities:**

Silicon Valley Power (SVP) is the City of Santa Clara power company. In Santa Clara, the residential solar rebate is currently \$1 per watt. The commercial solar rebate is currently \$0.45 per watt.