

## Examples of State Tax Credits and Incentive Programs for Renewable Energy Projects and Energy Efficiency Improvements

State	Program	Type	Description
TN	TVA - Generation Partners Program <sup>i</sup>	Performance-based incentive	Tennessee Valley Authority (TVA) and participating power distributors of TVA power offer a production-based incentive program to Valley homeowners and businesses for the installation of renewable generation systems from the following qualifying resources: solar, wind, low-impact hydropower, and biomass called Generation Partners. The energy generated from these renewable generation systems will count towards TVA's green power pricing program, Green Power Switch.
TN	Commercial Energy Efficiency Loan Program	State Loan Program	Based on a U.S. Department of Energy Industrial Loan program, Pathway Lending's Energy Efficiency Loan Program provides Tennessee business and non-profit entities with below-market loans for energy efficiency and renewable energy improvements. The shared savings option allows organizations to pay off the loan over a 10-year period with 50% of the money due to RE/EE projects, while retaining the remaining 50% (most common for projects with a two-year simple payback and a four-year loan term). All costs related to the loan may be financed, including loan fees, assessments, design, equipment and installation.
TN	State Loan Program	State Loan Program	The Tennessee Department of Economic & Community Development offers low-interest loans of up to \$300,000, with terms of up to 7 years, for energy efficiency projects and other projects shown to save energy or decrease energy demand. Businesses with fewer than 300 employees or less than \$3.5 million in annual gross sales or receipts are eligible. The loan is offered with a 0% interest rate for businesses in the Three-Star communities, and at a 3% interest rate for all others. Loans cannot be used for new construction or business start-up. All renewable energy technologies are eligible under the program's guidelines. In addition to low-interest loans, the Energy Division offers free audits and technical assistance.
TN	State Loan Program	Local Government Energy Loan Program	The Local Government Energy Efficiency Loan Program offers low interest loans to municipal and county governments for energy efficiency-related projects in courthouses, administration buildings, schools, maintenance facilities, and any other building owned by the city or county. Free energy audits and technical assistance is available to all local government institutions regardless of whether they borrow loan funds. Eligible projects can borrow up to \$500,000 at an approximate 3% interest rate

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KY	Corporate Tax Credit	Tax Credit for Renewable Energy Facilities	<p>In August 2007 Kentucky established the <i>Incentives for Energy Independence Act</i> to promote the development of renewable energy and alternative fuel* facilities, energy efficient buildings, alternative fuel vehicles, research &amp; development activities and other energy initiatives. For renewable energy facilities, the bill provides incentives to companies that build or renovate facilities that utilize renewable energy, which may include:</p> <ul style="list-style-type: none"> <li>• up to 100% of the Kentucky income tax or the limited liability entity tax;</li> <li>• sales and use tax incentives of up to 100%;</li> <li>• a wage assessment of up to 4% for associated employees</li> </ul>
KY	Corporate Tax Credit	Energy Efficiency Tax Credits	<p>In April 2008, Kentucky enacted legislation establishing a 30% state income tax credit for taxpayers that install certain energy efficiency measures on commercial property. The 30% credit (up to \$500) is allowable against individual, corporate income or limited liability income taxes for any of the following equipment:</p> <ul style="list-style-type: none"> <li>• Energy-Efficient HVAC or Hot Water System</li> <li>• Interior Lighting Systems</li> </ul>
KY	Corporate Tax Credit	Renewable Energy Tax Credit	<p>In April 2008, Kentucky enacted legislation establishing a 30% state income tax credit for certain solar, wind and geothermal installations on single or multi-family residences and on commercial property.* Kentucky corporate taxpayers may take the 30% credit on any of the following equipment installed on commercial property:</p> <ul style="list-style-type: none"> <li>• Active or passive solar space-heating systems</li> <li>• Combined active solar space-heating and water-heating systems</li> <li>• Solar hot water systems</li> <li>• Wind turbines</li> </ul>

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KY	State Loan Program	Green Bank of Kentucky - Energy Efficiency Loans for State Government Agencies	<p>Through the Green Bank of Kentucky, state agencies may be eligible for three separate energy loan products, depending on the proposed energy efficiency improvements:</p> <p><u>eSELF Revolving Loan</u>                      This loan is for energy efficiency projects costing between \$50,000 and \$225,000 that will result in at least a 20% energy reduction. Improvement projects funded under this loan will managed directly by the state agency.</p> <p><u>Hybrid Revolving Loan</u>                      This loan is for energy efficiency projects costing between \$50,000 and \$600,000. An energy audit or engineering analysis is required as well as a design and development package. The state agency is responsible for procuring materials and service.</p> <p><u>ESPC Revolving Loan</u>                      This loan is for comprehensive energy efficiency projects costing more than \$600,000 and that utilize an Energy Savings Performance Company (ESPC) or Energy Service Company (ESCO). A detailed industrial energy audits as well as cost-benefit analysis is required.</p>
KY	Local Loan Program	Mountain Association for Community Economic Development - Energy Efficient Enterprise Loan Program	<p>The Mountain Association for Community Economic Development (MACED) offers loans to small and mid-sized businesses, non-profits, schools and municipalities to improve energy efficiency through its Energy Efficient Enterprises program. Commercial loans can be used to purchase a wide-variety of equipment and to pay for energy efficiency upgrades and renewable energy installations. The micro-loans (up to \$10,000, paid back within 4 years) may be used for lighting upgrades and the purchase of energy efficient, ENERGY STAR appliances. The program is flexible; the loans are designed to finance energy efficiency projects that maintain a positive cash flow due to the resulting energy savings. MACED has an energy specialist on staff to provide technical assistance to businesses and/or building contractors. There is also financing available to pay for training, certification, travel and exams for installers of energy efficient and renewable energy systems.</p> <p>Commercial loans are made throughout MACED's service area, which includes 54 Appalachian counties in Kentucky.</p>

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W VA	Corporate Exemption	Tax Exemption for Wind Energy Generation	In March 2007, West Virginia enacted legislation ( <a href="#">SB 441</a> ) amending its tax law concerning the business and operation (B&O) tax for wind turbines. Although SB 441 increased the taxable value of wind turbine generating capacity, the taxation level is still significantly lower than that of most other types of electricity generation. For most types of newly constructed electricity-generating units, the B&O tax is calculated by multiplying a pre-determined dollar amount by 40% of the nameplate capacity rating of the generating unit. However, the B&O tax on wind turbines is multiplied by only 12% of the nameplate capacity rating. This results in an effective B&O tax rate on wind powered turbines that is about 30% of the effective tax rate of most other types of newly constructed generating units.
VA	Industry Recruitment/Support	Solar Manufacturing Incentive Grant (SMIG) Program	The Solar Manufacturing Incentive Grant (SMIG) Program offers up to \$4.5 million per year to encourage the production of photovoltaic panels in Virginia. The incentive is paid at a rate of up to \$0.75 per watt for panels sold in a calendar year, with a maximum of 6 MW. New manufacturers that meet certain production and other criteria are eligible to receive annual incentive grants for six years.
VA	State Loan Program	Commonwealth's Energy Leasing Program	Lease financing administered by the Department of Treasury provides funding for energy efficiency projects in state facilities operated by agencies, authorities and institutions of the Commonwealth of Virginia. The Energy Leasing Program allows for the purchase of services and equipment required to develop, design, and install an energy efficiency project. Agencies can finance energy projects at a minimum of \$100,000 and will make repayments over 12 or 15 year terms. The funds can be used to finance projects with relevant energy efficient technology, such as lighting and motor efficiency upgrades, building envelope enhancements, distribution system improvements, energy management controls and renewable energy systems.
VA	State Loan Program	Commonwealth's Master Equipment Leasing Program	Lease financing administered by the Department of Treasury provides funding for energy efficient equipment and projects in state facilities operated by agencies, authorities and institutions of the Commonwealth of Virginia. The Master Equipment Leasing Program (MELP) allows for the purchase of services and equipment necessary for energy efficiency projects that reduce energy consumption and demand or allow the use of an alternative energy source. Agencies can finance energy projects at a minimum of \$10,000 and can make repayments over 3, 5, 7 and 10 year terms. MELP funds can be used to finance projects with relevant energy efficient technology, such as lighting and motor efficiency upgrades, building envelope enhancements, distribution system improvements, energy management controls.

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NC	Corporate Tax Credit	Renewable Energy Tax Credit	North Carolina offers a tax credit equal to 35% of the cost of eligible renewable energy property constructed, purchased or leased by a taxpayer and placed into service in North Carolina during the taxable year. The credit has been amended several times since its original inception. <a href="#">House Bill 512</a> of 2009 extended the eligibility to geothermal equipment, extended the expiration date to December 31, 2015, and allowed the credit to be taken against the Gross Premiums Tax. HB 1829 of 2010 further extended this credit to combined heat and power systems. The credit is subject to various ceilings depending on sector and the type of renewable-energy system. Renewable-energy equipment expenditures eligible for the tax credit include the cost of the equipment and associated design; construction costs; and installation costs less any discounts, rebates, advertising, installation-assistance credits, name-referral allowances or other similar reductions provided by public funds. The allowable credit may not exceed 50% of a taxpayer's state tax liability for the year, reduced by the sum of all other state tax credits.
NC	Industry Recruitment/Support	Renewable Energy Equipment Manufacturer Tax Credit	North Carolina provides a tax credit for costs incurred in the construction or retooling of a facility to manufacture renewable energy property or "a major component subassembly for a solar array or wind turbine". Eligible costs include construction and equipment costs specifically associated with the manufacture of eligible equipment. The credit is worth 25% of the eligible costs and must be claimed in five equal annual installments beginning with the year the facility is placed in service.
NC	NC GreenPower Production Incentive	Performance-Based Incentive	NC GreenPower, a statewide green power program designed to encourage the use of renewable energy in North Carolina, offers production payments for grid-tied electricity generated by solar, wind, small hydro (10 megawatts or less) and biomass resources.
NC	Duke Energy - Standard Purchase Offer for RECs	Performance-Based Incentive	Duke Energy is required by North Carolina's Renewable Energy and Energy Efficiency Portfolio Standard (REPS) to have 12.5% of their electricity sales in North Carolina come from renewable energy and energy efficiency by 2021. There is also a solar component to the requirement which calls for 0.2% of their total sales to come from solar technologies by 2018. The utilities can comply with the law by purchasing renewable energy certificates (RECs) where one REC represents one megawatt-hour (MWh) of electricity generated by a renewable resource.

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NC	Progress Energy Carolinas - SunSense Commercial PV Incentive Program	Performance-Based Incentive	Progress Energy Carolinas (PEC) offers incentives to non-residential customers in North Carolina and South Carolina for installing photovoltaic (PV) systems. PEC will pay \$0.18/kilowatt-hour (kWh) for the electricity and renewable energy credits (RECs) generated by the PV system for a period of 20 years. Participating systems may not net meter. Participants must sell all the electricity and RECs generated by the system, and purchase all the electricity their facilities consume. The RECs will help PEC meet the requirements of North Carolina's Renewables and Efficiency Portfolio Standard (REPS).
NC	Progress Energy Carolinas - SunSense Commercial Solar Water Heating Incentive Program	Performance-Based Incentive	Progress Energy Carolinas (PEC) is offering an incentive for their non-residential customers in North Carolina to install solar water heating systems. PEC will pay \$20 for each renewable energy credit (RECs*) generated by the solar water heating system for a period of 10 years. One REC represents one megawatt-hour (MWh) of electricity produced (or in the case of solar water heating, one MWh avoided) by a renewable energy source
NC	North Carolina Green Business Fund	State Grant Program	The North Carolina Green Business Fund, created in 2007, provides funding to North Carolina small and mid-size businesses, nonprofit organizations, state agencies and local governments to encourage the development and commercialization of "promising" renewable energy and green building technologies. Grants of up to \$500,000 are available for the development of commercial innovations and applications in the biofuels industry, sustainable building practices and private sector investment in renewable energy technologies. North Carolina-based businesses and nonprofits with fewer than 100 employees, as well as state and local governmental entities, are generally eligible. Grants in the green building sector may be awarded for innovation in areas of installation, certification or distribution of green building materials; energy audits; workforce development; and marketing and sales. For private sector investment in clean technologies, grants may target renewable energy deployment, biomass energy projects, waste reclamation for energy, implementation of energy efficiency technologies and clean distributed generation infrastructure improvements. Grants are also available for the development, production and distribution of biofuels in North Carolina.

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NC	Energy Improvement Loan Program (EILP)	State Loan Program	North Carolina's Energy Improvement Loan Program (EILP) is available to businesses, local governments, public schools, community colleges, and nonprofit organizations for projects that include energy efficiency improvements and renewable energy systems. Loans with an interest rate of 1% are available for certain renewable-energy and energy-recycling projects. Eligible renewable-energy projects generally include solar, wind, small hydropower (less than 20 megawatts) and biomass. Loans with a rate of 3% are available for projects that demonstrate energy efficiency, energy cost savings or reduced energy demand. Energy conservation projects usually include improvements to HVAC systems, energy management controls, high efficiency lighting and building envelope improvements. Loans are secured by bank letter-of-credit (non-applicable for local governments and school systems). The Energy Improvement Loan Program statute states that the program must show that the value of the loan can be repaid from the direct utility cost savings. EILP is focused on the utility cost savings resulting from energy conservation strategies or reduced energy consumption as a result of energy generated by a renewable energy system.
NC	Local Option - Financing Program for Renewable Energy and Energy Efficiency	Local Loan Program	North Carolina enacted legislation (H.B. 1389) in August 2009 that authorizes cities and counties to establish revolving loan programs to finance renewable energy and energy efficiency projects that are permanently affixed to residential, commercial or other real property. A revolving loan program generally refers to a loan fund, where the loan repayments and interest are fed back into the fund. In this way, the loan can, in theory, continue indefinitely. HB 1389 allows cities and counties to fund their loan programs through Energy Efficiency and Conservation Block Grants from the federal government and the city's or county's unrestricted revenue. By law, the resulting loan programs may not charge more than 8% interest, and loan terms are limited to 20 years.

NOTE: This is a sample of tax credits and incentive programs. Many states also have short term programs available funded by the American Recovery and Reinvestment Act.

Source: DSIRE database (Database of State Incentives for Renewables & Efficiency). For more information on all programs, please visit site at: [www.dsireusa.org](http://www.dsireusa.org)

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<sup>i</sup> The TVA Generation Partners Program is also available in Virginia, Kentucky and North Carolina