

Energy Tax Incentives

Energy-saving technologies can also help growers save during tax time.

by **STEPHANIE E. BURNETT** and
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MANY growers tightened their belts this winter to conserve fuel and money. If your bottom line suffered because of high energy prices this year and you are considering purchasing new technology to save fuel and money, one additional saving to consider is tax reductions. New federal, and in some cases state tax laws, allow commercial greenhouse growers who invest in energy saving technologies to apply for certain tax incentives.

Federal legislators initiated several energy tax incentives in the Energy

Policy Act passed in 2005. These incentives apply to commercial businesses, including greenhouses. Federal tax incentives include both tax credits and tax deductions. Those incentives differ because deductions reduce taxable income and hence, total taxes due. Tax credits, on the other hand, are subtracted from the total amount of taxes due but do not reduce taxable income. Both are beneficial, but a tax credit is worth more than a tax deduction because the credit reduces tax dollar-for-dollar, while a deduction reduces the tax load by only a percentage.

Deductions

Growers who make extensive

changes to existing greenhouses would qualify for deductions. A grower who installs energy saving technologies that reduce energy costs by 50 percent or more qualifies for federal tax deductions. Energy saving technologies include anything that reduces heating, cooling, lighting and ventilation costs. The savings from these technologies are additive and don't have to represent one large purchase. For example, upgrading from a single- to double-poly covering typically reduces energy use by 35 percent. To increase energy savings further, installation of reflective insulation may save up to another 10 percent and installing a porous energy curtain could further save up to 20 per-

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cent, according to John Bartok's book, "Energy Conservation For Commercial Greenhouses." The combined energy cost reductions from these upgrades could reduce heat use (and energy costs) by more than 50 percent and therefore qualify for tax deductions. Deductions will be calculated as \$1.80/ft² of the upgraded building.

Even smaller scale upgrades may qualify for federal energy tax deductions. Reducing your energy costs by 16 ⅔ to 49 percent will qualify growers for a smaller deduction of \$0.60/ft². If you want to start small by just installing a porous energy curtain, you would still qualify for the smaller tax deduction. If you have or plan to upgrade your greenhouse and wish to qualify for federal tax deductions, you must receive certification from a "qualified individual" that your

upgrades will reduce energy costs by between 16 ⅔ and 50 percent. This certification must be kept on record, but it is not submitted with tax forms. For more information and ideas concerning energy saving greenhouse technologies, refer to John Bartok's book. "Energy Conservation for Commercial Greenhouses NRAES-3," which may be ordered from www.nraes.org. Several resources for greenhouse energy conservation are available at www.hrt.msu.edu/Energy/Default.htm.

Credits

The other federal tax incentives are credits – monetary "credit" for purchases of energy saving devices or equipment. If you purchase new technologies, you may recover some of those expenses through credits on your taxes. Credits are typically given for smaller upgrades that reduce energy costs by less than 16 ⅔ percent. For greenhouse growers, examples of qualifying energy saving equipment would include insulating materials that growers may install over fans or portions of greenhouse walls, construction costs of new or renovated energy-efficient buildings or greenhouses, or installation of solar heating units. Improving the efficiency of your greenhouse in smaller ways would qualify growers to redeem 30 percent of those expenses with no maximum cap. Purchases or improvements must be made before Dec. 31 and would be credited in the 2007 tax year.

Each state may offer additional exemptions. For descriptions of all the specific state tax incentives, visit www.dsireusa.org/.

Do you have an innovative idea you would like to share with growers related to reducing energy costs? Let us know! Contact Stephanie Burnett (sburnett@maine.edu) or Lois Berg Stack (lstack@umext.maine.edu) with your stories, inventions and creative solutions. **GG**

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