

Business

Tue. 02.17.09

ASK A LAWYER

Thinking solar? Plenty of incentives

Q. Can I use solar energy to save costs for my business?

Businesses and property owners can use solar systems to reduce their annual energy expenses and even generate income. The cost of installing these systems is significant. However, there are a number of incentives from federal and state governments that reduce the upfront costs of solar-system installation and generate money for many years after the initial repayment period.

For upfront costs, the Federal Investment Tax Credit (FITC) provides a 30 percent tax credit for solar-energy systems, so that you can take 30 percent of the cost of the solar system as a credit against taxes you would other-

wise have to pay. The tax credit was recently extended for eight years. Front-loaded depreciation is another significant tax incentive. In northern New Jersey, PSE&G's solar-loan program may provide financing for 40 percent to 60 percent of the cost of installing a solar system that can be repaid in cash or with credits for energy produced.

Government incentives also make the use of solar systems more profitable. New Jersey is transitioning from a system of rebates to encourage solar-system installations to a system of "solar renewable energy certificates" ("SRECs") based on the amount of energy produced by the system, which can be sold, traded and, in

some cases, used to repay loans for installation.

"Net metering" also creates economic benefit because it allows a solar-system owner to earn money for any excess power the system generates and returns to the electrical grid. Having solar power reduces operating costs by reducing or eliminating the need to buy electricity from the utility.

Businesses can take advantage of these incentives directly or they can lease the solar system from a third party under a power purchase agreement. In that arrangement, the business avoids upfront costs, agrees to buy power at a discounted rate and passes the incentives to the third party. It is advisable for businesses to consult

with legal professionals when entering into contracts with installers and power purchase agreements.

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Do you have a business question for a lawyer? E-mail businessnews@northjersey.com.