

Top 5 Energy Tax Credits for Businesses

Tax credits give a dollar-for-dollar reduction on your business's tax liability and are an effective way to decrease the taxes you pay, leaving you more profit to put back in your business. There are several notable tax credits and deductions related to green energy opportunities.

1. The Energy Property Investment Tax Credit (ITC)

This credit allows those who install eligible commercial property and meet prevailing wage and apprenticeship requirements to be eligible to receive a 30% tax credit.

Eligible property includes solar technologies, fuel cells, wind turbines, geothermal systems as well as other types of energy property.

In 2025, this credit will be replaced by the Clean Energy Investment Credit.

2. Accelerated Depreciation on Energy Tax Credits

Accelerated depreciation allows businesses to deduct some asset costs more quickly. Energy accelerated depreciation tax credits afford the ability to write off as much as 85% on green asset investment across tax years. With this expedited timeline, businesses can more readily afford the purchase of technology like solar panels.

3. Section 179D – The Energy Efficient Commercial Buildings Deduction

This deduction is allowed for the cost of “energy efficient commercial building property” placed in service. This deduction is capped based on the square footage of the building and an applicable dollar rate.

“Energy efficient commercial building property” includes building envelopes, interior lighting systems, HVAC, or hot water systems designed to reduce energy consumption.

For 2022, this deduction provides up to \$1.88 per renovated square foot in deductions when the newly installed energy efficient property reduces the energy and power costs by at least 50% or more in comparison to a reference building.

Starting in 2023, if a qualifying building increases its efficiency by at least 25% (as compared to a reference building), the business may be eligible for a deduction ranging from 54¢ to \$5.00 per square foot.

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4. Incentives for “Clean” Fuel and Vehicles:

They include the

- **Qualified Alternative Fuel Vehicle Refueling Property Credit** which allows a credit equal to 30% of the cost of any qualified alternative fuel vehicle refueling property, like a charging port for a battery-powered car, placed in service during the tax year. This credit is limited to \$100,000 for depreciable property (for property placed in service before 2023, this limitation is \$30,000 instead) and \$1,000 for non-depreciable property.
- **The Low Sulfur Diesel Fuel Production Credit** gives small businesses involved in the production of low sulfur diesel the ability to claim a credit of 5¢ per gallon of low sulfur diesel fuel produced, up to a maximum of 25% of the refiner's qualified costs. Qualified costs are costs paid or incurred during a specified period to comply with the Highway Diesel Fuel Sulfur Control requirements of the Environmental Protection Agency or EPA.
- **Commercial Clean Vehicle Credit** - New credit for 2023 that allows up to \$7,500 for qualifying vehicles weighing less than 14,000 pounds or up to \$40,000 for qualifying vehicles over 14,000 pounds. Vehicles must meet critical minerals requirements and specific battery component requirements to qualify.

5. Energy Efficient Home Credit

Eligible contractors may claim a credit for each qualified energy-efficient home sold or leased to another during the tax year for use as a residence. The credit is based on the energy-saving requirements of the home.

For 2022, the credit is \$2,000 (or \$1,000 for certain manufactured homes). The Inflation Reduction Act modified the credit starting in 2023 with credit amounts ranging from \$500 to \$5,000 depending on the energy-efficient components of the house and, for multifamily dwellings, whether prevailing wage and apprenticeship requirements are satisfied.

You may be able to take advantage of these tax credits, as well as other business tax credits. Talk with your tax advisor and create a plan to maximize your tax savings opportunities.

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