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## **By James Dumas: Solar 30% Tax Grant - Still within reach...until 12/31/11**

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There continues to be huge interest in Solar Photovoltaic (PV) systems in Massachusetts and throughout New England. One of the big drivers has been the 30% 1603 Treasury Grant Program (<http://www.treasury.gov/initiatives/recovery/Pages/1603.aspx>) which allows for a cash payment in lieu of tax credits. As you might suspect, "Cash is King"; so many business owners have been pursuing this option when financing their solar PV systems. However, the Grant program is set to expire at the end of this year - 12/31/2011. While the 1603 program was extended by Congress last year and the solar industry is obviously supporting extending it again, the political climate is uncertain and currently not favorable.

The good news is that there is a way to capture the Grant without having the project actually completed during 2011. There is a "safe harbor" provision within the program which allows a system owner to start the project during 2011 and retain the ability to apply for the 1603 Grant into 2012. There are regulations concerning how this application can be done and certainly consult your tax advisor for official guidance.

At a high level, the system owner needs to do three things:

- 1) sign a valid contract (see the Treasury's Guidance document on the website),
- 2) before 12/31/11 either pay or incur 5% of the cost OR commence physical work of a significant nature, and
- 3) track invoices for use at submission of the Grant application. Paying or incurring 5% of the system cost by the end of this year is very doable by prospective system owners. If there is a contingency that is out of control of either party, such as an issue with interconnecting to the utility company, for instance, that situation is "ok" to have included in the contract. The guidelines are promoting real projects and allowing owners to still capture the 30% Tax Grant even though their project will not be fully completed in 2011. This component of the financial model for solar PV systems has played a big part over the past few years.

In addition to the 1603 Treasury Grant Program, owners of systems in Massachusetts can also benefit from Net Metering and the generation and sale of Solar Renewable Energy Certificates (SRECs). The SREC program started in 2010 and will continue into 2012 and beyond until certain state mandated goals are reached. Knowledge of how all of these programs work together is a key part of maximizing your financial and environment benefits of solar PV.

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