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Save energy and juice up your bottom line

Amid soaring electricity prices, small firms that invest in renewable energy can qualify for subsidies, rebates and incentives.

By Jessica Seid, CNNMoney.com staff writer

June 28 2006: 11:57 AM EDT

NEW YORK (CNNMoney.com) -- Who wouldn't want to help the environment while increasing the value of their business and lowering their expenses?

For entrepreneurs, there are some serious economic advantages to getting environmentally friendly.

For starters, businesses can qualify for federal tax credits by purchasing fuel-efficient hybrid cars and energy-efficient appliances and products, thanks to the Energy Policy Act of 2005 (EPACT).

Some businesses are also eligible for utility or state rebates, as well as state tax incentives for energy-efficient workspaces, cars and equipment.

Let the sunshine in

Got an eye on a Prius? Businesses that buy or lease a new hybrid gas-electric car or truck are eligible for an income tax credit of \$250 to \$3,400 per vehicle - depending on its fuel economy and weight. Hybrid cars that use less gas than average cars and meet an emissions standard qualify. There is a similar credit for alternative-fuel and fuel-cell cars.

Meanwhile, businesses can get tax credits and state rebates by building energy-efficient offices or improving the energy efficiency of existing commercial buildings. But for many small businesses, installing a renewable energy system is no small task.

Eligible equipment includes geothermal heat pumps, solar panels, solar hot water systems and wind energy. Some options are best incorporated in new buildings, while others can be added to an existing building.

It helps that through Dec. 31, 2007, businesses that install qualified fuel cell power plants can qualify for a 30 percent tax credit from the government for the purchase price. They can also get a 10 percent credit for qualifying stationary microturbine power plants and a 30 percent credit for qualifying solar equipment.

There is also a tax deduction for energy-efficient commercial buildings that reduce annual energy and power consumption by 50 percent compared to the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) 2001 standard.

The deduction is equal to the cost of energy-efficient property installed during construction, with a maximum deduction of \$1.80 a square foot of the building.



On top of that, many states offer rebates or tax breaks that subsidize up to 50 percent or more of the cost of renewable energy systems.

Some states offer much more generous incentives than others. You can find out specifics for each state on the DOE's Office of Energy Efficiency and Renewable Energy [Web site](#).

New Jersey and California are widely believed to have the best programs in the country. In New Jersey, for example, rebates can cover up to 60 percent of a solar power system's cost.

"New Jersey's Clean Energy Program can help small businesses reduce their up-front costs to allow them to invest in energy efficiency and solar energy technologies," said Jeanne Fox, president of New Jersey's Board of Public Utilities.

"By taking advantage of the suite of tax incentives, rebates and credits in New Jersey, small businesses can get ahead of the energy curve," Fox added. "The energy savings will last over the life of the technologies and in the case of solar, businesses can realize a payback in ten years or less."

And once the system is in, the perks heat up.

Green goes a long way

Although there are different rules for different states, a business that is generating power from a renewable energy source can trade "Green Tags" or renewable energy certificates (RECs) in wholesale and voluntary retail markets, and reduce their energy bill significantly.

In New Jersey, for example, businesses that use solar energy can sell the excess power generated to their local power company by trading solar renewable energy certificates, or SRECs.

Dave Chandler, chief engineer at Garden State Solar, a firm that installs solar panels on commercial buildings, calls the program "a really good kicker for the customer."

In addition, any excess power generated gets put back on the grid, which offsets the cost of the power you draw from the grid, and also helps the planet too.

So while the economic advantages are there, it's also an opportunity to "take some action to alleviate our own pollution," said Michael Eckhart, president of the American Council on Renewable Energy. "It's not just a feel-good thing, it's our social responsibility."

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