



Tax credit extension brightens solar outlook

Bush veto, however, would make systems too costly for most

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Homeowners mulling the purchase of solar energy systems might want to wait a few months - or maybe not.

The House on Friday passed an energy bill that would eliminate a \$2,000 cap on the tax credit homeowners get for installing solar panels and other solar equipment. The Senate passed its version Wednesday.

But the White House has threatened to veto the House bill over its funding mechanism, and opponents have called the bill a dead end. Should President Bush veto the energy bill without a challenge by Congress, the credit will expire Dec. 31.

"Essentially they all agree on the solar aspect of it," Monique Hanis, a spokeswoman for the Solar Energy Industry Association, said before news of Friday's action. "I think we have a good chance, but time's running out."

House Ways and Means Committee Chairman Charles Rangel, D-N.Y., said Friday it was "shameful" that the Senate would give the House a take-it-or-leave-it ultimatum on the tax package. "They shouldn't have the arrogance of saying they aren't even going to look at it."

Rep. Dave Camp, R-Mich., said Democrats should face the reality that their bill "will never actually deliver the tax relief it is promising . . . and it will never be enacted into law."

U.S. Rep. Gabrielle Giffords, D-Ariz., introduced a bill earlier this year to extend the credit. That bill never passed, but Thursday she urged the House to pass the bill.

"Solar power is clean, domestic and renewable. It is going to bring us closer to energy independence, and it will provide powerful economic benefits across our great nation," Giffords said on the House floor.

The House voted 226-166 Friday morning to extend billions in tax credits for renewable energy.

Without the credit, the price of a solar system is out of reach for many homeowners. The loss of such incentives would double the net cost of a solar water heater, a common entry-level system.

After rebates and tax credits, such a system now costs about \$1,500. Without the federal credit, that cost is more than \$3,000.

The benefits under the Senate bill would be dramatically better for high-end residential solar investors. For solar panel systems that often cost \$30,000 or more, the credit would go from the current cap of \$2,000 to more than \$10,000.

Under the \$2,000 cap, the credit is not really a factor for those consumers, said Kevin Koch, owner of Technicians for Sustainability, a local solar equipment dealer.

"The extra \$2,000 isn't going to make or break that system," Koch said.

Mohyeddin Abdulaziz, 61, recently put solar panels and a solar water heater on his home near North Craycroft Road and East Pima Street. His systems cost about \$38,000 combined, making the tax credits just under 10 percent of his cost.

"The tax credit is not that great. The most important incentive is what TEP provides," said Abdulaziz, director of information technology for the University of Arizona's James E. Rogers College of Law.

Tucson Electric Power's rebate - \$3 per kilowatt of power generation, or about 40 percent of the cost for most customers - was \$17,000, he said.

The state credit is 25 percent of the purchase price up to \$1,000. That credit applies to any "direct use" of solar energy, including active and passive water heaters, photovoltaic cells and skylights, said Katharine Kent, owner of The Solar Store, another solar equipment dealer.

The state credit is set to expire in 2012, but it has been extended numerous times since it began in the 1980s. Kent has never heard of any legislator opposing it.

With the federal credit set to expire, business has picked up for Koch. His company is booked solid through the end of the year.

"Everybody's rushing," he said.

Businesses are also watching. Millions of dollars in investment are on hold, and many projects would likely be canceled if the business credit - 30 percent of the investment with no cap - were to expire.

A study funded by an arm of the Solar Energy Industry Association found that extending the credits for businesses would create 440,000 jobs by 2016. Arizona would get 19,000 of those jobs, the study said.

"No state has more to gain from passage of these tax credits than Arizona," said Giffords spokesman C.J. Karamargin.

Extending the credits would also spur \$232 billion in investments, the study claimed.

Much of that money would be spent on major projects - some of which are on ice while investors wait to see what Congress will do, Hanis said.

The Arizona Corporation Commission gave its approval Thursday for Arizona Public Service Corp.'s planned solar farm near Gila Bend. That project would evaporate without the tax credit, Karamargin said.

Tax credits for homeowners and business owners have helped the solar energy industry grow in recent years. During 2007 alone, solar equipment manufacturing grew 74 percent in the United States, Hanis said.

The Solar Store, which opened in 1999, has had a steady rise in the number of homeowners and builders using solar, Kent said.

But the supply of solar panels has slowed to a trickle because manufacturers didn't want to build stockpiles that would sit idle if the credit ends, Koch said.

That slowing of supply while demand rose drove the price of the panels up in recent months, he said.

The credits are vital because they help keep costs down, Abdulaziz said.

"We all agree solar is good, but how do you make this available to the average person?" he asked.

Tax credits are an answer, he said.

In the final analysis, most people don't install solar panels to save money. Abdulaziz expects to cut his \$250 electric bill in half, but it will still take 10 years to get back his investment.

"The most important thing is the environmental benefits. It's our little contribution toward making the world a better place for everyone."