

On August 1, 2008, Congressman McCarthy introduced the Spurring Our Limitless and Abundant Renewable (SOLAR) Energy Act of 2008 (H.R. 6818), which will help folks purchase solar panels for their homes.

Current Law

Since introduction of the SOLAR Energy Act, Congress has enacted the financial bailout bill, which included provisions that extended the 30% residential solar investment tax credit through 2016 and eliminated the cap of \$2,000. The financial bailout bill also made the credit claimable against the AMT.

Prior to enactment of the financial bailout bill, individuals could claim a credit for up to 30% of what the solar array panel cost them, capped at \$2,000. Many folks have indicated this credit did not make solar panels, which can cost upwards of \$50K, cost-effective.

SOLAR Energy Act Summary

The SOLAR Energy Act would create a temporary enhanced residential solar tax credit that expires at the end of 2009. The bill would repeal the \$2,000 cap and allow the credit to be claimed against the Alternative Minimum Tax. It would also create a stepped credit size, where the size of the credit claimable increases based on the potential offset (i.e. behind-the-meter electricity generated by the solar panels) to the homeowners' average monthly electrical usage. The credit size would be:

- 30% for arrays that offset up to 25% of the purchaser's monthly average electrical usage;
- 35% for arrays that offset between 26% and 50% of the purchaser's monthly average electrical usage; and
- 40% for arrays that offset more than 51% of the purchaser's monthly average electrical usage.

The bill requires the homeowner's past 12 months of electricity usage, which is generally included on monthly utility statements, to be averaged in order to calculate a home's "average monthly electrical usage" per the bill. This number would then be used to determine the potential offset a solar panel system would provide a home and, subsequently, which credit allowance (30%, 35%, or 40%) the homeowner could claim.