



FEDERAL TAX CUT AND JOBS ACT FACT SHEET

New Lower Tax Rates and Higher Depreciation Substantially Increase ROI and Value of On-Site Solar Power For Your Company

Under the recently enacted Federal Tax Cut and Jobs Act, business owners can now depreciate the entire cost of an on-site solar power installation in the first year of operation, for any solar power generation equipment put into service after September 27, 2017.

Solar power installations can now be written off at their full 100% cost within one year, compared to the prior depreciation rate of 50% in the first year, which was followed by yearly writeoffs over 5-1/2 years using typical Modified Accelerated Cost Recovery System (MACRS) depreciation schedules.

NEW TAX AND DEPRECIATION RULES INCREASE ON-SITE SOLAR POWER ADVANTAGES TO BUSINESS OWNERS

When combined with the new reductions in corporate tax rates from 35 to 21 percent, this full depreciation provides substantial incentives for businesses to consider putting a solar array into service this year.

Since depreciation is an expense that lowers a company's taxable profits, and since most business owners prefer to reduce their short-term tax liability, new solar power installations can provide immediate financial benefits. This shorter depreciation schedule, combined with lower corporate tax rates, increases the immediate financial benefits (both Return on Investment and Net Present Value) on most typical solar installation projects.

The previous 30% Federal Investment Tax Credit (ITC) for solar implementations is still included under these new tax rules, allowing for additional tax savings. The ITC, combined with state and local incentives, provides even greater savings for solar projects.

IMMEDIATE TAX SAVINGS AND LONG-TERM ENERGY COST SAVINGS FROM ON-SITE SOLAR POWER

- **Solar makes economic sense:** Even more important than these immediate tax savings, a well-engineered solar installation provides substantial savings on electricity costs compared to utility-generated power, enabling users to pay a lower electricity rate for the long lifetimes of these systems—25 years or more.
- **A variety of financing options** (see next page), some with no up-front costs, are also available to enable owners to finance a solar implementation. These financing options allow a company to pay a set, low monthly fee for the life of the system at a rate which is substantially lower than the company's cost for utility-generated power.

 SEE REVERSE SIDE FOR A SUMMARY OF SOLAR ENERGY FINANCING OPTIONS

Financing Options Available

Solar installations can be funded through one of three major options:

1. SELF-FUNDING: New 100% Depreciation Tax Rules Provide Substantial Tax Benefits

- Companies that finance their own solar installation can often receive the greatest savings, payback, and ROI benefits. Self-financing offers owners the greatest financial benefit from capital ownership and tax depreciation deductions.
- Under the new 2018 tax law, companies can now write off 100% of the capital costs of a solar power installation in the first year, which can provide substantial tax savings.
- These benefits are further enhanced when combined with the new, lower 21% corporate tax savings and 30% federal tax credit for solar installations, and various available state and local funding incentives.

2. LEASING: Financing With Tax and Depreciation Benefits

Companies also have the option of financing their solar installation under either a capital or operating lease option:

- Under a capital lease, the company's lease payments are applied to the total cost of the solar installation. At the payoff of the lease period, the company then owns the solar installation outright.
- Under an operating lease, companies make lease payments over a 7-10 year term, with a residual payment at the end of the lease term.

3. POWER PURCHASE AGREEMENT (PPA): Pay a Single Low Monthly Rate for the Life of the System

- Under a Power Purchase Agreement (PPA), a solar installation is financed by a third-party investor group, who owns the installation and sells power to you at a rate that is lower than the rate you now pay for utility-generated power.
- With the PPA option, company owners gain the benefit of a solar implementation without bearing any out-of-pocket costs, in exchange for agreeing to buy solar power under the PPA for the lifetime of the agreement, usually 25 years.
- A PPA also transfers all maintenance costs and other risks away from the company using the system to the third-party owner of the solar installation. The third-party owner then bears the risk of providing the solar power available from the system to the company user, who only pays for the actual electricity they receive and use.
- Solar electric rates in a PPA are set at levels which are lower than electric utility rates, offering business owners immediate savings with no capital outlay, and stable, predictable energy rates for the lifetime of their solar implementation.
- Under the PPA option, companies may also receive tax and depreciation benefits, which are passed through by the solar implementation partner direct to the company.

HOW SOLAR CAN MAXIMIZE YOUR COMPANY'S ENERGY SAVINGS

An experienced and knowledgeable partner like GEM Energy is able to make solar power a viable and highly cost-effective savings option. GEM Energy's proper specification, engineering, and right-sizing a solar implementation allows you to gain maximum long-term savings. Additionally, we can help you select from a range of financing options to meet your needs, based on careful analysis of your energy costs and financial goals.



For more information or to talk with an on-site energy solution expert, contact:

 866.720.2700

 onsitepower@gogemenergy.com

 RLGbuilds.com