



FEDERAL TAX INCENTIVES For Commercial Geothermal Heat Pumps

Benefits of Tax Credit:

10% of total system cost with no limit
Combine with solar and wind tax credits
(1/2018 to 12/31/2021)

Eligibility:

Building located in U.S.
Original use begins with taxpayer
(Installed between 10/3/2010 and 12/31/2021)

WaterFurnace
Commercial Solutions

10% Federal Tax Credit

A 10% Federal Energy Tax Credit and 5-year accelerated depreciation deductions are available for costs associated with energy property using geothermal heat pumps, construction of which must begin before January 1, 2022. The geothermal equipment must be located in the United States and use the ground or ground water as a thermal energy source for heating or thermal sink for cooling. IRS Form 3468 can be used to claim the energy credit which may be used to offset both regular income taxes and alternative minimum taxes. If the tax credit exceeds the income tax liability, the loss can be carried back one taxable year and the remaining balance can be carried forward into future years. Contact your tax professional for more information.

Who's Eligible

Equipment that uses the ground or ground water as an energy source for heating and cooling a building is eligible for the tax credit. The structure must be located in the United States and only its owner can claim tax credits or depreciation deductions. After equipment is installed the taxpayer must take legal title of the equipment and have all necessary licenses and permits needed for its operation. If an owner can't use the tax credits, other options exist such as sale-leasebacks, partnership "flip" structures, or energy purchase contracts.

Who's Not

The credit can't be claimed for spending on equipment used for a purpose other than space conditioning, on previously used equipment, or on equipment that's used by tax exempt organizations like schools, government agencies, or charities. This also precludes tax-exempt entities from leasing energy property.

How to claim the Credit

Use IRS Form 3468 to claim the Energy Credit. The tax credit can be used to offset both regular income taxes and alternative minimum taxes (AMT). If the tax credit exceeds the income tax liability, the loss can be carried back one taxable year and the remaining balance can be carried into future years.



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