

# property Taxfacts

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## SPENDING "GREENBACKS" CAN NET YOU "GREEN" SAVINGS

*Commercial buildings account for about 40 percent of total primary energy usage in the U.S. Due to rapidly rising energy costs many organizations are focused on reducing their facilities' energy consumption. Green initiatives that reduce energy and waste can improve the bottom line through long term energy cost savings.*

*Of course to realize these long term savings a large up-front investment is often required. In order to help convince purchasers to overcome the relatively high front-end costs of energy efficient equipment many federal, state, and local governments are making incentives available. These programs serve to reduce the investment costs of acquiring and installing energy efficiency products and reward investors with tax credits, deductions, and allowances for their support of these products. Here's just some of the information we thought you might find interesting.*

### FEDERAL INCENTIVES

#### Business Energy Tax Credit

Corporations may receive credits ranging from 10% to 30% for the costs of equipment and related expenditures for energy efficient or renewable energy systems. Eligible technologies include: Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaic, Geothermal Electric, Fuel Cells, Solar Hybrid Lighting, Direct Use Geothermal, Micro turbines. To qualify, the original use of the equipment must begin with the taxpayer or it must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

#### Energy Efficient Commercial Buildings Tax Deduction

The Energy Policy Act of 2005 established a tax deduction for energy efficient commercial buildings applicable to qualifying systems and buildings placed in service from January 1, 2006 through December 31, 2007. This tax deduction was subsequently extended through 2008.

A tax deduction of \$1.80 per square foot is available to owners of new or existing buildings who install (1) interior lighting; (2) building envelope, or (3) heating, cooling, ventilation, or hot water systems that reduce the building's total energy and power cost by 50% or more in comparison to a building meeting minimum requirements.

Deductions of \$0.60 per square foot are available to owners of buildings in which individual lighting, building envelope, or heating and cooling systems meet target levels that would reasonably contribute to an overall building savings of 50% if additional systems were installed.

### STATE & LOCAL INCENTIVES

#### Sales Tax

Sales tax incentives typically exempt purchases of energy efficient or renewable energy equipment from the sales tax.

#### Rebate Programs

Illinois – 50% of the cost of developing an energy efficiency action plan and 50% of the cost of a technical assessment.

#### Grant Programs

California – Santa Monica local grant program: The Santa Monica Green Building Program offers financial incentives for buildings and innovative building technologies certified to Leadership in Energy and Environmental Design (LEED) standards. Grants for new private sector buildings are based on the level of certification attained under the LEED standards and range from \$20,000 - \$35,000.

Washington – King County local grant program: Private, nonprofit, and public projects are eligible to apply for grant awards based on the level of energy efficiency certification achieved. Eligible projects can receive a grant in the amount of \$15,000 for achieving a certification level of LEED Silver, \$20,000 for LEED Gold, or \$25,000 for LEED Platinum.

#### Property Tax

Nevada – Property Tax Abatement for Green Buildings: Buildings must earn either Silver, Gold or Platinum certification under Nevada's Green Building Rating System. Buildings which earn a Silver rating can receive a 25% property tax abatement, Gold can receive a 30% abatement, and 35% can be awarded to Platinum certificates. Abatement can last for no more than 10 years.

Indiana – Property Tax Exemption for Renewable Energy: systems that generate energy using solar, wind, hydropower or geothermal resources -- including geothermal heat pumps -- are exempt from property tax.

The entire renewable energy system and affiliated equipment, including equipment for storage and distribution, are exempt from property tax.

The exemption is allowed every year that a qualifying system functions.

Ohio – City of Cincinnati Green Building Property Tax

Exemption: The city of Cincinnati offers 100% tax abatement for 15 years (new construction) or 12 years (existing building renovations) for residential and commercial buildings constructed or renovated to meet LEED certification standards. The incentive is available for any building within

city limits and does not require a demonstration of financial need. Requires an agreement signed prior to the start of construction that must be approved by the City Council. North Carolina - Active solar heating and cooling systems may not be assessed at more than the value of a conventional system for property tax purposes. A system includes all controls, tanks, pumps, heat exchangers and other equipment used directly and exclusively for the conversion of solar energy for heating or cooling. Systems placed on residential, commercial and industrial property are eligible for this exclusion.

## Recently Passed.....



### In Kansas:

#### BOTA morphs into COTA

HB 2018 passed and signed into law effective 7/1/2008 abolishes the State Board of Tax Appeals (BOTA) and replaces it with the State Court of Tax Appeals (COTA). This will affect taxpayers who appeal their assessments to the State Level beginning with the 2008 assessments. Here are some highlights of the new law:

- COTA is an Administrative Law Court within the Executive Branch.
- Board members will be referred to as Tax Law Judges
- The Chief Hearing Officer, a new position appointed by the governor, can fill in as a judge *pro tempore*
- At least one of the COTA judges must be a CPA and one a lawyer.
- Votes of two judges are required for any final order of COTA

The small claims division of BOTA is renamed the “small claims and expedited hearings division” of COTA. The Chief Hearing Officer will appoint hearing officers to this division.

### In Indiana:

#### Township Assessors Eliminated

If you have property in Indiana, it's important for you to closely examine your upcoming assessment.

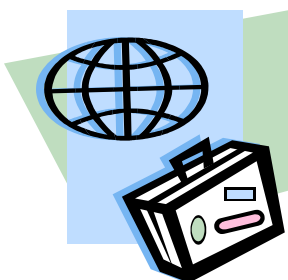
The State of Indiana has recently undergone a major property tax overhaul in which they have eliminated Township Assessors in counties with less than 15,000 parcels. In these counties, a County Assessor will administer the assessments. In counties with more than 15,000 parcels, voters will have the opportunity to choose between retaining Township Assessors, or moving to a system where a County Assessor will take over.

This process involves the transfer of numerous records from Township offices to County offices. It also means different individuals will be working on your property which may lead to unintentional errors. Taxpayers are responsible for examining their assessments and challenging any mistakes or values. Be sure to closely examine your new assessments. If you see anything questionable give us a call.

### In Idaho:

#### Repeal push ends in compromise

A push by businesses to get the state to eliminate the business personal property tax ended in compromise when the Idaho House and Senate passed HB599. The Governor signed it into law. Business wanted the tax repealed. The legislature debated but determined it would be too costly to repeal the entire tax. So, they passed this bill which exempts the first \$100,000 worth of business equipment starting in 2009 **but only if** annual state tax revenues grow by 5%. Estimates show that nearly 60,000 businesses could qualify for this exemption.



Have a Safe and Fun Summer!!