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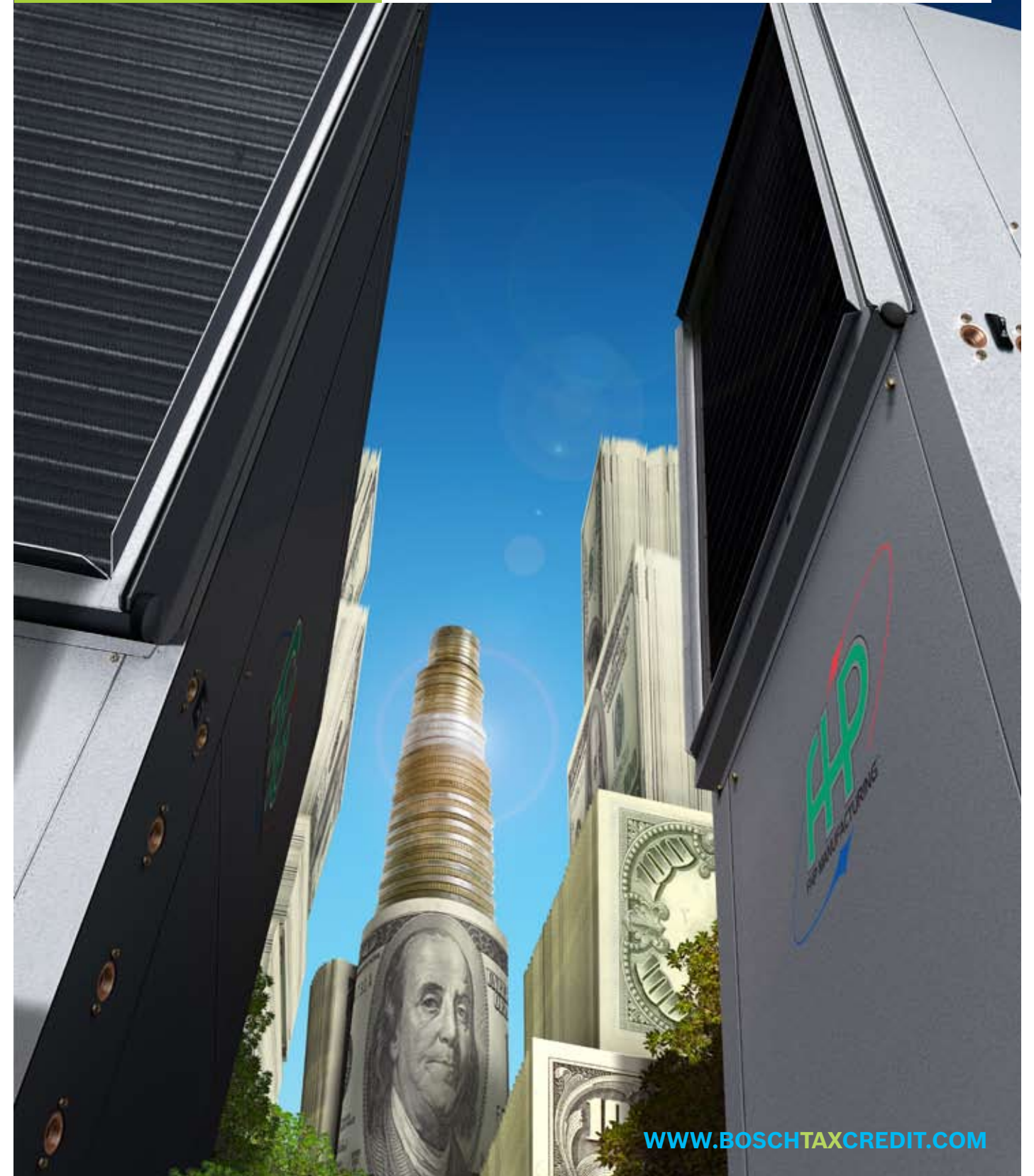
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GO GREEN

With Commercial Geothermal Heating And Cooling Incentives

As energy efficiency becomes an urgent national priority, new legislation qualifies geothermal heat pumps for federal tax credits as a renewable energy source.



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About Geothermal Heat Pump Opportunities

Geothermal heat pumps offer an immense opportunity to see immediate reductions in both heating and cooling costs for any building by harnessing the energy stored in the earth. Over time, a geothermal heat pump will pay for itself in energy savings, allowing companies to serve both their environmental interests and their bottom line simultaneously. New incentives make the payback period even shorter, meaning that a company can not only have the system pay for itself, but begin to profit from energy savings quicker as well. In October 2008, the U.S. Congress passed The Emergency Economic Stabilization Act of 2008 (H.R. 1424), extending the Investment Tax Credit (ITC) to include geothermal heat pumps installed after October 3, 2008 until 2016. A 10% credit of the installed costs against a company's taxes is provided for a geothermal heat pump. If the credit exceeds the tax liability, a loss can be carried forward for one year.

Available Government Incentives

Under U.S. Code Title 26, Section 48, 10% of the installed cost of a geothermal heat pump (minus any subsidies) is applicable for corporate tax credits as ITC. There is no cap on the amount of qualifying expenditures that can be used for the credit, nor a limit on the credit itself. No matter the installation cost, you will receive a 10% credit under this legislation.

Geothermal heat pumps are also eligible for Modified Accelerated Cost-Recovery, which provides for accelerated depreciation over five years. This means an even shorter payback period for the investment in renewable energy. Commercial geothermal heat pumps have not been included in the ENERGY STAR ratings; therefore, commercial units do not need to be ENERGY STAR rated to qualify for these incentives.

Direct Grant Funding

Financial support is provided in The American Recovery and Reinvestment Act of 2009 (H.R. 1), which was passed at the beginning of 2009. While providing incentives for commercial installations, the bill also takes into account that some businesses may not have enough tax liability to take full advantage of the program. In these instances, if a business would qualify for the tax credit, they can instead take a direct 10% of installed cost grant from the Treasury Department—which the administration will pay directly within 60 days.

Applying To You: Business Credit Examples

NEW CONSTRUCTION: A company spends \$950,000 to install a geothermal heat pump system in their brand new office building, which they move into in the 4th quarter of the year. **RETROFIT:** A company that has owned their building for five years installs a \$575,000 geothermal heat pump system, replacing boilers and putting in a ground loop, all of which goes operational in the 1st quarter of the year. **REPLACEMENT:** In the 3rd quarter of the year, a company with 20-year old heat pump system spends \$125,000 to upgrade to a more efficient FHP-Bosch Group system in their existing building.

	NEW CONSTRUCTION	RETROFIT	REPLACEMENT
Original Cost	\$ 950,000	\$ 575,000	\$ 125,000
Corporate Tax Bracket	40%	40%	40%
Depreciable Tax Basis	\$ 902,500	\$ 546,250	\$ 118,750
Credits*			
Investment Tax Credit	\$ 95,000	\$ 57,500	\$ 12,500
2010 MACRS Tax Benefits	\$ 18,050	\$ 76,475	\$ 7,125
2011 MACRS Tax Benefits	\$ 137,180	\$ 56,810	\$ 16,150
2012 MACRS Tax Benefits	\$ 82,308	\$ 34,086	\$ 9,690
2013 MACRS Tax Benefits	\$ 49,385	\$ 24,057	\$ 5,814
2014 MACRS Tax Benefits	\$ 39,493	\$ 24,057	\$ 5,368
2015 MACRS Tax Benefits	\$ 34,584	\$ 3,015	\$ 3,354
TOTAL TAX SAVINGS OVER 5 YEARS	\$ 456,000	\$ 276,000	\$ 60,000

Receiving Your Incentives

To qualify, a system must be placed in service after October 3, 2008 and no later than December 31, 2016. To collect this credit the taxpayer would need to complete IRS Form 3468. The form will need to be reviewed by the IRS, to reflect the addition of geothermal heat pumps as “qualifying equipment.”

There are no specific requirements for how the expense must be reported, however it would be helpful if the report clearly states “geothermal heat pump installation” on the contract or invoice. Please consult with a tax professional for more information on what incentive opportunities are available to you.

For information and support, please contact your FHP-Bosch Group representative. Information about specific incentive programs is available on the Database of State Incentives for Renewable Energy (DSIRE) at www.dsireusa.org and it's updated frequently. FHP-Bosch Group recommends the following references: IRS Title 26, Section 48(a); IRS Form 3468 and IRS Publication 946.

*State and local taxation rates may vary. Please consult a tax professional for information on specific benefits for your business. These numbers are for illustrative purposes only.