MITREX™

BUILDING-INTEGRATED SOLAR TECHNOLOGY

USA FEDERAL TAX INCENTIVES FOR PV SOLAR PROJECTS

Disclaimer:
This study is a summary of "**Guide to the Federal Investment Tax Credit for Commercial Solar Photovoltaics**" and does not imply or warrant any specific outcome of Mitrex Inc.'s engagement with government for the purposes of securing support under any given grant/tax incentive program.

FEDERAL OPORTUNITIES: Federal Investment Tax Credits (ITCs)

The US currently has an investment tax credit of up to 30% of eligible capital costs for qualified energy systems (including solar).

The federal Business Energy Investment Tax Credit (ITC) has been amended several times, most recently in August 2022. The table below shows the value of the investment tax credit for Solar PV technology by year. The dates are based on when construction begins:

SOLAR PV	Dec, 2021	Dec, 2022 - 2032	Dec, 2033	Dec, 2034
% OF ITC	26%	30%	26%	22%

** Property must begin construction by the specified dates to be eligible for the tax credit at the indicated levels.*
** The ITC has a recapture period of five years. If a project is sold in that five-year period, a portion of the ITC is subject to recapture.*

Federal Modified Accelerated Cost-Recovery System (MACRS)

Under MACRS, costs related to qualifying solar energy equipment is recoverable over a period of five years. For equipment on which an Investment Tax Credit (ITC) grant is claimed, the owner must reduce the project's depreciable basis by one-half the value of the ITC.

Over the 5-year depreciation schedule, a business may be able to recoup anywhere from 10-25% of the solar system's original cost using MACRS depending on a business's tax rate. If a project is eligible for the 30% ITC and the business receives a credit against the its tax liability, the project owner will be able to deduct 85% (100% – [30% x 0.5]) of the total system cost of the property through accelerated depreciation.

The 5-year MACRS schedule is as follows:

AFTER CONSTRUCTION	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
DEPRECIATION %	20%	32%	19.2%	11.5%	11.5%	5.7%

Example

- This example will consider a project consisting of a $1,000,000 solar PV system in 2023, with completion in 2025.
- This project is eligible for a 30% ITC, which reduces the tax liability by $300,000.
- Since this project is claiming the ITC, its depreciable basis will be 85% of the total project, or $850,000 (100% - [30% x 0.5]).

Depreciation Basis	Recovery Year	Depreciation %
$850,000*	Year 1 (2025)	20%
	Year 2 (2026)	32%
	Year 3 (2027)	19.2%
	Year 4 (2028)	11.52%
	Year 5 (2029)	11.52%
	Year 6 (2030)	5.76%

** assumes that the full $1M in expenditures would qualify as qualified expenditures*

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