



RENEWABLE ENERGY SOLUTIONS

The Modified Accelerated Cost Recovery System (MACRS)

What is the MACRS Depreciation Benefits of Solar Panels?

Established in 1986, The Modified Accelerated Cost Recovery System (MACRS) is a method of depreciating company assets in which a business' investments in real property, such as a solar PV system, is recovered over an accelerated period of time through annual deductions on federal taxes. "Depreciation" is the loss of value in real property that occurs over time, reducing your tax burden on profits. If your business is profitable and your solar was purchased by the business, then MACRS will be of great benefit to you.

Starting in 2018, qualifying solar energy equipment is eligible for 100% "bonus depreciation" in the first year. Since the business is also planning to take the 30% Investment Tax Credit (ITC) on their federal taxes, the owner must reduce the depreciation amount to 1/2 of the value of the 30% ITC. This means the owner can deduct 85% of their tax basis in the first year.

For example, if a solar PV system were to cost \$100,000, and the business owner is in the 21% federal tax rate, their MACRS for the solar PV system in the first year would be:

$$\$100,000 \times 85\% \times 100\% \times 21\% = \$17,850$$

There are a number of factors that must be considered and we can't cover each of them here. Consult your CPA to make sure you can take advantage of MACRS for your solar system.

More information:

<https://www.seia.org/initiatives/depreciation-solar-energy-property-macrs>

Contact us for a FREE solar survey today!
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