

Thank God for the...



INVESTOR MODEL OF FINANCING

To take advantage of the tax incentives available to commercial solar projects, investors may choose to structure a project as a business and form a Limited Liability Corporation (LLC). The LLC would enter into a lease with HCUCC for the rooftop space for the PV system and enters into a Power Purchase Agreement (PPA) with Blue Ridge Electric (BREMCO). Typically only one member of the LLC is an "active" member who manages the book keeping and other requirements and the remaining members are deemed as "passive". At the point when the system is fully depreciated, the LLC may then donate the system (writing off any remaining book value of the system as a final deduction which gives rise to tax benefits), or may sell the system to HCUCC at a negotiated price. This price is often a bargain purchase when compared to the fair market value of the system at that time.

Pro's

Investors get NC and Federal tax credits; some pay back from selling the power to Blue Ridge Electric (3 cents/Kwh) , and from equipment depreciation.

Can use accelerated equipment depreciation (MACRS)

HCUCC would get energy cost savings after the LLC partners donate the system to HCUCC.

Con's

Investors must have "passive income" (rental income or income from a business in which the investor is a silent partner) to take advantage of the NC and Federal tax credits and the equipment deductions.

Typically, the LLC is maintained for ~ 6+ years, while the investors try recoup 100% of their investment+ a small margin. The generated energy has to be sold to BREMCO directly at a fraction of retail cost. In this utility footprint, the rate is \$0.05 per kWh makes this difficult.

There are costs to establish and run the LLC: a CPA to keep books, file taxes, & issue K-1s, insurance for the system since it is not part of HCUCC, filing annual report of LLC (\$200), etc.

Only the one member of the LLC who does the managing (active member) can use the federal tax credit to offset active income. The remaining "Passive" members can only offset passive income (like rental income if they have any).

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DONOR MODEL OF FINANCING

This is probably the easiest way to go because we are already used to receiving donations and providing receipts, and the congregation is also used to providing donations. So on a practical level nothing is really changed. Currently the only real economic incentives for installing solar PV available are through tax deductions and tax credits. A typical home owner who purchased a PV system would pay for it out of pocket but then receive a 30% Federal tax credit and a 35% North Carolina tax credit. So if that PV system cost the home owner \$10,000, she would get approximately \$6,500 back at tax time.

However, the church is a tax-exempt entity and is not eligible for any tax incentives. Any donation made for the express purpose of paying for a renewable energy system qualify for the 35% NC tax credit, in addition to the standard federal charitable donation. In this way, donors can get back around 50% of their donation in tax credits and deductions, depending on their tax bracket and if they itemize. Additionally, and importantly, they also benefit indirectly by lowering energy costs for the church and demonstrating environmental leadership.

In Summary, Donors who contribute to the purchase of a HCUCC PV System:

1. Receive a North Carolina tax credit equal to 35% of their donation.
2. Can take the standard Federal charitable tax deduction (only applicable if you itemize).

Specific Info Regarding the North Carolina Renewable Energy Tax Credit:

- It is set to expire at the end of 2015 unless the General Assembly approves a bill (SB 447/HB 454) to extend it to 2020.
- The tax credit and charitable deduction cannot both be taken.
- Tax credit may not exceed 50% of a taxpayer's state tax liability for the year.
- Unused amount may be carried forward up to 5 years.
- \$10,500 maximum credit for solar PV.

Pro's

HCUCC (utility customer) is system owner and is eligible for "net-metering" thereby earning full retail rate for each kWh generated. Essentially the meter spins backward when we are producing more energy than we are using, which might be most sunny non-Sundays.

Church sees cost savings as soon as the system is installed (as opposed to waiting for 6+years).

Any donation amount is useful. All can participate even folks that are not church members who care about solar (think "NCGreenPower" contributors). Think of friends and relatives donating as a gift to you.

We can incorporate youth construction and involve many more folks in a "Solar-raising" event. What a fellowship event it will be!

Con's

Church has competing needs and must ensure the donations to solar don't dilute regular, everyday donations.