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FOSTERING ADVOCACY AND  
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## Renewable Energy Tax Credits

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For further information contact  
FACTS•MA  
contact@factsma.org

The federal business energy Investment Tax Credit (ITC) and renewable electricity Production Tax Credit (PTC)—corporate tax credits extended at the end of 2015 to support green energy production<sup>1</sup>—are important for the following reasons:

- When fossil fuels are burned they generate pollution, including emission of greenhouse gases, that imposes costs on society overall—costs that are not paid for by the producers and consumers of that energy.
  - Thus, fossil fuels benefit from an unlevel playing field.
  - Economists often argue for a price on pollution to level the playing field.
  - That can be done by taxing pollution, using a “cap and trade” system, or subsidizing green activities like renewable energy.
  - Tax credits are one way to provide these subsidies.
- The ITC subsidizes energy generated from solar, fuel cells, wind, geothermal, microturbines, and combined heat and power systems.<sup>2</sup>
- The PTC subsidizes energy from wind, geothermal, closed-loop biomass and solar systems built before 2017 and wind systems built in 2017 and after. PTC subsidies step down by 20% in 2017, 40% in 2018, and 60% in 2019.<sup>3</sup>

Tax credits have increased the production of renewable energy.

- One study estimated that a dollar of incentives per watt would increase residential solar installations by 0.5 to 1 kilowatt per thousand households<sup>5</sup>; another found a dollar per watt increases new residential solar installations by 50%.<sup>6</sup>
- In 2017, US solar capacity reached 47.1 GW.<sup>4</sup>

If tax credits expire, new renewable energy generation will be deterred.

- The tax credits are predicted to make renewable energy cost competitive with fossil fuels – a decade earlier than would happen otherwise.<sup>7</sup>
- The 2015 extension of the ITC and PTC tax credits are predicted to increase US utility-scale wind and solar by a total of 80 GW (440%) in 2017-2022.<sup>7</sup>
- When the UK cut feed-in tariffs (a different kind of subsidy on green energy) by 65% in 2016, solar installations slowed dramatically, with 74% fewer installations that year.<sup>8</sup>

There is much demand for these tax credits.

- In 2008 there was a threat of the expiration of the Investment Tax Credit; consequently, there was a surge in residential solar adoptions of 272% over the preceding year.<sup>9</sup>

## Sources

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