



## State Tax Energy Incentives



Dr. Bart A. Basi is an attorney, CPA, and the President of The Center for Financial, Legal & Tax Planning, Inc, a full service company specializing in financial, legal & tax matters. Basi is a nationally recognized author, lecturer, and advisor on how to structure deals to minimize taxes. Tax structure makes the difference between getting the deal done and watching the deal fall apart. Many of you may be familiar with Basi and the topics he covers in the *Financial, Legal & Tax Advisory* which may be read in various industry-specific trade publications.

### Introduction

In a previous advisory, federal tax incentives that encouraged energy efficiency and independence were discussed. Taxpayers who are taking advantage of the federal tax incentives may be equally as interested in taking advantage of state energy incentives as well. Twenty-two states have incentives for taxpayers to follow regarding energy efficiency and independence. This advisory will discuss eight of the state incentives.

**Arkansas** has a tax credit for 30% of the cost, including installation of equipment for use in the business of reducing, reusing, or recycling solid waste material for commercial purposes.

**Arizona** has a solar energy device income tax credit equal to 25% of up to \$1000 of solar energy device costs.

Homebuilders enjoy a tax credit of up to \$75 for each house in which they install a solar hot water plumbing stub or an outlet for recharging an electric vehicle. A corporate income tax credit is also allowed for the cost of installing a slow-filled vehicle refueling apparatus, including a tank.

**California** has a corporate and individual tax credit equal to the lesser of either 7.5% of the net cost paid or incurred by the taxpayer for the purchase and installation of a solar or wind energy system; or \$4.50 per rated watt of generating capacity of a solar system.

**Connecticut** supports an alternative fuel corporate income tax credit for amounts expended or incurred on alternative fuel vehicles, equipment, and related refilling or

Continued p 2

## A CASE STUDY

A US Bankruptcy Appellate Panel rewarded economic and emotional damages to a couple for illegal IRS collection efforts. The couple had previously filed bankruptcy and had part of their taxes discharged in the bankruptcy. The IRS then filed a claim for unpaid employment taxes. Numerous notices were sent out against the couple. After receiving a final notice of levy, the couple filed a

contempt motion in bankruptcy court against the IRS. The motion included a bill for legal and emotional distress in the form of a therapy bill. The court granted the couple legal fees and their

Continued on p 3



**The Center for Financial, Legal & Tax Planning, Inc.**

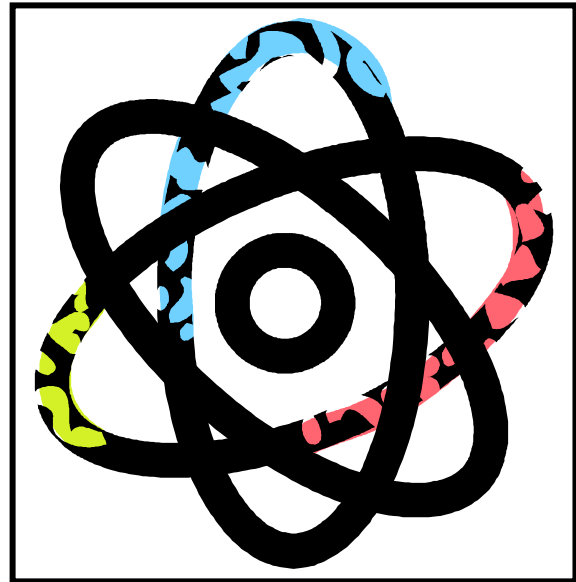
recharging systems. The amount is either 10% or 50% of the costs depending upon the type of expenditure.

**Colorado** has a corporate and individual income tax for alternative fuel vehicles and refueling facilities. The credit is applied against costs associated with converting vehicles to alternative fuel vehicles, including necessary components. There is also a plastic recycling technology credit of up to 20% for expenditures up to \$10,000 invested.

**Georgia** has a personal and corporate income tax credit equal to the lesser of 10% of the cost of the vehicle or \$2500 for any NEW low-emission vehicle, and the lesser of 20% of the cost of the vehicle or \$5000 for any NEW zero emission vehicle. There is also a credit for the conversion of conventionally fueled vehicles to low or zero emissions subject to a cap of \$2500 for each converted vehicle. Employers who provide federal qualified transportation benefits to their employees can receive a credit of up to \$25 per employee receiving the benefit per year.

**Hawaii** has a solar thermal energy system or photovoltaic energy system corporate and personal income tax credit of 35% of the actual cost or \$1750, whichever is less for single unit family property. The credit is limited to \$350 per unit for multi-family residential property and up to \$250,000 for commercial property. Wind powered energy also has a tax credit benefit (both personal and corporate) of 20% of the actual cost or \$1500 per unit for single family residences, 20% of the actual cost or up to \$200 per multi-family unit and 20% of actual cost or up to \$250,000 for commercial property.

**Kansas** has an alternative-fueled motor vehicle or alternative fueling station corporate income tax credit for owners and operators of a fleet of 10 or more motor vehicles. The average fuel consumption must be more than 2000 gallons a year. The credit is for up to 40% of the incremental cost or conversion cost of each vehicle up to \$2400 per vehicle. For each alternative fueling station, the credit amount is up to 40% of the total expended for each fueling station, but not to exceed \$160,000 for each station.



### Conclusion

As you can see, tax incentives which encourage energy independence and efficiency do not stop at the federal level. States have many valid reasons and agendas to support energy technology and energy savings. Watch for more advisories concerning state fuel incentive programs.

### Points of Interest

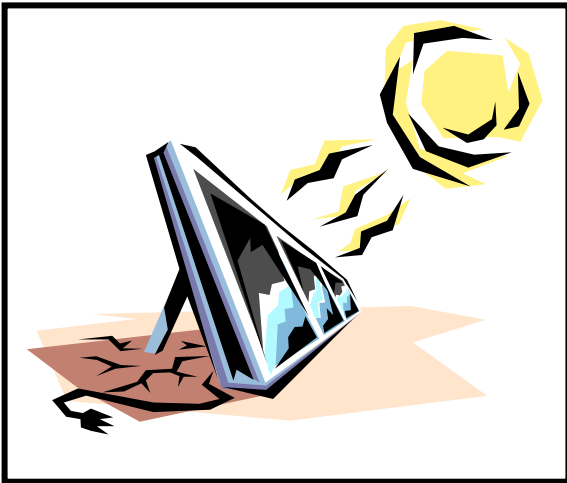
- ✓ Taxpayers who are taking advantage of the federal tax incentives may be equally as interested in taking advantage of state energy incentives as well.
- ✓ Twenty-two states have incentives for taxpayers to follow regarding energy efficiency and independence.

The Bradway Group—Tampa  
1101 Channelside Drive, Suite 290  
Tampa, FL 33602-3611

The Center For Financial, Legal & Tax Planning, Inc.  
4501 W. DeYoung St., Suite 200  
Marion, Illinois 62959

**Editor's Comment:** This is proof the IRS makes big errors. Once debts are discharged in bankruptcy, nobody can attempt collection against the discharged debts. To do so is illegal and the remedy is to reimburse the bankrupt for all fees and damages. It is a draconian penalty designed to protect the concept of bankruptcy.

The IRS will vigorously collect any debt that is owed. In this case, even though the debt was no longer collectible, the IRS still went after the taxes after it was proven the taxpayers did not owe the money. The IRS is staffed by humans who are prone to error. If you or your business is suffering at the hands of the IRS, be sure to call The Center for advice and counsel as needed.



The Bradway Group—Palm Beach  
824 US Highway 1, Suite 270  
North Palm Beach, FL 33408



### **Do I Need an Intermediary if I Already Have a Buyer?**

In many cases the answer is “No.” There is no legal requirement that a business must be sold through an intermediary, and indeed, many thousands of businesses are sold every year without one.

If the buyer is a family member or a trusted employee, and the value of the business is mutually agreed upon, and the seller is going to carry most of the financing, the sale may be structured and overseen by a closing attorney, who is acceptable to both parties.

On the other hand, if the seller needs to realize the maximum possible proceeds from the sale to fund retirement or other plans, and doesn't want to carry much of the financing, or if the buyer has a different opinion about the value of the business, then the seller may be well advised to engage the services of a qualified M&A advisor.

A qualified M&A professional can assist both parties in determining the fair market value of the business, and if need be, can set up a more competitive environment to attract other buyers based on the company's merits as an investment. A qualified M&A advisor can also assist the buyer in identifying possible sources of financing for the deal to minimize – or even eliminate – seller financing.

Finally, a qualified M&A advisor serves as a facilitator and a buffer in the sometimes awkward and time consuming negotiations, freeing the seller to stay focused on running the business, and minimizing the risk that key employees, customers and suppliers will learn that the company is for sale.

If you know of a business owner who's thinking of selling or buying a business and who might benefit from a free consultation with us, have them contact me, or any of the M&A professionals at [www.bradwaygroup.com](http://www.bradwaygroup.com)

Mike Ertel, CBI, M&AMI  
The Bradway Group  
813.299.7862 Direct  
[ertel@bradwaygroup.com](mailto:ertel@bradwaygroup.com)

The Center For Financial, Legal & Tax Planning, Inc.  
4501 W. DeYoung St., Suite 200  
Marion, Illinois 62959

*The Bradway Group—Palm Beach*  
824 US Highway 1, Suite 270  
North Palm Beach, FL 33408  
Phone: 561-776-8085  
Fax: 561-776-1844

*The Bradway Group—Tampa*  
1101 Channelside Drive, Suite 290  
Tampa, FL 33602-3611  
Phone: 813-864-6600  
Fax: 813-864-6601

The Center For Financial, Legal & Tax Planning, Inc.  
4501 W. DeYoung St., Suite 200  
Marion, Illinois 62959  
Phone: 618-997-3436  
Fax: 618-997-8370

Satellite Office:  
Longboat Key, FL 34228  
Phone and Fax: 941-383-3338



We're on the Web!

[www.taxplanning.com](http://www.taxplanning.com)  
[www.bradwaygroup.com](http://www.bradwaygroup.com)

## Frequently Asked Questions...

**Q1: I am a business traveler. What are the limits and rules concerning the deductibility of my meals?**

**A1: Meals are deductible only if your trip is overnight or long enough that you need to stop for sleep or rest. You must substantiate the meal costs or you can use the per diem allowances as provided in Publication 1542. Generally the meal deduction is limited to 50% of the cost.**

**Q2: Where can I find the per diem rates for foreign countries?**

**A2: The federal per diem rates for travel outside the country are published monthly in the Maximum Travel Per Diem Allowances for Foreign Areas. You can also access these rates at CONUS on the web.**

**Q3: My husband and I formed a business. Since we own the company together and are married, are we considered to be a sole proprietorship or a partnership for tax purposes?**

**A3: Due to a Revenue Procedure published by the IRS in 2000, a husband and wife team is not considered to be a sole proprietorship. If both spouses share profit together in a company, either one spouse can be an employee and draw an income or else the entity will be considered to be a partnership and the taxpayers will be required to fill in Form 1065 instead of a Schedule C with their annual return.**

If you no longer want to receive this e-mail publication, please send an e-mail to [mail@bradwaygroup.com](mailto:mail@bradwaygroup.com) requesting to be removed from our mailing list.