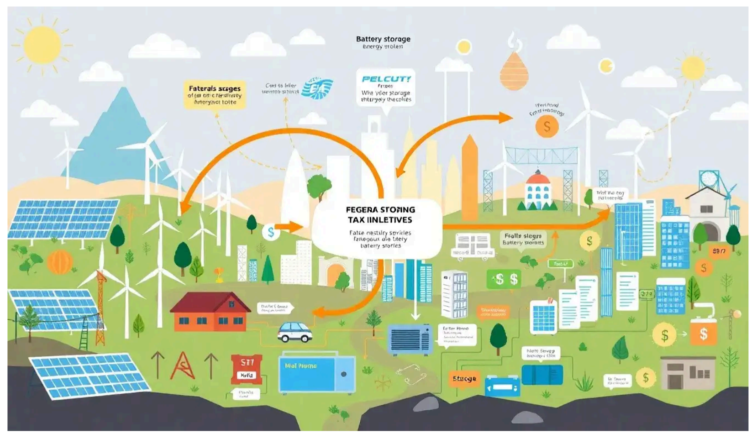
How does the battery storage tax credit interact with state-specific tax incentives

NenPower November 11, 2024 2:52 pm

Residential Energy Storage 2 views



Federal Framework

The **Investment Tax Credit (ITC)** under the Inflation Reduction Act (IRA) provides a **30% federal tax credit** for standalone battery storage installations. For commercial projects, the **Clean Electricity Investment Credit (CEIC)** now offers credits up to **50%** of project costs if domestic content or energy community requirements are met. Tax-exempt entities (e.g., nonprofits) can utilize the **Direct Pay provision** to receive these credits as cash payments.

State-Level Incentives

State programs often **stack with federal credits**, including:

- **Upfront rebates**:
  - **California**: SGIP offers $/kW rebates, prioritizing high-fire-risk and low-income areas.
  - **Connecticut**: Up to $16,000 for residential storage.
- **Performance payments**:
  - **Massachusetts**: Grid-service incentives via Connected Solutions.
  - **SMUD**: Ongoing per-kWh compensation for battery dispatch.
- **State tax credits**:
  - **Colorado**: 10% state tax credit for businesses.

Interaction Mechanisms

1. **Credit stacking**: Federal ITC/CEIC often applies to the **post-rebate project cost**, maximizing total savings. For example, a $10,000 battery receiving a $2,000 state rebate could still qualify for a 30% federal credit on the remaining $8,000.
2. **Hybrid incentives**: Utilities like SMUD combine upfront rebates with performance payments, while federal credits reduce the net installation cost.
3. **Domestic content bonuses**: Projects using U.S.-made components may qualify for both federal (CEIC bonus) and state manufacturing incentives.

Compliance Considerations

- **Tax-exempt entities**: Must choose between state rebates and federal Direct Pay, as some state programs reduce eligible costs for federal credits.
- **Documentation**: Maintain separate records for federal and state incentive qualifications (e.g., labor standards, equipment sourcing).

Check specific state guidelines, as programs like **New York's Long Island incentive** (remaining funds: ~4%) impose caps that may affect combined savings.

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