



Vote YES on HB 2681 and 2760

Extend Oregon's Solar Incentives for 6 Years

IN BRIEF: The Oregon Legislature created the Residential Energy Tax Credit (RETC) and property tax exemption for on-site solar in 1977 and 1975, respectively. Their goals are to promote home energy savings, diversify and distribute Oregon's energy sources, and transform the market for alternative energy systems, where one didn't exist before.

Since then, these forward-thinking policies have helped grow Oregon's solar and energy efficiency industries. For solar, the RETC has helped to install 54 MW on residential rooftops. Both the RETC and the property tax exemption are well-run, popular programs with long histories in our state. Without legislative action, they will soon expire. Both should be extended for another six years.

About RETC (HB 2681)

The RETC is a personal income tax credit for home installation of an energy saving device. For solar, the credit's value is \$6,000, or half of system cost, whichever is less, taken over four years. The Oregon Department of Energy (ODOE) reports that RETC has provided 570,000 tax credits worth \$172 million and saved enough energy to serve about 400,000 households for a year. Most people currently use RETC for installing solar panels and energy-efficient heat pumps, and furnaces.

About the Property Tax Exemption (HB 2760)

Since 1975, Oregon has exempted from property taxation the additional value that comes from installing solar or other onsite alternative energy systems. Approximately 1,400 properties took advantage of this exemption during 2015-2017. Although its revenue impact is small (about \$1.8 million statewide), this longstanding policy remains a key part of the value proposition that prompts homeowners to choose solar or other renewable energy options that offset their energy usage.

Both programs should be renewed for 6 years.

These are well run, popular programs with long histories in Oregon. Thorough oversight has ensured they continue to efficiently fulfill their goals.

- **“Almost every legislative session has seen major change to the RETC program.”** That is a quote from Oregon's Tax Expenditure Report, which describes how the Legislature has continually adjusted the program, adding new covered products, removing others, tweaking incentive rates, and making other changes that have ensured the program remains current and cost-effective.
- **ODOE has adjusted the RETC's solar incentive rate downward six times since 2012.** The 2011 Legislature granted ODOE the authority to adjust the RETC incentive for solar

in light of changing market conditions. Since then, ODOE has exercised this authority almost annually to ensure that the incentive rate remains just right (not too high or too low) to sufficiently impact homeowners purchase decisions. In 2015, the legislature granted ODOE authority to similarly adjust incentive rates for all covered products.

- **The Department of Administrative Services (DAS) found that “The RETC credit currently functions relatively well.”** DAS noted that the main challenge in maintaining the status quo (extending RETC without modifications) would be distinguishing it in policymakers’ minds from other, more controversial ODOE programs.

Both programs continue to fulfill their legislative mandates.

- **They help homeowners save money and energy.**
- **They transform the market for solar and highly energy efficient devices:**
 - **By driving the growth of Oregon’s solar and energy efficiency industries.** Oregon's solar industry currently supports a workforce of 4,500 Oregonians and an estimated 200 public and private businesses and organizations.
 - **By bringing down costs.** For solar, average installed system costs have fallen 66 percent since 2010. This reduces the incentive amounts that will be needed in the future.
- **They reduce Oregon’s need for new electric generation.** Half of our current generation now comes from fossil fuels. These programs boost clean energy, which doesn’t harm health or contribute to climate change.
- **They leverage additional out-of-state dollars.** RETC allows homeowners to augment the complementary Federal Investment Tax Credit.

A 6 year extension of RETC and the property tax exemption Oregon will:

- Align state incentives with federal incentives which were extended at the end of 2015.
- Boost solar adoption. Despite its growth, solar is still an emerging industry that needs some incentives to help homeowners install systems.
- Continue to create more clean energy jobs in both the energy efficiency and solar industries.
- Promote further energy savings and reduce Oregon’s greenhouse gas emissions.
- Reduce risk for electricity ratepayers by further diversifying Oregon’s energy mix.

If solar incentives expire, the industry could experience a substantial downturn.

When Washington State changed its solar incentive downward, its solar industry shrank. Oregon’s then experienced an uptick as several installers working in both states expanded Oregon operations because they saw our state as a more stable solar marketplace. When Nevada regulators recently changed net metering policy, the solar industry withered overnight. Alternatively, when the Federal Investment Tax Credit was extended in December 2015, solar businesses were better able to plan. The lesson is that as an emerging industry, solar is highly sensitive to even small changes in the policy and regulatory climate.

For more information, contact:

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